

PACIFIC RIM MINING CORP.

Quarterly Report to Shareholders
Management Discussion & Analysis
October 31, 2009 Unaudited Financial Statements

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Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis ("MD&A"), dated as of December 4, 2009, reviews Pacific Rim Mining Corp.'s (collectively with Pac Rim Cayman LLC, "Pacific Rim" or "the Company") business and financial performance for the three months and six months ended October 31, 2009 ("Q2 2010"), in comparison to the three months and six months ended October 31, 2008 ("Q2 2009"). In order to fully understand Pacific Rim's financial condition and results of operations, this MD&A should be read in conjunction with the Company's Q2 2010 interim consolidated financial statements and accompanying notes.

The Company's interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and filed with appropriate regulatory bodies in Canada and the United States. The Company's reporting currency is the United States ("U.S.") dollar and all monetary amounts are stated in U.S. dollars unless otherwise noted.

This MD&A is prepared in conformity with NI 51-102F1 and was approved by the Company's Board of Directors prior to its release.

Forward-Looking Statements

The information contained herein contains "forward-looking statements" within the meaning of Section 21E of the United States Securities Exchange Act of 1934 (as amended) and applicable Canadian securities legislation. Forward-looking statements relate to information that is based on assumptions of management, forecasts of future results, and estimates of amounts not yet determinable. Any statements that express predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements." Statements concerning reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed, and in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited.

Forward-looking statements are subject to a variety of risks and uncertainties, which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation: risks related to failure to obtain adequate financing on a timely basis and on acceptable terms; political and regulatory risks associated with mining and exploration; risks related to the maintenance of exchange listings; risks related to environmental regulation and liability; the potential for delays in exploration or development activities or the completion of feasibility studies; the uncertainty of profitability based upon the Company's history of losses; risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits; risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; results of prefeasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; risks related to gold price and other commodity price fluctuations; mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production; and other risks and uncertainties related to the Company's prospects, properties and business detailed elsewhere in this MD&A. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Investors are cautioned against attributing undue certainty to forward-looking statements. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Cautionary Note Concerning Resource Estimates and to U.S. Investors

The terms "Measured resource", "Indicated resource" and "Inferred resource" used in this document are Canadian mining terms as defined in NI 43-101 and CIM Standards on Mineral Resources and Mineral Reserves. Mineral resources that are not mineral reserves have not been demonstrated to be economically and legally extractable. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. It should not be assumed that all or any part of a resource will ever be converted to a reserve. The mineral resource estimates presented herein include Inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these Inferred resources will be converted to Measured and Indicated resource categories through further drilling, or into mineral reserves once economic considerations are applied.

We advise U.S. Investors that while the terms "Measured resource", "Indicated resource" and "Inferred resource" are recognized and required to be reported by Canadian regulations, the U.S. Securities and Exchange Commission ("SEC") does not recognize these terms and does not normally permit such terms to be used in reports and registration statements filed with the SEC. As such, information contained in this document concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the U.S. Securities and Exchange Commission. Inferred resources have a great amount of uncertainty as to their existence and a great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of a Measured, Indicated or Inferred resource will ever be upgraded to a higher category. U.S. investors are cautioned not to assume that any part or all of an Inferred mineral resource exists, or is economically or legally mineable. U.S. investors are also cautioned not to assume that any part or all of the mineral deposits in the Measured resource or Indicated resource categories will ever be converted into reserves.

1. Overview

Pacific Rim is an environmentally and socially responsible exploration company focused exclusively on high grade, environmentally clean gold deposits in the Americas. Pacific Rim's primary asset and focus of its growth strategy is the high grade, vein-hosted El Dorado gold project in El Salvador. The Company owns several similar grassroots gold projects in El Salvador and is actively seeking additional assets elsewhere in the Americas that fit its project focus.

Pacific Rim's shares trade under the symbol PMU on both the Toronto Stock Exchange ("TSX") and the NYSE Amex ("NYSE").

All references to "Pacific Rim" or "the Company" encompass the Canadian corporation, Pacific Rim Mining Corp, and its U.S. and Salvadoran subsidiaries, Pac Rim Cayman LLC ("Pac Rim"), Pacific Rim El Salvador, S.A. de C.V. ("PRES"), and Dorado Exploraciones, S.A. de C.V. ("DOREX"), inclusive.

1.1 Significant Events

No significant technical or corporate events occurred during the Company's second quarter of fiscal 2010.

1.2 Subsequent Events

Subsequent to the end of Q2 1010, the following events occurred:

On November 12 the Company announced it received notice from the NYSE Amex LLC ("NYSE Amex" or the "Exchange") that, based on their review of the Company's fiscal 2010 first quarter results, the Company is not in compliance with Section 1003(a)(iii) of the Company Guide, having at July 31, 2009 stockholders' equity of less than \$6,000,000 while sustaining losses from continuing operations and net losses in its five most recent fiscal years. Details of the NYSE Amex notification are provided in the Company's news release #09-09 dated November 12, 2009 and in Section 7.

On November 20, 2009 the Company announced that the three nominations for arbitrators in Pac Rim's action under the Central America-Dominican Republic-United States of America Free Trade Agreement ("CAFTA") and the El Salvadoran Investment Law have all accepted their appointments and as a result, the Arbitral Tribunal is therefore deemed under ICSID Arbitration Rule 6 to have been constituted. The arbitration process will now get fully underway, with the next step being for the Arbitral Tribunal to convene a hearing to set out the further procedures in the arbitration.

1.3 Current Market Status

The business of mining and exploration involves a high degree of risk. The Company is entirely reliant on its current cash and cash equivalents, sale of minor gold and silver bullion balances, and

future financings in order to fund legal, exploration and administration expenses. There can be no assurance that such financing will be available now or in the future, or be available on favourable terms, particularly considering current market conditions for issuance of capital.

Readers are encouraged to thoroughly review the Risks and Uncertainties outlined in Section 15.

1.4 Overall Financial Performance

Pacific Rim is an exploration company that relies on cash, cash equivalents and sale of minor bullion balances to fund its exploration and general and administrative expenses. Until October 31, 2009, the Company owned a 49% non-operating interest in the Denton-Rawhide gold and silver operation in Nevada.

For the three month period ended October 31, 2009, Pacific Rim recorded a loss for the period of \$(1.3) million or \$(0.01) per share, compared to a loss of \$(1.2) million or \$(0.01) per share for the three month period ended October 31, 2008. Although the loss for both periods is relatively unchanged, the loss from continuing operations during Q2 2010 was \$(1.4) million or \$(0.01) per share, compared to \$(2.6) million or \$(0.02) per share during Q2 2009, the difference being primarily attributable to significantly lower direct exploration expenditures during Q2 2010 compared to the same period a year earlier. During Q2 2009, the Company realized net income from discontinued operations (the Denton-Rawhide Joint Venture) of \$1.4 million, which substantially offset the loss from continuing operations during that period. There was only a minor recovery of income taxes from this source during Q2 2010.

At October 31, 2009 the Company's cash and cash equivalents totalled \$0.6 million, unchanged from the \$0.6 million balance as of July 31, 2009 (the end of the Company's first quarter of fiscal 2010) and a decrease of \$0.7 million from the April 30, 2009 balance of \$1.3 million, (the end of the Company's previous fiscal year). Bullion (held by the Company and not yet sold) was valued at \$0.2 million at October 31, 2009 compared to \$0.8 million at July 31, 2009 and \$1.2 million at April 30, 2009. Bullion is valued at the gold and silver price on the date the bullion was received. Current assets were \$0.9 million at October 31, 2009 compared to \$1.6 million at July 31, 2009 and \$2.6 million at April 30, 2009, a decrease of \$1.6 million since the end of the Company's previous fiscal year. This decrease reflects bullion sales to fund the expenditures of cash on exploration expenses and project generation efforts, general and administrative costs associated with maintaining a public company, and expenditures related to advancing the CAFTA action.

At October 31, 2009 the Company had current liabilities of \$0.7 million compared to \$0.6 million at April 30, 2009. This small increase in current liabilities is entirely due to a \$0.1 million increase in accounts payable. Future income tax liability, relating to Pac Rim's investment in El Salvador, did not change between the end of fiscal 2009 and the end of Q2 2010, and at October 31, 2009 was valued at \$1.0 million. Currently, Pacific Rim has no short- or long-term debt.

The \$1.7 million decrease in current assets combined with the \$0.1 million increase in current liabilities, resulted in a \$1.8 million reduction in working capital from \$2.0 million at April 30, 2009 to \$0.2 million at October 31, 2009.

2. Selected Quarterly Financial Information

The following financial data are derived from the Company's second quarterly consolidated financial statements for the three month and six month periods ended October 31, 2009 and 2008:

	Three Months Ended October 31, 2009	Three Months Ended October 31, 2008	Six Months Ended October 31, 2009	Six Months Ended October 31, 2008
Summarized Statement of Loss*				
Exploration expenditures	\$417	\$1,236	\$855	\$3,687
Loss from Continued Operations	\$(1,355)	\$(2,602)	\$(2,236)	\$(6,353)
Discontinued Operations – Net income (loss) of Denton-Rawhide Joint Venture	\$38	\$1,390	\$38	\$1,872
Loss for the period	\$(1,317)	\$(1,212)	\$(2,198)	\$(4,481)
Loss per share after Discontinued Operations (basic and diluted)	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.04)
Weighted average shares outstanding (basic and diluted)	118,050,308	116,915,460	118,047,047	116,915,460
Summarized Statement of Cash Flows*				
Cash Flow used for operating activities	\$(96)	\$(3,197)	\$(741)	\$(6,582)
Cash Flow provided by investing activities	\$nil	\$5,075	\$(14)	\$7,329
Cash Flow provided by financing activities	\$nil	\$nil	\$2	\$nil
Cash Flow from Continuing Operations	\$(96)	\$1,878	\$(753)	\$747
Cash Flow from Discontinued Operations	\$38	\$1,220	\$38	\$1,106
Net increase (decrease) in cash	\$(58)	\$3,098	\$(715)	\$1,853
	At October 31, 2009	At April 30, 2009		
Summarized Balance Sheet*				
Cash and cash equivalents	\$569	\$1,284		
Bullion	\$154	\$1,225		
Receivables, Deposits and Pre-paids	\$175	\$106		
Current assets	\$898	\$2,615		
Total assets	\$6,448	\$8,187		
Total liabilities	\$1,792	\$1,679		
Working Capital	\$152	\$1,982		

*all amounts in thousands of US dollars except share and per share amounts

3. Significant Exploration Projects

Pacific Rim's most significant exploration project is the advanced-stage El Dorado gold project in El Salvador. In July 2008 the Company suspended drilling activity at the El Dorado project in order to preserve capital and reduce its El Salvador investment activity until such time as the Government of El Salvador grants a mining permit for the El Dorado project.

The Company did not conduct any significant exploration work on the El Dorado project, or any of its other existing exploration projects, during Q2 2010. The Company is currently evaluating a number of mineral projects for potential acquisition as part of its project generation efforts. Background information regarding the Company's exploration projects are provided in its 2009 Annual Report available at www.pacrim-mining.com or www.sedar.com.

3.1 El Dorado Gold Project, El Salvador

3.1.1 Overview

The El Dorado gold project, located in El Salvador approximately 65 kilometers northeast of the capital city San Salvador, is Pacific Rim's flagship advanced-stage exploration property. Pacific Rim, through Pac Rim and PRES, owns 100% of the El Dorado project.

The El Dorado project hosts an epithermal bonanza vein system, comprising dozens of gold-bearing veins over an area at least 12 km long by 4.5 km wide. Pacific Rim has defined 6 gold deposits to date within the El Dorado project area including the Minita, South Minita and Balsamo deposits that host the bulk of the project's resources.

Readers are referred to the Company's 2009 Annual Report for a thorough description of the El Dorado project claims and tenure, including the project's tabulated gold and silver resources.

3.1.2 Q2 2010 Developments

The suspension of exploration activity at the El Dorado project, initiated in July 2008, continued during Q2 2010. This difficult decision was made in order to preserve capital and substantially reduce Pacific Rim's El Salvador investment activity while the El Dorado permitting issue remains unresolved. Exploration work at El Dorado during Q2 2010 was limited to activities required to keep the exploration licences in good standing, such as the filing of required documentation, as well as ongoing water testing and minor community relations initiatives.

A feasibility study for the El Dorado project to develop a mine plan and economic analysis of the Minita, South Minita and Balsamo deposits was initiated in fiscal 2006 and put on hiatus between late fiscal 2007 and early fiscal 2009 while the basis of the study was expanded due to the discovery of the Balsamo deposit. In February 2009 (late fiscal 2009) the Company decided to defer completion of the feasibility study. While Pacific Rim intends to complete the feasibility study when the El Dorado permit issue is clarified, it did not resume during Q2 2010.

[The previous paragraph contains a forward-looking statement based on management's intentions regarding the El Dorado feasibility study as of the date of this report. The conditions management believes are necessary to resume and complete the El Dorado feasibility study are outside of the Company's control and therefore, management can not predict with certainty if or when the feasibility study will be completed.]

3.1.3 Permitting

A thorough description of the process for obtaining an exploitation concession (aka mining permit) under El Salvadoran law, and Pacific Rim's efforts to obtain approval of its El Dorado Environmental Impact Study ("EIS") as a precursor to approval of the El Dorado exploitation concession are available in the Company's 2009 Annual Report. There were no material developments in the Company's application for environmental or exploitation permits during Q2 2010.

3.1.4 CAFTA Action

In April 2009 Pac Rim filed international arbitration proceedings under CAFTA and the El Salvadoran Investment Law against the Government of El Salvador (the "Government"), in its own name and on behalf of PRES and DOREX. Pac Rim has retained the Washington, DC-based international law firm of Crowell & Moring, LLP to represent it in the arbitration and is seeking award of damages in the hundreds of millions of dollars from the Government for its multiple breaches of international and Salvadoran law. A thorough description of the CAFTA Action is provided in the

Company's 2009 Annual Report. Numerous logistical activities related to this action were undertaken and accomplished during Q2 2010 and subsequent to the end of the quarter, Pac Rim was informed by the International Centre for Settlement of Investment Disputes ("ICSID") that the three nominations for arbitrators in the action have all accepted their appointments. As a result, the Arbitral Tribunal is therefore deemed under ICSID Arbitration Rule 6 to have been constituted. The arbitration process has begun, with the next step being for the Arbitral Tribunal to convene a hearing to set out the further procedures in the arbitration.

3.1.5 Summary

The El Dorado gold project is Pacific Rim's most advanced exploration (and sole material) project, and has been the primary focus of its exploration efforts for the past 7 years and the recipient of the bulk of its exploration expenditures.

The reduction in El Salvador exploration expenditures initiated by the Company in July 2008 continued during Q2 2010 and primarily affected exploration work aimed at sustaining the El Dorado project. Nonetheless, virtually all of the \$0.4 million the Company spent on direct exploration costs during Q2 2010 was expended on the El Dorado project. The Company does not intend to resume significant exploration work at the El Dorado project until such time as the environmental permit is received and the exploitation concession is granted. The Company intends to continue exploration activities and make expenditures required to keep the El Dorado property in good standing during the remainder of fiscal 2010.

[The foregoing paragraph contains forward-looking statements regarding the scope of exploration work programs management intends to undertake in the coming fiscal year. This expectation is based on various assumptions including but not limited to the Company's continued title and access to the El Dorado property, availability of sufficient working capital and, if necessary, access to financing. The foregoing paragraph also contains forward-looking statements regarding the Company's intent to forego significant exploration work at the El Dorado project until certain permits are granted, the implication being that if and when these permits are granted increased investments in exploration will be made. Readers are cautioned that this statement conveys management's intent but that resumption of a large-scale exploration program at the El Dorado project is dependent on the availability of adequate financing, the ability to procure adequate experienced staff, the availability of contractors, and other risks and uncertainties. Should any of these assumptions prove incorrect or requirements not be met, the Company's exploration plans for the remainder of fiscal 2010 may not occur as planned.]

3.2 Santa Rita and Zamora-Cerro Colorado Gold Projects, El Salvador

The Company's Santa Rita and Zamora-Cerro Colorado projects cover additional low-sulfidation epithermal gold districts in El Salvador. The Santa Rita gold project is located in central El Salvador, immediately northwest of the El Dorado project and is 100% owned by the Company. The Zamora-Cerro Colorado project comprises some claims that are under option to earn a 100% interest from a third party and additional claims that were staked are 100% owned by the Company. Readers are referred to the Company's 2009 Annual Report for a thorough description of the Santa Rita and Zamora-Cerro Colorado project claims and exploration targets.

During Q1 2010 the Santa Rita exploration licence expired and was immediately re-staked by the Company's subsidiary DOREX. DOREX is currently awaiting approval of the new Santa Rita exploration licence. No material developments occurred on the Zamora-Cerro Colorado project during Q2 2010.

Despite the positive exploration results the Company has generated to date on both the Santa Rita and Zamora-Cerro Colorado projects, further exploration activities were curtailed in July 2009 in keeping with the Company's decision to significantly reduce its investment in El Salvador until such time as the El Dorado environmental permit is received and the exploitation concession is granted.

The Company intends to continue exploration activities and make expenditures required to keep the Santa Rita and Zamora-Cerro Colorado licences in good standing during the remainder of fiscal 2010.

[The foregoing paragraph contains forward-looking statements regarding the scope of exploration work programs management intends to undertake in the coming fiscal year. This expectation is based on various assumptions including but not limited to DOREX being granted title and access to the Santa Rita property, availability of sufficient working capital and, if necessary, access to financing. The foregoing paragraph also contains forward-looking statements regarding the Company's intent to forego significant exploration work at the Santa Rita and Zamora-Cerro Colorado projects until the new Santa Rita exploration licence is approved and certain other permits are granted, the implication being that if and when these licences and permits are granted increased investments in exploration will be made. Readers are cautioned that this statement conveys management's intent but that resumption of significant exploration at the Santa Rita and Zamora-Cerro Colorado projects is dependent on the re-establishment of tenure at Santa Rita, the availability of adequate financing, the ability to procure adequate experienced staff, the availability of contractors, and other risks and uncertainties. Should any of these assumptions prove incorrect or requirements not be met, the Company's exploration plans for the remainder of fiscal 2010 may not occur as planned.]

3.3 Generative Program

Pacific Rim's project generation initiatives focus on acquiring projects the Company believes have good exploration potential without incurring onerous costs. The Company focuses solely on low-sulfidation epithermal gold systems, which are environmentally-clean, high grade, and low cost.

In late fiscal 2008 the Company shifted the focus of its grassroots exploration initiatives out of El Salvador. Using its unique understanding of epithermal gold systems in the Central American Gold Belt, particularly within El Salvador, Pacific Rim has been very successful in locating new, high grade gold-bearing systems in the past and is ideally equipped to apply this formula for discovery to neighbouring jurisdictions.

The Company is continuing to evaluate potential project acquisitions in the Americas that fit its exploration criteria. However, no new project acquisitions were made during or subsequent to Q2 2010, and there are no guarantees that any project evaluation or due diligence work currently underway will result in a positive outcome or that the Company will be successful in acquiring any of the projects it is currently evaluating.

4. Results of Operations

As a result of the sale of its Denton-Rawhide assets during fiscal 2009, the Company no longer accounts for Revenue and Mine Operating Costs from the sale of gold and silver as Mine Operating Income. Revenue and operating costs from the Denton-Rawhide operation (attributable to the Company's 49% interest until December 31, 2008) are accounted for, for the current and prior fiscal years, as Discontinued Operation – Net Income of Denton-Rawhide Joint Venture.

For the three month period ended October 31, 2009, Pacific Rim recorded a loss for the period of \$(1.3) million or \$(0.01) per share, compared to a loss of \$(1.2) million or \$(0.01) per share for the three month period ended October 31, 2008. Although the loss for both periods is relatively unchanged, the loss from continuing operations during Q2 2010 was \$(1.4) million or \$(0.01) per share, compared to \$(2.6) million or \$(0.02) per share during Q2 2009, the difference being primarily attributable to significantly lower direct exploration expenditures during Q2 2010 compared to the same period a year earlier. During Q2 2009, the Company realized net income from discontinued operations (the Denton-Rawhide Joint Venture) of \$1.4 million, which substantially offset the loss from continuing operations during that period. There was only a minor recovery of income taxes from this source during Q2 2010.

For the six months ended October 31, 2009, Pacific Rim recorded a loss for the period of \$(2.2) million or \$(0.02) per share, compared to a loss of \$(4.5) million or \$(0.04) per share for the six months ended October 31, 2008. The \$2.2 million decrease in net loss period over period is primarily attributable to significantly decreased exploration expenditures, lower general and administrative expenditures (notwithstanding significant CAFTA-related expenses during the six months ended October 31, 2009 for which there was no comparable item for the same period a year earlier). As described above, there was a substantial decrease in loss from continuing operations between the first six months of fiscal 2009 (\$6.4) million) and the first six months of fiscal 2010 (\$(2.2) million) as result of significant decreases in exploration and general and administrative expenses. During the six months ended October 31, 2008, the loss from continuing operations was offset in part by \$1.9 million in income from discontinued operations (the Denton-Rawhide Joint Venture) compared to \$0.04 million during the six months ended October 31, 2009.

4.1 Expenses

Quarterly exploration expenditures were greatly reduced year over year, from \$1.2 million in Q2 2009 to \$0.4 million in Q2 2010. Although significant exploration work ceased at the Company's El Salvador exploration projects in July 2008 (Q1 2009), residual expenses and ongoing community relation programs continued into Q2 2009. During Q2 2010, exploration expenditures included El Salvador project maintenance costs and expenditures related to the evaluation of potential project acquisitions.

General and administrative expenses were lower during Q2 2010 (\$0.4 million) than Q2 2009 (\$1.4 million) as a result of the Company's reduction in activities. In addition, \$0.6 million was spent on the CAFTA action, for which there was no comparable item during Q2 2009 and a value of \$0.2 million was assigned using the Black-Scholes model for valuing the extension of warrants.

During Q2 2010 the Company realized a gain on the sale of bullion of \$0.3 million for which there was no comparable item in Q2 2009. The gain represents the difference between the consideration received for gold and silver when it was sold and its book value, which is based on the gold price on the date the bullion was received.

4.2 Unusual Items

During Q2 2009 the Company received income of \$1.4 million from the Denton-Rawhide operation (of which the Company was a participant until December 31, 2008) related to the production of gold and silver, for which there is no comparable item in Q2 2010.

4.3 Summary

Although the Company's loss from continuing operations decreased from Q2 2009 (\$(2.6) million) to Q2 2010 (\$(1.4) million), the \$1.4 million income received from discontinued operations during Q2 2009 offset a substantial portion of that loss, leading to a loss for the Q2 2009 period of \$(1.2) million. Income from discontinued operations during Q2 2010 was \$0.04 million, leading to a loss for the Q2 2010 period of \$(1.3) million, virtually unchanged from the same period a year earlier.

5. Summary of Quarterly Results

Summary of Quarterly Results (unaudited) (all amounts in thousands of US dollars, except per share amounts)

	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Revenue from Continuing Operations	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Loss before discontinued operations	\$(1,355)	\$(881)	\$(1,461)	\$(1,629)	\$(2,602)	\$(3,751)	\$(6,079)	\$(3,976)
Loss per share before discontinued operations – basic and diluted	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.03)	\$(0.06)	\$(0.03)
Discontinued Operations – Income from Denton Rawhide Joint Venture	\$38	\$nil	\$49	\$1,246	\$1,390	\$482	\$46	\$273
Net loss for the period	\$(1,317)	\$(881)	\$(1,412)	\$(383)	\$(1,212)	\$(3,269)	\$(6,033)	\$(3,703)
Net loss per share after Discontinued Operations - basic and diluted	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.03)	\$(0.06)	\$(0.03)

The Company has typically realized a net quarterly loss. Until Q1 2009, expenses were generally rising as the Company increased its expenditures on El Salvador-based social and environmental programs, and was operating a drill program at the El Dorado project. Exploration expenses have generally decreased over the past five quarters, since the Company elected to cease active exploration in El Salvador in July 2008 and put its 3 exploration programs there on care and maintenance while it awaits resolution of the El Dorado permitting impasse. Likewise, the Company made significant cuts to staffing levels during Q2 2009 and Q3 2009, which have led to lower general and administrative costs. However, in the past 2 quarters, expenses related to the CAFTA action have significantly increased, offsetting the cost savings brought about by staffing cuts. As a result general and administrative costs have recently increased, leading to a small reversal during the most recent quarter in loss before discontinued operations, which has generally trended toward smaller losses over the past 8 quarters. Income from discontinued operations (the Denton-Rawhide joint venture) has varied substantially quarter to quarter. During Q2 2009 the Company received payment for the sale of its 49% interest in the operation (see Section 4) and during Q3 2009 continued to participate in the proceeds of gold and silver production from the operation, which led to a notable increase in income from this discontinued operation during those two periods. Since Q1 2010 the Company has booked no income from discontinued operations. Net loss for each of the past 8 quarterly periods shows no discernable trend, which is largely a function of the significant variability in income from discontinued operations.

6. Liquidity

At October 31, 2009 the Company's cash and cash equivalents totalled \$0.6 million, unchanged from the \$0.6 million balance as of July 31, 2009 (the end of the Company's first quarter of fiscal 2010) and a decrease of \$0.7 million from the April 30, 2009 balance of \$1.3 million, (the end of the Company's previous fiscal year). Bullion (held by the Company and not yet sold) was valued at \$0.2 million at October 31, 2009 compared to \$0.8 million at July 31, 2009 and \$1.2 million at April 30, 2009. Bullion is valued at the gold and silver price on the date the bullion was received. Current assets were \$0.9 million at October 31, 2009 compared to \$1.6 million at July 31, 2009 and \$2.6 million at April 30, 2009, a decrease of \$1.6 million since the end of the Company's previous fiscal year. This decrease reflects bullion sales to fund the expenditures of cash on exploration expenses and project generation efforts, general and administrative costs associated with maintaining a public company, and expenditures related to advancing the CAFTA action.

During Q2 2010 the Company received \$1.0 million from the sale of bullion and \$0.3 million in expenses were added to accounts payable. Outlays of cash during the quarter included: \$0.4

million in direct exploration expenditures, \$0.4 million in direct general and administrative expenses and \$0.6 million in CAFTA-related expenses. The net result was a marginal (\$0.06 million) decrease in cash between July 31 and October 31, 2009.

See Section 7 for further discussion of the Company's financial condition and estimated funding requirements.

6.1 Cash Flow Used For Operating Activities

The Company's loss from continuing operations was \$(1.4) million in Q2 2010 compared to \$(2.6) million in the same quarter a year earlier. These losses were offset by a number of non-cash items and changes in non-cash working capital including: stock-based compensation of \$0.1 million for each of Q2 2010 and Q2 2009; financing costs of \$0.2 million in Q2 2010 compared to \$nil in Q2 2009; a change in accounts payable and accrued liabilities of \$0.3 million for Q2 2010 compared to \$(0.8) million for Q2 2009; and. As a result, cash flow used for operating activities was \$(0.1) million in Q2 2010, substantially decreased from \$(3.2) million in Q2 2009.

For the first six months of fiscal 2010, cash flow used for operating activities was \$(0.7) million compared to \$(6.6) million for the first six months of fiscal 2009. The substantial decrease in cash flow used for operating activities for the current six month period compared to the same period a year earlier is largely attributable to a decrease in the loss from continued operations (a loss of \$(2.2) million for the first six months of fiscal 2010 compared to \$(6.4) million for the first six months of fiscal 2009) and non-cash items and changes in non-cash working capital including: financing costs of \$0.2 million in the first six months of fiscal 2010 compared to \$nil in the same period a year earlier; a change in accounts payable and accrued liabilities (\$0.1 million for the first six months of fiscal 2010 compared to \$(0.7) million for the same period of a year earlier); a change in receivables for the six months ended October 31, 2009 of \$0.1 million compared to \$0.1 million for the six months ended October 31, 2008; and a change in bullion of \$1.1 million for the first six of fiscal 2010 compared to \$nil for the same period a year earlier.

6.2 Cash Flow Provided by Investing Activities

During Q2 2009 net redemptions from the Company's short term investments totaled \$2.0 million and proceeds from the sale of discontinued operation totaled \$3.1 million, compared to \$nil for both items during Q2 2010. As a result, cash flow provided by investing activities was \$nil during Q2 2010 compared to \$5.1 million during Q2 2009.

During the first six months of fiscal 2009 the Company made redemptions from short term investments of \$4.2 million and realized proceeds from the sale of discontinued operations of \$3.1 million, compared to \$nil for both items during the first six months of fiscal 2010. Investments in property, plant and equipment were negligible during both six month periods and as a result, cash flow used for investing activities was negligible during the first six months of fiscal 2010 compared to \$7.3 million provided by investing activities during the first six months of fiscal 2009.

6.3 Cash Flow Provided by Financing Activities

The Company realized no cash flow from financing activities during Q2 2010 or Q2 2009.

During the first six months of fiscal 2010, a negligible amount of cash flow from financing activities was realized from the exercise of employee stock options (16,666 shares at an average price of CDN \$0.17 per share). There was no cash flow from financing activities during the first six months of fiscal 2009.

6.4 Contractual Obligations

The Company's contractual obligations have not materially changed from those disclosed in its 2009 Annual Report.

7. Capital Resources and Financial Condition

At October 31, 2009, the book value of the Company's current assets was \$0.9 million, compared to \$2.6 million at April 30, 2009, a reduction of \$1.7 million. The decrease in current assets is primarily a result the sale of bullion (for cash) and subsequent cash expenditures as outlined in Section 7 above. Property, plant and equipment balances at October 31, 2009 were marginally reduced to \$5.5 million from the April 30, 2009 balance of \$5.6 million. As a result, the Company's total assets at the end Q2 2010 were \$6.4 million compared to \$8.2 million at the end of fiscal 2009.

At October 31, 2009 the Company had current liabilities of \$0.7 million compared to \$0.6 million at April 30, 2009. This small increase in current liabilities is entirely due to a \$0.1 million increase in accounts payable. Future income tax liability, relating to Pac Rim's investment in El Salvador, did not change between the end of fiscal 2009 and the end of Q2 2010, and at October 31, 2009 was valued at \$1.0 million. Currently, Pacific Rim has no short- or long-term debt.

The \$1.7 million decrease in current assets combined with the \$0.1 million increase in current liabilities, resulted in a \$1.8 million reduction in working capital from \$2.0 million at April 30, 2009 to \$0.2 million at October 31, 2009.

The Company's ability to continue operations and exploration activities as a going concern is dependent upon its ability to obtain additional funding. The Company plans to raise sufficient funds during Q3 2010 to pursue ongoing exploration and administration expenses as well as its costs under the CAFTA arbitration. While the Company has been successful in obtaining its required funding in the past, there is no assurance that sufficient funds will be available to the Company in the future. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the progress and results of the El Dorado project and its permitting application, the resolution of international arbitration proceedings over the non-issuance of permits in El Salvador, the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. The Company will have to obtain additional financing through, but not limited to, the issuance of additional equity. See Section 14.1, Risks and Uncertainties for a discussion of financing risk.

[The foregoing paragraph contains forward-looking statements regarding the Company's requirement for financing and the use of funds that may be raised. There are no guarantees that financing will be available to the Company under acceptable terms and conditions. Readers are cautioned that without additional financing the Company's plans for the remainder of 2010 may not be carried out as planned and its ability to continue its business may be at risk.]

The Company does not intend to resume significant exploration programs in El Salvador until such time as the El Dorado environmental permit and exploitation concession are received. The Company can not judge if or when the required permits will be received and is not currently planning any exploration programs for its El Dorado, Santa Rita and Zamora-Cerro Colorado properties for fiscal 2010 beyond what is necessary to keep all of its exploration licences in good standing. Should the required permits be granted, the Company will evaluate its options for resuming full scale exploration work designed to advance its El Salvador projects.

The Company intends to continue to seek new project acquisitions and during fiscal 2010 intends to continue to conduct low cost field work, technical and legal due diligence on projects it is currently evaluating and to seek new prospects for staking or property acquisitions that fit its exploration focus.

[The foregoing two paragraphs contain forward-looking statements regarding the scope of exploration and generative work programs management intends to undertake in the coming fiscal year. This expectation is based on various assumptions including but not limited to the Company and/or its subsidiaries' continued title and access to the El Dorado, Santa Rita and Zamora-Cerro Colorado properties, the availability and accessibility of projects the Company may be interested in acquiring, the availability of sufficient working capital and, if necessary, access to financing. The foregoing paragraph also contains forward-looking statements regarding the Company's intent to forego significant exploration work at the El Salvador projects until certain permits are granted, the implication being that if and when these permits are granted increased investments in exploration will be made. Readers are cautioned that this statement conveys management's intent but that resumption of a large-scale exploration program at the El Salvador projects is dependent on the availability of adequate financing, the ability to procure adequate experienced staff, the availability of contractors, and other risks and uncertainties. Should any of these assumptions prove incorrect or requirements not be met, the Company's project generation and exploration plans and for fiscal 2010 may not occur as planned.]

The Company anticipates that its exploration plans as outlined above will cost approximately \$0.5 million for the remainder of fiscal 2010. If regulatory and political conditions warrant, and adequate financing is available, the Company will resume aggressive exploration of its El Dorado, Santa Rita and Zamora-Cerro Colorado projects in El Salvador, which will result in increased exploration and general and administrative expenditures over those currently anticipated for fiscal 2010.

[The foregoing paragraph contains forward-looking statements regarding the Company's exploration plans and anticipated costs during fiscal 2010. Readers are directed to the cautionary notes regarding forward-looking statements related to fiscal 2010 exploration and generative programs above and elsewhere in this report for a discussion of assumptions and risks. The anticipated exploration expenditures noted in the foregoing paragraph reflect estimations made by management based on current levels of expenditure and anticipated work programs as described previously. Should unexpected costs arise, exploration expenditures may differ from those currently anticipated.]

The Company's general and administrative costs during the remainder of fiscal 2010 are anticipated to increase due to legal costs associated with the CAFTA action undertaken by Pac Rim. In addition to its immediate financing requirements, the Company may require additional financing during the remainder of fiscal 2010 for general working capital expenses and/or expenses related to the CAFTA action (see Section 14.6, Risks and Uncertainties for a discussion of financing risk).

[The previous paragraph contains forward-looking statements regarding anticipated increases in general and administrative expenses as a result of increased legal costs during fiscal 2010, and the requirement for additional financing to fund these legal costs and/or future general working capital expenses. These statements are based on management's assumption that the CAFTA action will continue through fiscal 2010 and the expected costs of pursuing this action, plus the Company's anticipated burn rate for general and administrative costs. Should PRES receive the El Dorado permits at any time, the necessity to continue the CAFTA action may be averted and the anticipated impact on general and administrative costs may not materialize.]

On November 12 the Company announced it received notice from the NYSE Amex LLC ("NYSE Amex" or the "Exchange") that, based on their review of the Company's fiscal 2010 first quarter results, the Company is not in compliance with Section 1003(a)(iii) of the Company Guide, having at July 31, 2009 stockholders' equity of less than \$6,000,000 while sustaining losses from continuing operations and net losses in its five most recent fiscal years. In order to maintain listing of the Company's common shares on the NYSE Amex, the Company must submit a plan to the Exchange by December 11, 2009 addressing how it intends to regain compliance with Section 1003(a)(iii) by May 11, 2011.

The Company will submit a plan (the "Plan") before the deadline of December 11, 2009. If the Exchange accepts the Plan, then the Company may be able to continue its NYSE Amex listing during the Plan period, up to May 11, 2011, during which time the Company will be subject to

periodic review to determine whether it is making progress consistent with the Plan. If the Company fails to submit a Plan acceptable to the Exchange, or even if accepted, if the Company is not in compliance with the continued listing standards at the end of the Plan period or the Company does not make progress consistent with the Plan during the period, then the Exchange may initiate delisting proceedings (see Section 14.17, Risks and Uncertainties for a discussion of listing maintenance risk).

8. Proposed Transactions

Pacific Rim is continually reviewing project acquisitions and other opportunities that could enhance shareholder value.

There are currently no transactions in process that would affect the financial condition, results of operations or cash flows of the Company.

9. Related Party Transactions

The Company received accounting services from an accounting firm in which an Officer of the Company is a partner. The total accounting fees paid were \$86 Cdn.

10. Accounting Estimates and Policies

10.1 Critical Accounting 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. Significant areas requiring the use of management estimates include the carrying value of mineral properties and property, plant and equipment, bullion, closure costs and stock based compensation. Factors that could affect these estimates include risks inherent in mineral exploration and development, changes in reclamation requirements, and changes in government policy.

The carrying value of the El Dorado property reflects its acquisition cost, which was based on an estimate of the property's mineral resource at the time of the acquisition. This resource estimate was filed as a National Instrument 43-101 compliant technical report in February 2002. It has been superseded by subsequent resource estimates, the most recent of which was completed in January 2008.

The Company's activities in El Salvador are subject to the effects of changes in legal, tax and regulatory regimes, national and local political issues, labour and economic developments and government bureaucracy. PRES has experienced lengthy delays in the government of El Salvador's processing of the El Dorado exploitation concession application with no resolution to date, which, along with other factors beyond the control of PRES, could adversely impact operations in El Salvador or result in the impairment of the El Dorado property in the future; such impairment could be material. PRES has commenced a legal claim under CAFTA. If PRES is unsuccessful in obtaining a permit for El Dorado or in its CAFTA claim, or other factors beyond the control of the Company, such factors could adversely impact operations in El Salvador or result in the impairment of the El Dorado property in the future; such impairment could be material. As at April 30, 2009,

management of the Company determined that impairment indicators existed on its El Dorado project and completed an impairment assessment on this project. The current economic environment, the decline in the Company's stock price and the difficulty in obtaining a permit were considered as impairment indicators. As part of their impairment evaluation, management considered a number of factors, including the Company's share price at April 30, 2009 and current gold prices along with the Company's 2005 pre-feasibility study. Based on this impairment evaluation no impairment of the El Dorado project was identified as of April 30, 2009. To date, the Company's discussions with its legal counsel representing the Company in the CAFTA arbitration have not resulted in a determination of any material impairment in the carrying value of the Company concessions.

The Company re-evaluates the carrying values of property, plant and equipment when events or changes in circumstance indicate that carrying values may not be recoverable. If it is determined that the estimated net recoverable amount based on non-discounted cash flows is less than the carrying value, a write-down to the estimated fair value is made by a charge to earnings.

The Company makes significant assumptions and estimates in determining the fair market value of stock-based compensation granted to employees and non-employees and the value attributed to various warrants and broker warrants issued on financings, which have an effect on the stock-based compensation expense recognized and the contributed surplus and share capital balances on the Company's balance sheet. Using the Black-Scholes Option Pricing Model, management has made estimates of the life of stock options and warrants, the expected volatility and the expected dividend yields that could materially affect the fair market value of these securities. The estimates were chosen after reviewing the historical life of the Company's options and analyzing share price history to determine volatility.

As part of the sale of its interest in Denton-Rawhide (readers are referred to the Company's 2009 Annual Report), the Company has provided a guarantee on 49% of any reclamation and closure costs in the event that reclamation and closure costs were to exceed \$7.0 million. Kennecott has estimated a total of \$4.9 million for these expenditures under the proposed plan.

Readers are referred to Notes 2 and 4 (a) to the 2009 audited consolidated financial statements in the Company's 2009 Annual Report for additional information about Accounting Estimates and Policies.

10.2 Changes in Accounting Policies

Effective May 1, 2008, the Company implemented CICA Handbook Section 1400, which states that financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Disclosures required by this standard are included in Note 1 to the 2009 audited consolidated financial statements.

In January 2009, the CICA approved EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated the new section and determined that adoption of these new requirements did not have a material impact on the Company's consolidated financial statements.

On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has evaluated the new section and determined that adoption of these new requirements did not have a material impact on the Company's consolidated financial statements.

Effective May 1, 2009 the Company adopted the CICA issued handbook section 3064, "Goodwill and Intangible Assets", which replaces CICA HB Section 3062, "Goodwill and Intangible Assets," and CICA HB Section 3450, "Research and Development Costs," and amendments to Accounting Guideline (AcG) 11, "Enterprises in the Development Stage," and EIC-27, "Revenues and Expenditures during the Pre-operating Period" and CICA HB Section 1000, "Financial Statement Concepts." The standard intends to reduce the differences with International Financial Reporting Standards ("IFRS") in the accounting for intangible assets and results in closer alignment with U.S. GAAP. Under current Canadian standards, more items are recognized as assets than under IFRS or U.S. GAAP. The objectives of Section 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing assets that do not meet the definition and recognition criteria are eliminated. The standard will also provide guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed.

The Company has evaluated the new section and determined that adoption of these new requirements did not have a material impact on the Company's consolidated financial statements.

10.3 Recent accounting pronouncements not yet adopted

10.3.1 International financial reporting standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on May 1, 2011. The transition date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. In July 2008, the AcSB announced that early adoption will be allowed in 2009 subject to seeking and obtaining exemptive relief. The Company is currently assessing the financial reporting impact of the transition to IFRS and the changeover date.

10.3.2 Business combinations

In October 2008, the CICA issued Handbook section 1582, "Business Combinations", which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after May 1, 2011. The Company is considering early adoption to coincide with the adoption of IFRS. This adoption is not expected to have an impact on the Company's financial position, earnings or cash flows.

10.3.3 Non-controlling interest

In October 2008, the CICA issued Handbook section 1602, "Non-controlling Interests", to provide guidance on accounting for non-controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after May 1, 2011. This adoption is not expected to have an impact on the Company's financial position, earnings or cash flows.

11. Financial Instruments

The primary financial instruments currently affecting the Company's financial condition and results of operations are cash and cash equivalents, receivables, deposits and prepaids.

11.1 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company made significant cuts to its expenses during fiscal 2009. Despite these cuts, the Company's cash and cash equivalents and bullion on deposit are not sufficient to meet its exploration and general and administrative responsibilities during the remainder of fiscal 2010. The Company does not, furthermore, have sufficient working capital to fully fund the estimated costs of pursuing the CAFTA action against the Government that Pac Rim commenced during fiscal 2009. The Company requires additional financing during the remainder of fiscal 2010 to continue to pursue this action through to completion and to carry out its exploration plans and meet its general and administrative responsibilities. Readers are encouraged to thoroughly review the Company's Capital Resources and Financial Condition (Section 7), Risks and Uncertainties (Section 14) and Outlook (Section 16).

[The foregoing paragraph contains forward-looking statement regarding the Company's liquidity and its ability to meet its exploration and general and administrative financial responsibilities in fiscal 2010 as well as management's assessment that it will require future financing in order to fund expenses related to the ongoing CAFTA claim initiated by Pac Rim during fiscal 2009 and for general working capital. These estimations are made by management based on anticipated work programs, current cash, cash equivalent and bullion balances, exploration and legal cost estimates, the expectation that the CAFTA claim will proceed during fiscal 2010, and other factors, any of which, if incorrect, can cause actual results to differ such that the Company require financing in order to meet its fiscal 2010 exploration and administrative responsibilities and/or not require financing earmarked for the CAFTA claim. There are no guarantees that additional financing, on acceptable terms, will be available to the Company. Readers are encouraged to review the Risks and Uncertainties outlined in Section 14, particularly Section 14.1]

11.2 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits its exposure to credit risk by depositing its cash and cash equivalents with international financial institutions. The Company does not have financial assets that are invested in asset based commercial paper.

11.3 Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company holds its cash and cash equivalents primarily in U.S. dollar and Canadian dollar denominated accounts and its expenses are primarily incurred in U.S. dollars. At October 31, 2009 the impact of a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase or decrease of \$0.003 million in the Company's net earnings. See Section 15.11 for further discussion of this topic.

The Company has not entered into any derivative contracts to manage foreign exchange risk at this time.

11.4 Fair Values

As at October 31, 2009, the Company's carrying values of receivables, deposits and accounts payable approximate fair values due to their short terms to maturity. The bullion is valued at the lesser of fair value on the date it was received or net realizable value.

11.5 Commodity Price Risk

The Company is subject to price risk from fluctuations in the market price of gold and silver as a result of it holding bullion, which in turn is affected by numerous factors including central bank policies, producer hedging activities, the value of the US dollar relative to other major currencies, global demand and supply and global political and economic conditions. The Company does not have any hedging programs in place to mitigate commodity price risk.

12. Environmental Matters

Readers are referred to the Company's 2009 Annual Report for a thorough description of environmental matters related to its U.S. and International operations.

13. Controls and Procedures

13.1 Disclosure Controls and Procedures

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision, to provide reasonable assurance that material information related to the Company is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to permit timely decisions regarding public disclosure.

There has been no change in the Company's disclosure controls during the three months ended October 31, 2009 that has materially affected, or is reasonably likely to materially affect, its control over disclosures.

13.2 Internal Control Over Financial Reporting

Management has designed internal control over financial reporting, or caused it to be designed under its supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. Any system of internal control over financial reporting, regardless of how well designed, has inherent limitations. As such, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There has been no change to the Company's internal controls over financial reporting during the three months ended October 31, 2009 that has materially affected, or is reasonably likely to materially affect, its control over financing reporting.

13.3 Material Weakness in Disclosure Controls and Procedures and Internal Control Over Financial Reporting

A material weakness is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The Company's CEO and CFO assessed the effectiveness of the Company's internal control over financial reporting and have assessed the design and operating effectiveness of the Company's internal control over financial reporting as at October 31, 2009:

Based on that assessment, management concluded that, as at October 31, 2009, the Company's internal control over financial reporting was not effective due to the existence of a material weakness in the design of internal control over financial reporting caused by a lack of adequate segregation of duties in the financial close process. The Chief Financial Officer is responsible for preparing, authorizing, and reviewing information that is key to the preparation of financial reports. He is also responsible for preparing and reviewing the resulting financial reports. The weakness has the potential to result in material misstatements in the Company's financial statements, and should also be considered a material weakness in its disclosure controls and procedures.

Management has concluded that taking into account the present stage of the Company's development the Company does not have sufficient size and scale to warrant hiring of additional staff to correct the weakness at this time.

14. Risks and Uncertainties

The principal activity of the Company is mineral exploration, which is inherently risky. Exploration is also capital intensive and the Company has no source of income. The risk factors that could affect the Company's future results include, but are not limited to, those items discussed below.

14.1 Financing Risks

The Company's sources of financing include current cash and cash equivalents and bullion balances. The Company utilizes these funding sources to finance its exploration activities and general and administrative expenses. Additional financing will be required during Q3 2010 in order to meet the Company's exploration and general and administrative costs, including the costs associated with the CAFTA action described in Section 3.1.4 and more fully in the Company's 2009 Annual Report. Furthermore the Company does not have the funds in place to conduct mine development activities at the El Dorado property should the Company receive the permits allowing it to undertake these activities. There can be no assurance that the Company's exploration programs will result in locating additional commercially exploitable mineral ores or that the Company's properties will be successfully developed. There can also be no assurance that the underlying assumed levels of expenses will prove to be accurate.

There is no assurance that financing will be available to the Company immediately or in the future to conduct long term exploration and development of its projects or to fulfill its obligations under any applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of its securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the Company's failure to remain a going concern or

cause the delay or indefinite postponement of further exploration and development of its projects with a possible loss of some properties.

14.2 Maintenance of Exchange Listings

As detailed in Section 7 above, the Company recently received notification from the NYSE Amex LLC ("NYSE Amex" or the "Exchange") that as of July 31, 2009 it is not in compliance with listing maintenance standards outlined in the Exchange's Company Guide, having at July 31, 2009 stockholders' equity of less than \$6,000,000 while sustaining losses from continuing operations and net losses in its five most recent fiscal years. The Company intends to take the necessary steps to rectify this non-compliance and will submit a Compliance Plan ("Plan") to the Exchange detailing its plans to regain compliance by the given deadline. If the Company fails to submit a compliance plan acceptable to the Exchange, or even if accepted, if the Company is not in compliance with the continued listing standards at the end of the Plan period or the Company does not make progress consistent with the Plan during the period, then the Exchange may initiate delisting proceedings. If the Company's common shares are delisted from NYSE Amex, shareholders will not be able to trade our common shares on NYSE Amex and certain state securities law exemptions for our common shares would no longer be available. Consequently, the trading market for our securities in the United States will be limited. There can be no assurance that the Company's Plan will be accepted by the NYSE Amex or that it will satisfy the conditions required to maintain its NYSE Amex listing.

14.3 Exploration, Development and Operating Risks

Resource exploration, development, and operation is a highly speculative business that involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of precious metals and other minerals may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish economically viable mineral deposits, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. The potential for any project to eventually become an economically viable operation depends on numerous factors including: the quantity and quality of the minerals discovered if any, the proximity to infrastructure, metal and mineral prices (which vary considerably over time) and government regulations. The exact effect these factors can have on any given exploration property can not accurately be predicted but the effect can be materially adverse.

Except for the El Dorado Project, on which a pre-feasibility study was completed in 2005, none of the Company's properties have a known body of ore and the Company's proposed exploration programs are an exploratory search for ore.

Although mineral resource estimates included in this document (and/or in previous regulatory documents filed by the Company) have been carefully calculated, prepared, reviewed and/or verified by independent mining experts who are Qualified Persons, and have been reviewed by the Company, these amounts are estimates only and no assurance can be given that any particular level of recovery of gold and/or silver from mineral resources or previously disclosed reserves will in fact be realized or that an identified mineral resource will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates of mineral resources and reserves, production and capital costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In

addition, the grade of ore ultimately mined may differ from that indicated by drilling results. There can be no assurance that the percentage of gold recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale ore recovery.

The El Dorado Project is the Company's principal exploration property, which along with its secondary grassroots exploration projects Santa Rita and Zamora-Cerro Colorado, is located in El Salvador. As with most jurisdictions, El Salvador imposes certain requirements and obligations on the owners of exploratory properties including application requirements, periodic reporting requirements, limited terms and certain fees and royalty payments. The Company may acquire interests in properties in other North, Central and South American countries that may place substantial restrictions on the Company's exploratory and development activities. There can be no assurance that additional significant restrictions will not be placed on the Company's existing or future properties or its operations. Such restrictions may have a materially adverse effect on the Company's business and results of operation.

Mining operations generally involve a high degree of risk. The Company's operations are subject to all of the physical hazards and risks normally encountered in the exploration, development and production of precious metals and other minerals including unusual or unexpected geological formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to or destruction of documents, samples or drill core, damage to life or property, environmental damage and possible legal liability. It may not be possible to insure against these risks, or for economic reasons the Company may elect not to insure against these risks. The payment of liabilities as a result of the occurrence of any of these hazards may have a material adverse effect on the Company's financial position.

There can be no assurance that the Company's exploration and acquisition programs will yield new reserves to expand current resources. The development of the Company's properties will require the commitment of substantial financial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that the Company will generate any additional revenues or achieve profitability.

14.4 Reliability of Mineralization Estimates

Although the Company has assessed the mineral resource estimates presented herein and mineral resource and reserve estimates documented in other regulatory filings, and believes that the methods used to estimate such mineral reserves and mineral resources are appropriate, such figures are estimates. As well, estimates of mineral reserves and mineral resources are inherently imprecise and depend to some extent on statistical inferences drawn from limited drilling, which may prove unreliable. Furthermore, no assurances can be given that the indicated level of recovery of gold or other minerals will be realized. Market price fluctuations of gold or other minerals may render reserves and deposits containing relatively lower grades of mineralization uneconomic. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the deposits or the processing of new or different grades, may cause mining operations to be unprofitable in any particular period.

14.5 Title to Properties

PRES has applied for an exploitation concession over a portion of its El Dorado Project exploration licence area and has carried out the studies required by the authorities for this concession, including an EIS. The approval of the El Dorado EIS by the Salvadoran Ministry of Natural Resources and the Environment is a requirement for approval of the exploitation concession by the Ministry of Economy. The Company cannot say with certainty if or when the authorities in El Salvador will

approve the El Dorado EIS or grant PRES an exploitation concession. The exploitation concession application area covers ground protected by an exploration licence granted to PRES that nominally expired in January 2005. Legal opinions secured by the Company indicate that El Salvadoran administrative laws and procedures assure PRES exclusive rights to the proposed exploitation concession area while the application is in process, despite the underlying exploration licence having expired. There can be no assurance however that this opinion will not be challenged by regulatory authorities or other third parties and that PRES's legal rights to explore within the exploitation concession application area will be upheld indefinitely pending the outcome of the application process.

The Company's exploration properties may be subject to prior unregistered agreements or transfers or local land claims and title may be affected by undetected defects. The Company has investigated and believes it has good title to its properties. However, there is no guarantee that adverse claims to title will not arise in the future, nor can the Company express an opinion on how difficult the resolution of such claims would be under the laws of foreign jurisdictions.

14.6 Government Law, Environmental and Other Regulatory Requirements

The Company's El Dorado, Santa Rita and Zamora-Cerro Colorado Projects are located in El Salvador and the Company holds or may acquire exploration properties in other North, Central and South American countries. Mineral exploration and mining activities in foreign countries are subject to risks normally associated with the conduct of business in foreign countries and in addition its business activities may be affected in varying degrees by political stability and government regulations as these evolve in sovereign nations. These risks may include foreign labour disputes, invalidation of governmental orders, uncertain political and economic environments, war or civil disturbances, changes in laws, changes in foreign exchange rates, regulations and policies of governments, changes in foreign tax laws, delays in obtaining necessary permits, limitations on the repatriation of earnings and original investments and increased costs of and difficulty in obtaining financing.

Currency fluctuations, exchange controls, change to tax regimes and political action could impair the value of the Company's assets in the foreign jurisdictions in which the Company operates.

Mining operations have inherent risks and liabilities associated with possible pollution of the environment and with the disposal of waste products occurring as a result of mineral exploration or the production of metals from producing mines. Laws and regulations involving the protection and remediation of the environment and governmental policies and regulations for the implementation of such laws and regulations are constantly changing and are, in general, becoming more restrictive and more costly to abide by. There may be costs and delays associated with compliance with these laws or regulations that could prohibit the Company from the development or expansion of a mine. Mine closure and reclamation cost requirements could change from current estimates.

As disclosed in Sections 3.1.4 and 3.1.5 of the Company's 2009 Annual Report, PRES has experienced significant delays in the processing of its El Dorado EIS and exploitation concession application, and as a result Pac Rim initiated an action against the Government of El Salvador under the CAFTA international trade treaty. There can be no assurance that PRES will be successful in either obtaining its sought-after El Dorado exploitation concession, or that any legal challenges Pac Rim has undertaken or that the Company or its subsidiaries may choose to undertake in the future to resolve this issue will be successful.

14.7 History of Losses

The Company has a history of losses and may continue to incur losses for the foreseeable future. As of October 31, 2009, the Company had an accumulated deficit of \$83.3 million. The Company currently has no source of revenue and there can be no assurance that the Company will realize revenue growth or achieve profitability in the future.

14.8 Metal Price Volatility

Approximately one half of the Company's current working capital balance is held in bullion. The conversion of this bullion to cash, as well as the Company's ability to generate profits from any future mining operations, is directly related to the international price of gold, which is outside the Company's control. The gold price has a history of extreme volatility and there can be significant upward or downward movements in price in a short period of time. Gold prices historically have fluctuated widely and are influenced by a number of factors beyond the control or influence of the Company. Some factors that affect the price of gold include: industrial and jewellery demand; central bank lending or purchases or sales of gold bullion; forward or short sales of gold by producers and speculators; future level of gold production; and rapid short-term changes in supply and demand due to speculative or hedging activities by producers, individuals or funds. Gold prices are also affected by macroeconomic factors including: confidence in the global monetary system; expectations of the future rate of inflation; the availability and attractiveness of alternative investment vehicles; the general level of interest rates; the strength of, and confidence in the U.S. dollar, the currency in which the price of gold is generally quoted, and other major currencies; global and regional political or economic events; and costs of production of other gold producing companies whose costs are denominated in currencies other than the U.S. dollar.

14.9 Dependence on Management

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of a small number of skilled and experienced executives and personnel. Due to the small size of the Company, the loss of any of these key persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations. The Company does not maintain key employee insurance on any of its employees.

14.10 Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other resource companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, directors who have such a conflict will declare their potential conflict and abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program

and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

14.11 Competition for Other Assets

Significant and increasing competition exists for the limited number of gold acquisition opportunities available worldwide. As a result of this competition, some of which is with large established mining companies having substantial capabilities and substantially greater financial and technical resources than the Company, the Company may be unable to acquire future potential gold mining properties on terms it considers acceptable. The Company also competes with other mining companies in the recruitment and retention of qualified employees.

14.12 Currency Fluctuations

The Company's offices and primary activities are currently located in Canada, the United States, and El Salvador. Gold and silver are sold in international markets at prices denominated in U.S. dollars. However, some of the costs associated with the Company's activities in Canada may be denominated in currencies other than the U.S. dollar. Any appreciation of these currencies vis a vis the U.S. dollar could increase the Company's cost of doing business in these countries. In addition, the U.S. dollar is subject to fluctuation in value vis a vis the Canadian dollar. The Company does not utilize hedging programs to mitigate the effect of currency movements.

14.13 Adequacy of Insurance Coverage

The Company has purchased liability insurance that it believes is appropriate for the level of risk incurred, however there are no guarantees that the level of coverage of existing policies can or will be maintained. Furthermore, the Company does not carry insurance for political risk, nor environmental damage or pollution because such coverage cannot be purchased at reasonable costs. This lack of insurance coverage could result in material economic harm to the Company if a significant claim against the Company should occur.

14.14 Reclamation Risks at Denton-Rawhide

During fiscal 2009 the Company sold the assets it held through its 49% interest in the Denton-Rawhide joint venture to its 51% partner Kennecott Rawhide Mining Company (see Section 4). As part of the sale of its interest in Denton-Rawhide during fiscal 2009, the Company provided a guarantee to fund 49% of any reclamation and closure expenditures made subsequent to the date of the sale that were in excess of \$7.0 million. The Coordinating Committee of the Denton-Rawhide mine estimates total reclamation and severance costs for the Denton-Rawhide mine of \$9.8 million. \$4.5 million in reclamation and severance costs have already been incurred, leaving an estimated \$5.3 million to be expended in the future.

This estimate may not be a true reflection of actual reclamation and closure costs of the Denton-Rawhide mine and the Company recognizes a potential future reclamation liability, as per the terms of its sale as described above, should actual reclamation and closure costs exceed \$7.0 million in excess of reclamation and severance costs incurred prior to the date of the sale (October 30, 2008).

14.15 Environmental Risks and Hazards

The Company's exploration activities are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the

generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may also exist on the Company's properties that are currently unknown to the Company and that have been caused by previous or existing owners or operators of the properties.

Environmental approvals and permits are currently, and may in the future, be required in connection with the operations of the Company. To the extent that such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing in its exploration, development or mining activities or from proceeding with its exploration or development plans for current properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions that cause exploration, development or mining activities to cease or be curtailed and may include corrective measures requiring capital expenditures or remedial actions. In such an event, the Company could be required to compensate those suffering loss or damage by reason of the Company's activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to existing environmental laws and regulations governing exploration, development and mining activities of mining companies, or more stringent application of current laws and regulations could have a material adverse impact on the Company causing increases in exploration expenses, capital expenditures or production costs, or a reduction in production levels at producing operations, or require abandonment or delays in development of new mining properties.

14.16 Costs and Compliance Risks as a Result of Being a Public Company

Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. The Company anticipates that general and administrative costs associated with regulatory compliance will continue to increase with recently adopted corporate governance requirements, including requirements under the *Sarbanes-Oxley Act of 2002*, as well as new rules implemented by the United States Securities and Exchange Commission, Canadian Securities Administrators, the NYSE Amex and the TSX. The Company expects these rules and regulations to continue to result in significant legal and financial compliance costs and to make some activities more time-consuming and costly. There can be no assurance that the Company will continue to effectively meet all of the requirements of the regulations to which it must comply, including *Sarbanes-Oxley Section 404* and *Multilateral Instrument 52-109*. Any failure to effectively implement new or improved internal controls, or to resolve difficulties encountered in their implementation, could harm the Company's operating results, cause the Company to fail to meet reporting obligations or result in management being required to give a qualified assessment of the Company's internal controls over financial reporting or the Company's independent auditors providing an adverse opinion regarding management's assessment. Any such result could cause investors to lose confidence in the Company's reported financial information, which could have a material adverse effect on the Company's stock price. The Company also expects these rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers. If the Company fails to maintain the adequacy of its internal

controls, the Company's ability to provide accurate financial statements and comply with the requirements of the *Sarbanes-Oxley Act of 2002* and/or *Multilateral Instrument 52-109* could be impaired, which could cause the Company's stock price to decrease.

14.17 Future Sales of Common Shares by Existing Shareholders

The sale of a large number of common shares of the Company in the public markets, or the potential for such sales, could decrease the trading price of the Company's common shares and could negatively impact the Company's ability to raise capital through future sales of common shares.

14.18 Foreign Private Issuer Status

The Company is currently designated a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Securities and Exchange Act of 1934 (as amended) for the purposes of U.S. securities law. Although more than 50% of its voting securities are held by U.S. residents, the Company still qualifies for foreign private issuer status by meeting the following conditions: (i) a majority of its executive officers or directors are non-U.S. citizens or residents, (ii) more than 50% of its assets are located outside the U.S., and (iii) the business of the Company is principally administered outside the U.S. The Company may in the future lose its foreign private issuer status if it fails to meet any of the aforementioned criteria.

The regulatory and compliance costs to the Company under U.S. securities laws as a U.S. domestic issuer may be significantly more than the costs the Company incurs as a Canadian foreign private issuer eligible to use the MJDS. If the Company is not a foreign private issuer it would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. In addition, the Company may lose the ability to rely upon exemptions from the NYSE Amex corporate governance requirements that are available to foreign private issuers. This could have a materially adverse impact on the Company's corporate overhead costs and its ability to raise future financing.

15. Outstanding Share Data

The following table outlines the common shares outstanding at October 31, 2009 and to December 4, 2009:

	Number of Common Shares	Number of Options	Number of Warrants
Balance on October 31, 2009	118,050,308	8,644,999	7,161,350
Issued or Exercised subsequent to October 31, 2009	nil	nil	nil
Balance on December 4, 2009	118,050,308	8,644,999	7,161,350

16. Outlook

The Company will continue to curtail its exploration programs and expenditures in El Salvador until such time as PRES receives the El Dorado environmental permit and exploitation concession. The Company anticipates expending approximately \$0.5 million on exploration-related expenses during the remainder of fiscal 2010, primarily on low-cost exploration work required to keep all of its El

Salvador projects in good standing and due diligence evaluation of new projects outside of El Salvador. This work will be revised should circumstances change and depending on the Company's working capital balances and/or financing opportunities. The Company will require additional financing during fiscal 2010 to fund its proposed exploration plans and will require additional financing in the future in order to undertake an expanded exploration program should the Company receive the required permits to do so (see Section 14.1, Risks and Uncertainties for a discussion of financing risk).

[The foregoing paragraph contains forward-looking statements regarding the Company's exploration plans and anticipated costs during fiscal 2010. Readers are directed to the cautionary notes regarding forward-looking statements related to fiscal 2010 exploration and generative programs above and elsewhere in this report for a discussion of assumptions and risks. The anticipated exploration expenditures noted in the foregoing paragraph reflect estimations made by management based on current levels of expenditure and anticipated work programs as described previously. Should unexpected costs arise, exploration expenditures may differ from those currently anticipated.]

The Company's general and administrative costs during the remainder of fiscal 2010 are anticipated to increase due to legal costs associated with the CAFTA action undertaken by Pac Rim. The Company will require additional financing during fiscal 2010 for the expenses related to the CAFTA action (see Section 14.1, Risks and Uncertainties for a discussion of financing risk).

[The previous paragraph contains forward-looking statements regarding anticipated increases in general and administrative expenses as a result of anticipated increased legal costs during fiscal 2010, and the potential requirement for additional financing for general working capital purposes and/or legal fees related to the CAFTA action. These statements are based on management's assumption that the CAFTA action will continue through fiscal 2010 and the anticipated costs of pursuing this action, and on anticipated costs for general and administrative expenses through the coming year. Should PRES receive the El Dorado permits at any time, the necessity to continue the action may be averted and the anticipated impact on general and administrative costs may not materialize.]

The Company will continue its extensive outreach efforts to the newly elected federal government and administration, municipal government officials, church leaders, business leaders, and Salvadoran citizens during the remainder of fiscal 2010. The Company and its subsidiaries have a well documented history of supporting local inhabitants and building relationships with all stakeholders. This is a key component of the Company's approach to exploration and development, and will continue in all jurisdictions in which it and its subsidiaries operate.

Notwithstanding these diplomatic efforts, until resolved, Pac Rim's CAFTA claim will proceed during fiscal 2010. With the Arbitral Tribunal recently announced (see Section 3.1.4) the CAFTA arbitration is now officially constituted and the next step is expected to be for the Arbitral Tribunal to convene a hearing to set out the further procedures in the arbitration.

[The foregoing section contains forward-looking statements regarding the scope of the Company's fiscal 2010 planned work programs, anticipated expenditures and the expectation of ongoing legal undertakings. These statements are based on assumptions of management, specifically detailed previously in this report, that may prove erroneous and cause actual results and outcomes to differ from those currently anticipated.]

17. Additional Sources of Information

Additional sources of information regarding Pacific Rim Mining Corp. include: information available on SEDAR (www.sedar.com) including the Company's unaudited interim financial statements published quarterly, and the Company's Annual Information Form; the Company's 20-F filing (available at www.sec.gov); and, the Company's corporate website www.pacrim-mining.com and Spanish-language informational website (www.pacificrim.com.sv).

18. National Instrument 43-101 Disclosure

Mr. William Gehlen, Vice President Exploration, supervises Pacific Rim's exploration work on the El Dorado project. Mr. Gehlen is a Certified Professional Geologist with the AIPG (No. 10626), an employee of the Company and a Qualified Person as defined in NI 43-101.

Mr. David Ernst, Chief Geologist, supervises the Company's project generation initiatives. Mr. Ernst is geologist licensed by the State of Washington, an employee of Pacific Rim Mining Corp. and a Qualified Person as defined in National Instrument 43-101.

Pacific Rim's sampling procedures follow the Exploration Best Practices Guidelines outlined by the Mining Standards Task Force and adopted by The Toronto Stock Exchange. Samples are assayed using fire assay with a gravimetric finish on a 30-gram split. Quality control measures, including check- and sample standard-assaying, are being implemented. Samples are assayed by Inspectorate America Corporation in Reno, Nevada USA, an ISO 9002 certified laboratory, independent of Pacific Rim Mining Corp.

The January 2008 El Dorado resource estimate was prepared by Mr. Steven Ristorcelli, P.Ge., of Mine Development Associates, Reno, Nevada and conforms to current CIM Standards on Mineral Resources and Reserves. Mr. Ristorcelli is an independent Qualified Person as defined in NI 43-101. Mr. Ristorcelli and others at Mine Development Associates have verified the data used to tabulate these resources by auditing the Company's drill results database, reviewing drill sections, and examining drill core. A technical report in support of the January 2008 El Dorado resource estimate was filed with SEDAR on March 3, 2008. The report was co-authored by Mr. Steven Ristorcelli, P.Ge., and Mr. Peter Ronning, P.Eng., each of whom are independent Qualified Persons as defined in NI 43-101.

A pre-feasibility study for the El Dorado project was completed in January 2005. This pre-feasibility study is supported by a technical report prepared for the Company by SRK Consulting (US) Inc. of Denver Colorado, entitled "Pre-Feasibility Study, El Dorado Project, El Salvador", dated January 21, 2005 and publicly available on SEDAR (www.sedar.com). The primary author of the report is Mr. William F. Tanaka, a Qualified Person independent of the Company, as defined in NI 43-101. Mr. Tanaka is a member of the SME and the mAUSIMM.

The terms "measured resource", "indicated resource" and "inferred resource" used in this document are Canadian mining terms as defined in NI 43-101 and CIM Standards on Mineral Resources and Mineral Reserves. Mineral resources that are not mineral reserves have not been demonstrated to be economically and legally extractable. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. It should not be assumed that all or any part of a resource will ever be converted to a reserve. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred resources will be converted to measured and indicated resource categories through further drilling, or into mineral reserves once economic considerations are applied.

PACIFIC RIM MINING CORP.

(an exploration stage enterprise)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2009 and 2008

Expressed in US Funds

(Unaudited - Prepared by Management)

Reader's Note:

These interim consolidated financial statements for the three and six months ended October 31, 2009 of Pacific Rim Mining Corp. have been prepared by management and have not been subject to review by the Company's auditor.

Pacific Rim Mining Corp.
(an exploration stage enterprise)
Interim Consolidated Balance Sheets
In thousands of U.S. Dollars
Unaudited - Prepared by Management

	October 31, 2009	April 30, 2009 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 569	\$ 1,284
Bullion <i>(Note 5)</i>	154	1,225
Receivables, deposits and prepaids	175	106
	<u>898</u>	<u>2,615</u>
Property, Plant and Equipment <i>(Note 6)</i>	5,529	5,551
Restricted Cash <i>(Note 7)</i>	21	21
	<u>\$ 6,448</u>	<u>\$ 8,187</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities <i>(Note 10)</i>	\$ 746	\$ 633
	<u>746</u>	<u>633</u>
Future Income Tax Liability	1,046	1,046
	<u>1,792</u>	<u>1,679</u>
SHAREHOLDERS' EQUITY		
Share Capital <i>(Note 9)</i>		
Authorized:		
unlimited common shares without par value		
Issued and fully paid:		
118,050,308 shares outstanding (2009 - 118,033,642)	82,918	82,914
Contributed Surplus	5,067	4,725
Deficit	(83,329)	(81,131)
	<u>4,656</u>	<u>6,508</u>
	<u>\$ 6,448</u>	<u>\$ 8,187</u>

Nature of Operations and Going Concern *(Note 1)*
Measurement Uncertainty *(Note 6 (a))*
Contingency *(Note 8)*
Commitments *(Note 11)*

APPROVED BY THE BOARD OF DIRECTORS:

"Thomas C. Shrake", Director

"David K. Fagin", Director

- The accompanying notes are an integral part of these interim consolidated financial statements -

Pacific Rim Mining Corp.
(an exploration stage enterprise)
Interim Consolidated Statements of Loss
In thousands of U.S. Dollars, except for per share amounts
Unaudited - Prepared by Management

	Three Months Ended October 31		Six Months Ended October 31	
	2009	2008	2009	2008
Expenses (Income)				
Exploration				
- direct	\$ 379	\$ 1,159	\$ 780	\$ 3,495
- stock-based compensation (Note 9)	22	61	43	160
- amortization	16	16	32	32
General and administrative				
- direct	352	1,384	588	2,535
- stock-based compensation (Note 9)	69	55	100	173
- amortization	2	3	5	6
Gain on sale of bullion	(260)	-	(415)	-
Financing cost – warrants (Note 9)	201	-	201	-
CAFTA lawsuit (Note 6(a))	584	-	940	-
Foreign exchange loss (gain)	8	(62)	(4)	(13)
Interest income	(18)	(14)	(34)	(35)
Loss Before Taxes and Discontinued Operations	(1,355)	(2,602)	(2,236)	(6,353)
Income Taxes	-	-	-	-
Loss From Continuing Operations	(1,355)	(2,602)	(2,236)	(6,353)
Discontinued Operation – Net Income of Denton-Rawhide Joint Venture (Note 8)	38	1,390	38	1,872
Loss for the Period	\$ (1,317)	\$ (1,212)	\$ (2,198)	\$ (4,481)
Loss Per Share From Continued Operations - Basic and Diluted	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.05)
Loss Per Share After Discontinued Operations - Basic and Diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.04)
Weighted average shares outstanding during the period	118,050,308	116,915,460	118,047,047	116,915,460

- The accompanying notes are an integral part of these interim consolidated financial statements -

Pacific Rim Mining Corp.

(an exploration stage enterprise)

Interim Consolidated Statements of Shareholders' Equity*In thousands of U.S. Dollars*

Unaudited - Prepared by Management

	Share Capital Common Shares		Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Number	\$				
Balance – April 30, 2008	116,915,460	82,649	4,170	197	(74,855)	12,161
Stock-based compensation	-	-	555	-	-	555
Disposal of Denton- Rawhide Joint Venture (Note 8)	-	-	-	(197)	-	(197)
Shares issued for property option payment	1,118,182	265	-	-	-	265
Loss for the year	-	-	-	-	(6,276)	(6,276)
Balance – April 30, 2009	118,033,642	82,914	4,725	-	(81,131)	6,508
Stock-based compensation	-	-	143	-	-	143
Shares issued for cash - options exercised	16,666	2	-	-	-	2
Fair value of options exercised	-	2	(2)	-	-	-
Financing cost - warrants	-	-	201	-	-	201
Loss for the period	-	-	-	-	(2,198)	(2,198)
Balance – October 31, 2009	118,050,308	82,918	5,067	-	(83,329)	4,656

- The accompanying notes are an integral part of these interim consolidated financial statements -

Pacific Rim Mining Corp.
(an exploration stage enterprise)
Interim Consolidated Statements of Cash Flows

In thousands of U.S. Dollars
Unaudited - Prepared by Management

	Three Months Ended October 31		Six Months Ended October 31	
	2009	2008	2009	2008
Operating Activities				
Loss for the period from continuing operations	\$ (1,355)	\$ (2,602)	\$ (2,155)	\$ (6,353)
Items not affecting cash:				
Depletion, depreciation and amortization	18	19	37	38
Stock-based compensation	91	116	143	333
Non-cash financing costs - warrants	201	-	201	-
	(1,045)	(2,467)	(1,855)	(5,982)
Changes in non-cash working capital:				
Accounts payable and accrued liabilities	326	(782)	113	(684)
Receivables, deposits and prepaids	(36)	52	(69)	84
Bullion	659	-	1,070	-
Cash Flow Used for Operating Activities	(96)	(3,197)	(741)	(6,582)
Investing Activities				
Net proceeds from short term investments redemption	-	1,976	-	4,232
Purchase of property, plant and equipment	-	(1)	(14)	(3)
Proceeds from sale of discontinued operation <i>(Note 8)</i>	-	3,100	-	3,100
Cash Flow Provided By Investing Activities	-	5,075	(14)	7,329
Financing Activities				
Shares issued for cash, net of issuance cost	-	-	2	-
Cash Flow Provided By Financing Activities	-	-	2	-
Cash flows from continuing operations	(96)	1,878	(753)	747
Cash flows from discontinued operations <i>(Note 8)</i>	38	1,220	38	1,106
Change in Cash and Cash Equivalents	(58)	3,098	(715)	1,853
Cash and cash equivalents - Beginning of period	627	677	1,284	1,922
Cash and Cash Equivalents - End of Period	\$ 569	\$ 3,775	\$ 569	\$ 3,775

Supplemental Schedule of Non-Cash Transactions

Fair market value of options exercised	\$ -	\$ -	\$ 2	\$ -
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- The accompanying notes are an integral part of these interim consolidated financial statements -

Pacific Rim Mining Corp.

(an exploration stage enterprise)

Interim Consolidated Statements of Comprehensive Loss

In thousands of U.S. Dollars

Unaudited - Prepared by Management

	Three Months Ended		Six Months Ended	
	October 31		October 31	
	2009	2008	2009	2008
Net Loss for the Period	\$ (1,317)	\$ (1,212)	\$ (2,190)	\$ (4,481)
Other comprehensive income				
Disposal of Denton-Rawhide Joint Venture (Note 8)	-	(197)		(197)
Comprehensive Loss for the Period	\$ (1,317)	\$ (1,409)	\$ (2,190)	\$ (4,678)

- The accompanying notes are an integral part of these interim consolidated financial statements -

1. Nature of Operations and Going Concern

The Company is involved in the exploration and development of gold properties. The Company owns a 100% interest in certain mineral properties, known as El Dorado, located in El Salvador and carries out exploration activities in Costa Rica and Guatemala. During the prior year, the Company sold its 49% interest in the Denton-Rawhide mine, located near Fallon, Nevada, U.S.A. (Note 8).

The Company has not yet confirmed whether any of its exploration properties contain mineral deposits that are economically recoverable. The recoverability of any amounts capitalized for Mining Property Acquisition costs in El Salvador is dependent upon the existence of economically recoverable mineral deposits, the ability of the Company to obtain the necessary financing and permitting to complete the exploration and development of its exploration properties, and upon future profitable production or proceeds from the disposition of its properties.

Going Concern

These unaudited interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations, realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are events and conditions that cast significant doubt on the validity of that assumption. During the six months ended October 31, 2009, the Company incurred a loss of \$2,236 (2008 - \$6,353) before discontinued operations and as at October 31, 2009 has an accumulated deficit of \$83,329 (April 30, 2009 - \$81,131). The Company will require additional funding to maintain its ongoing exploration programs and property commitments, for administrative purposes and CAFTA arbitration and negotiation (*Note 6(a)*). These legal costs for CAFTA are expected to be significant.

The Company's ability to continue operations and exploration activities as a going concern is dependent upon its ability to obtain additional funding. The Company will need to raise sufficient funds to fund ongoing exploration and administration expenses as well as its costs under CAFTA arbitration. While the Company has been successful in obtaining its required funding in the past, there is no assurance that sufficient funds will be available to the Company in the future. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the progress and results of the El Dorado project and its permitting application, the resolution of international arbitration proceedings over the non-issuance of permits in El Salvador, the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. The Company will have to obtain additional financing through, but not limited to, the issuance of additional equity.

These unaudited interim consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the company were unable to realize its assets and settle its liabilities in the normal course of operations. Such adjustments could be material.

Pacific Rim Mining Corp.
Notes to Interim Consolidated Financial Statements
For the three and six month periods ended October 31, 2009 and 2008

In thousands of U.S. Dollars, except per share amounts
Unaudited - Prepared by Management

2. Basis of Presentation and Consolidation

The unaudited interim consolidated financial statements include all adjustments that are, in the opinion of management, necessary for a fair presentation. These unaudited interim consolidated financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and accordingly these financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes contained in the Company's annual report for the year ended April 30, 2009.

These unaudited interim consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries, Dayton Mining (U.S.) Inc., Pacific Rim Exploration Inc., Pacific Rim Cayman, Pacific Rim El Salvador S.A. de C.V., Dorado Exploraciones S.A. de C.V., Pac Rim Caribe III and its wholly-owned subsidiaries International Pacific Rim S.A and Pacific Rim Chile Limitada. Inter-company balances are eliminated upon consolidation.

3. Changes in Accounting Policies

a) Credit risk and fair value of financial assets and financial liabilities

Effective May 1, 2009 the Company adopted EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated the new section and determined that adoption of these new requirements did not have a significant impact on the Company's consolidated financial statements.

b) Goodwill and intangible assets

Effective May 1, 2009 the Company adopted CICA HB Section 3064, "Goodwill and Intangible Assets", which replaces CICA HB Section 3062, "Goodwill and Intangible Assets," and CICA HB Section 3450, "Research and Development Costs," and amendments to Accounting Guideline (AcG) 11, "Enterprises in the Development Stage," EIC-27, "Revenues and Expenditures during the Pre-operating Period" and CICA HB Section 1000, "Financial Statement Concepts." The standard intends to reduce the differences with International Financial Reporting Standards ("IFRS") in the accounting for intangible assets and results in closer alignment with U.S. GAAP. The objectives of Section 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing assets that do not meet the definition and recognition criteria are eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Company has evaluated the new section and determined that the adoption of these new requirements did not have an impact on the Company's consolidated financial statements.

c) Mining exploration costs

On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company's consolidated financial statements.

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4. Recent Accounting Pronouncements Not Yet Adopted

a) International financial reporting standards

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. In July 2008, the AcSB announced that early adoption will be allowed in 2009 subject to seeking and obtaining exemptive relief. The Company is currently assessing the financial reporting impact of the transition to IFRS and the changeover date.

b) Business combinations

In October 2008, the CICA issued Handbook section 1582, “Business Combinations”, which establishes new accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after May 1, 2011. The impact on adoption of this standard will have no impact on the Company’s consolidated financial statements.

c) Non-controlling interest

In October 2008, the CICA issued Handbook section 1602, “Non-controlling Interests”, to provide guidance on accounting for non-controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after May 1, 2011. The impact on adoption of this standard is currently being evaluated.

5. Bullion

	October 31, 2009	April 30, 2009
Bullion	\$ 154	\$ 1,225

Following the sale of the Denton-Rawhide mine on October 28, 2008, (Note 8), the Company received 49% of all dore produced and shipped from the mine prior to December 31, 2008. This dore has been treated as part of proceeds of disposition and was recorded at the lower of fair value at the date of receipt and net realizable value.

As at October 31, 2009, the Company had 180 ounces of gold and 5,497 ounces of silver on hand. Bullion had a fair market value of \$278 as at October 31, 2009 (\$1,528 as at April 30, 2009).

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6. Property, Plant and Equipment

	October 31, 2009	April 30, 2009
Office Equipment and Vehicles	\$ 376	\$ 362
Accumulated depreciation	(301)	(265)
	75	97
Mining Property Acquisition Costs – El Salvador	5,454	5,454
	\$ 5,529	\$ 5,551

El Salvador Properties

a) El Dorado

The Company holds a 100% interest in certain mineral properties in El Salvador known as El Dorado. El Dorado is subject to a royalty of 3% of net smelter returns in favour of a previous property owner. Pacific Rim has the right to buy back the royalty for \$1 million for the first 1.5% and \$3 million for the second 1.5%, provided that at least one half of the royalty is acquired within six months of the commencement of commercial production.

An Environmental Impact Study has been submitted to governmental authorities for their consideration and requires approval before the exploration licence can be converted to an exploitation concession which is required to carry out mining in the licence area.

In meeting its responsibilities, a mine design for the Company's El Dorado gold project was submitted to the Government of El Salvador in its final form in October 2006. The issuance of the permit remains outstanding and consequently the Company has concluded it must seek a legal remedy to secure its right to develop the El Dorado project.

On April 30, 2009 Pac Rim Cayman LLC, a Nevada corporation and a wholly-owned subsidiary of Pacific Rim Mining Corp. filed international arbitration proceedings against the Government of El Salvador under the Central America-Dominican Republic-United States of America Free Trade Agreement ("CAFTA") in its own name and on behalf of its three wholly-owned El Salvadoran enterprises, Pacific Rim El Salvador, Sociedad Anónima de Capital Variable and Dorado Exploraciones, Sociedad Anónima de Capital Variable.

The arbitration will be administered under the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States and under the Rules of Procedure for Arbitration Proceedings of the International Centre for Settlement of Investment Disputes ("ICSID"). ICSID is an affiliate of the World Bank and is headquartered in Washington, D.C.

Measurement uncertainty:

The Company's activities in El Salvador are subject to the effects of changes in legal, tax and regulatory regimes, national and local political issues, labour and economic developments and government bureaucracy. The Company has experienced lengthy delays in the processing of the El Dorado exploitation concession application and has commenced a legal claim under CAFTA as noted above. If the Company is unsuccessful in obtaining a permit for El Dorado or in its CAFTA claim, or is impacted by other factors beyond the control of the Company, this would adversely impact operations in El Salvador or result in the impairment of the El Dorado property in the future; such impairment would be material. To date, the Company's discussions with its legal counsel representing the Company in its CAFTA arbitration have not resulted in a determination of any material impairment in the carrying value of the Company concessions.

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b) Other El Salvador Properties

By agreement dated February 6, 2006, the Company agreed to acquire from a consortium of private companies a 100% interest in an El Salvador exploration concession to be known as the Zamora property. Upon TSX approval of the original agreement, the Company was required to make a payment of 50,000 shares. The agreement was subsequently amended in September 2006 to include the acquisition of a 100% interest in the Cerro Colorado claims while maintaining the provisions in the agreement for the Company's acquisition of the Zamora claims. Under the terms of the amended agreement, the Company maintains an option to purchase the exploration concessions by making advance royalty payments as follows:

Upon TSX approval of the agreement:	100,000 shares plus 100,000 warrants of the Company
Yearly advance payments:	The greater of:
First anniversary (shares issued)	100,000 shares or \$100 in shares of the Company
Second anniversary (shares issued)	140,000 shares or \$140 in shares of the Company
Third anniversary (shares issued)	200,000 shares or \$200 in shares of the Company
Fourth anniversary	300,000 shares or \$300 in shares of the Company
Fifth and subsequent anniversaries	400,000 shares or \$400 in shares of the Company

The advance royalty payments will continue until production is achieved or the exploration concessions expire. Title to 100% of the Cerro Colorado and Zamora claims will be transferred to the Company at such time as a positive production decision is made by the Company. Upon achievement of commercial production from the Cerro Colorado or Zamora claims, the vendor will receive a 3% net smelter royalty to a maximum purchase price of \$10,000 (inclusive of the value of the advance royalty payments made).

Upon TSX approval of the original agreement, 50,000 shares were issued on March 8, 2006. Upon TSX approval of the amended agreement, 100,000 shares and 100,000 warrants of the Company were issued on November 8, 2006. On February 13, 2007, February 11, 2008, and February 12, 2009 100,000 and 140,000, and 1,118,182 common shares respectively were issued pursuant to the first, second and third anniversary payments.

7. Restricted Cash

The Company has \$21 (April 30, 2009 - \$21) in environmental bonds relating to exploration properties in El Salvador.

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8. Discontinued Operations

Sale of Denton-Rawhide Joint-Venture

On October 28 2008, the Company sold its 49% interest in the Denton Rawhide mine and its interest in the agreement with the Nevada Resource Recovery Group LLC (“NRRG”) to Kennecott Rawhide Mining Company for cash proceeds of \$3.1 million.

In addition, the Company had the right to a 49% interest in all dore produced and shipped from the Rawhide Mine on or before December 31, 2008 and was responsible to fund its proportionate 49% share of all cash calls for normal operating costs up to and including December 31, 2008. This contingent consideration was received and recorded in the year ended April 30, 2009.

Pursuant to the terms of the sale agreement, and subsequent to December 31, 2008, the Company is responsible for its proportionate share of reclamation and environmental closure costs exceeding \$7 million related to the Denton Rawhide mine. The Company has not accrued any closure costs for amounts greater than \$7 million as at April 30, 2009. The Company estimates total reclamation and environmental closure costs to be \$4.9 million. The Company believes the contingent liability relating to the reclamation and environmental closure costs exceeding \$7 million is unlikely and cannot be estimated and therefore has not recorded a liability for these costs.

The company realized a gain, net of tax, on its sale of the joint venture interest as follows:

	For the Period Ended October 31 2009
Cash proceeds from sale of 49% interest in Denton-Rawhide joint venture	\$ 3,100
Less net assets disposed:	
Property plant and equipment	(1,239)
Closure fund	(3,792)
Pension and Post-Retirement Benefits and Severance Liability	587
Asset Retirement Obligations	1,691
	<u>347</u>
Income taxes net of tax losses carried forward	-
Realized gain, net of tax, on sale of joint venture interest	<u>\$ 347</u>

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	Three Months Ended October 31		Six Months Ended October 31	
	2009	2008	2009	2008
Results of operations from Discontinued Operations				
Revenue	\$ -	\$ 2,865	\$ -	\$ 4,673
Cost of sales	-	(1,781)	-	(3,213)
General	-	(36)	-	70
Income before taxes	-	1,048	-	1,530
Income taxes recovery (provision)	38	(5)	38	(5)
	\$ 38	\$ 1,043	\$ 38	\$ 1,525
Cash Flows From (Used In) Discontinued Operations				
Cash flow provided by operating activities	38	1,298	38	1,341
Cash flow used in investing activities	-	(78)	-	(23)
	38	1,220	38	1,106

9. Share Capital

Common Shares

Authorized: Unlimited number of common shares

Warrants

As at October 31, 2009, there were 7,161,350 (April 30, 2009 – 7,161,350) warrants outstanding with a weighted average exercise price of Cdn\$1.33.

Number of warrants	Exercise price (\$Cdn)	Expiry
100,000	0.81	November 07, 2009
6,711,000 *	1.35	August 29, 2010
350,350 *	1.11	August 29, 2010
7,161,350		

- On August 27, 2009 the expiry date of these warrants was extended from August 29, 2009 to August 29, 2010.

The 6,711,000 warrants and the 350,350 warrants have been modified to have an expiry date of August 29, 2010 instead of August 29, 2009. These extended warrants have been allocated an incremental fair value of \$201 with a weighted-average fair value of \$0.03 and the cost has been recorded as financing cost. The allocation of fair value was estimated on the modification date using the Black-Scholes option pricing model, with the following weighted average assumptions:

Risk-free interest rate	1.19%
Expected dividend yield	NIL
Expected stock price volatility	147%
Expected life in years	1 year

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

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Stock Options

In April 2002 Dayton Mining Corporation and Pacific Rim Mining Corporation were amalgamated. The stock option plans existing at that date were combined.

In October 2002 shareholders approved a stock option and bonus plan ("2002 Plan") under which, up to 6,000,000 common shares were reserved for the grant of stock options and up to 367,000 common shares were reserved for the grant of bonus shares to directors, employees or consultants ("eligible parties").

On August 29, 2006, shareholders adopted an evergreen incentive stock option plan ("2006 Plan") whereby the maximum number of shares reserved for grant to Eligible Parties under the 2006 Plan is equal to 10% of the number of shares outstanding at the time of the grant, including all outstanding options granted under the 2002 Plan.

Current option details are as follows:

	Number of Options			Weighted Average Exercise Price (in Cdn \$)
	2002 Plan	2006 Plan	Total	
Options outstanding at April 30, 2008	3,240,000	4,165,000	7,405,000	\$1.01
Granted	-	2,855,000	2,855,000	\$0.17
Expired	(1,195,000)	-	(1,195,000)	\$0.80
Forfeited	-	(335,001)	(335,001)	\$1.17
Options outstanding at April 30, 2009	2,045,000	6,684,999	8,729,999	\$0.70
Granted	-	355,000	355,000	\$0.26
Exercised	-	(16,666)	(16,666)	\$0.17
Forfeited	(90,000)	(501,667)	(591,667)	\$0.94
Options outstanding at October 31, 2009	1,955,000	6,521,666	8,476,666	\$0.65
Options vested as at October 31, 2009	1,955,000	4,055,001	6,010,001	\$0.77

The total stock-based compensation recognized during the six months ended October 31, 2009 was \$143 (2008 - \$333) with the offsetting entry to contributed surplus.

The 355,000 options granted during the six months ended October 31, 2009 have been allocated a total fair value of \$55 with a weighted-average fair value of \$0.03. The allocation of fair value was estimated on the modification date using the Black-Scholes option pricing model, with the following weighted average assumptions:

Risk-free interest rate	1.26% - 2.33%
Expected dividend yield	NIL
Expected stock price volatility	90% - 108%
Expected life in years	3 - 5 years

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

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The following table summarizes information about stock options outstanding at October 31, 2009.

Expiry Date	Exercise Price (in Cdn \$)	Number Outstanding	Number Vested
November 29, 2009	\$0.75	20,000	20,000
November 29, 2009	\$0.92	40,000	40,000
December 11, 2009	\$0.92	500,000	500,000
December 11, 2009	\$1.17	33,333	33,333
February 18, 2010	\$0.75	880,000	880,000
February 27, 2010	\$0.75	40,000	40,000
February 27, 2010	\$0.92	80,000	80,000
February 27, 2010	\$1.17	26,666	26,666
March 30, 2010	\$0.74	500,000	500,000
March 30, 2010	\$1.17	83,333	83,333
June 27, 2010*	\$0.99	220,000	-
August 28, 2011	\$0.92	1,005,000	1,005,000
December 3, 2011	\$1.34	125,000	125,000
February 11, 2012	\$1.32	200,000	200,000
June 12, 2012	\$0.90	60,000	60,000
August 27, 2012	\$0.96	225,000	225,000
October 7, 2012	\$0.35	100,000	-
March 9, 2013	\$1.17	1,245,000	830,000
December 29, 2013	\$0.17	2,838,334	1,126,669
August 25, 2014	\$0.21	225,000	225,000
September 10, 2014	\$0.29	30,000	10,000
		8,476,666	6,010,001

* These are performance vested options that have a term of three years and vest upon attaining specified milestones.

10. Related Party Transactions

The following represents the details of related party transactions paid or accrued during the six months ended October 31, 2009:

	2009	2008
Accounting fees and tax consulting paid to a firm in which an officer of the Company is a partner	\$ 86	\$ 8

Included in accounts payable is \$29 (April 30, 2009 - \$8) of amounts due to related parties, which are unsecured, non-interest bearing and payable on demand.

Related party transactions are in the normal course of business and occur on terms similar to transactions with non-related parties, and therefore are measured at the exchange amount.

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11. Commitments

The Company has entered into an operating lease agreement, commencing February 1, 2008 to January 30, 2013. The minimum monthly lease payments are Cdn\$3.

The Company has entered into an operating lease agreement, commencing December 1, 2008 to November 30, 2009. The minimum monthly lease payments are Cdn\$3.

12. Segmented Information

	October 31, 2009	April 30, 2009
Total Assets		
Canada	\$ 449	\$ 403
USA	236	2,013
El Salvador	5,762	5,770
Argentina	1	1
Total	\$ 6,448	\$ 8,187

	October 31, 2009	April 30, 2009
Property, Plant and Equipment		
Canada	\$ 21	\$ 12
USA	-	-
El Salvador	5,508	5,539
Total	\$ 5,529	\$ 5,551

	Three Months Ended October 31		Six Months Ended October 31	
	2009	2008	2009	2008
Net Income (Loss)				
Canada	\$ (497)	\$ (1,433)	\$ (683)	\$ (2,640)
USA	(310)	(151)	(598)	(244)
El Salvador	(486)	(1,010)	(869)	(3,396)
Chile	(24)	-	(48)	-
Argentina	-	(8)	-	(73)
Discontinued operations – USA	-	1,390	-	1,872
Total	\$ (1,317)	\$ (1,212)	\$ (2,198)	\$ (4,481)

13. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current period's presentation.