

Pacific Rim Mining Corp. Audit Committee Charter

(Amended and Restated effective July 29, 2004)

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through overseeing management's conduct of the Company's accounting and financial reporting process and systems of internal accounting and financial controls; selecting, retaining and monitoring the independence and performance of the Company's outside auditors, including overseeing the audits of the Company's financial statements, and approving any non audit services; and providing an avenue of communication among the outside auditors, management and the Board.

Composition of the Audit Committee:

- a) Shall consist of a minimum of three directors at all times, all of whom must be independent as required by applicable law and applicable stock exchange listing rules (the "Listing Rules"). A member of the Committee shall be considered independent if (a) he or she is not an employee of the Company; (b) he or she does not accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or its subsidiaries other than in connection with serving on the Committee, any other Board committee or as a member of the Board; (c) he or she is not an "affiliated person" of the Company or any Company subsidiary as defined by applicable law and Listing Rules; and (d) he or she meets all other requirements for independence imposed by law and the Listing Rules from time to time and any requirements imposed by any Canadian or other governmental body having jurisdiction over the Company
- b) All members of the Committee shall have a practical knowledge of finance and accounting and be able to read and understand fundamental financial statements from the time of their respective appointments to the Committee.
- c) At least one member of the Committee shall be a "financial expert" as defined by Item 401(h) of Regulation S-K, unless otherwise determined by the Board, and at least one member shall meet the financial sophistication standards under the Listing Rules. The designation or identification of a member of the Committee as an "audit committee financial expert" does not impose on such person any duties, obligations, or liability that are greater than the duties, obligations, and liability imposed on such person as a member of the Committee and Board of Directors in the absence of such designation or identification; and (ii) the designation or identification of a member of the Committee as an "audit committee financial expert" does not affect the duties, obligations, or liability of any other member of the Committee or Board of Directors
- d) Each member of the Committee shall be appointed by the Board and shall serve until the earlier of the date on which he or she shall be replaced by the Board, resigns from the Committee, or resigns from the Board.
- e) Shall meet no less than four times annually and at least quarterly, on such dates that the Chair of the Audit Committee determine. Notice of meetings shall be given by letter, facsimile or other means of recorded electronic communication or by telephone not

less than 24 hours before the time fixed for the meeting. Members may waive notice of any meetings before or after the holding thereof. A majority of the members present at a meeting will constitute a quorum.

f) The Chair of the Audit Committee shall be appointed by the Board following the recommendation of the Chair of the Board, who will prepare and / or approve an agenda in advance of each meeting and shall preside over meetings of the Committee.

Terms of Reference

The responsibilities and duties of the Audit Committee shall be to:

- a) Review and recommend for Board approval the annual and quarterly financial statements of the Company, including Management's Discussion and Analysis, and determine whether they are complete and consistent with the information known to committee members. Determine that the auditors are satisfied that the financial statements have been prepared in accordance with applicable generally accepted accounting principles.
- b) Make regular reports to the Board.
- c) Have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification). The independent auditor shall report directly to the Audit Committee.
- d) Review the scope of the audit to be conducted by the external auditor of the Company.
- e) Be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- f) Review and pre-approve all auditing services, internal control related services and permitted non-audit services (including the terms thereof) to be performed for the Company by its independent auditor, subject to the *de minimus* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended, which are approved by the Audit Committee prior to completion of the audit. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at this next scheduled meeting.
- g) Pre-approve all engagement letters for all auditing and non-audit services to be provided to the Company or its subsidiaries, before and after completion of work and assess the performance of external and internal auditors.

- h) Review and determine the compensation to be paid to the independent auditor for all auditing services, internal control related services and permitted non-audit services. The Company shall provide appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to advisors employed by the Audit Committee.
- i) Review all public disclosure documents containing audited or unaudited financial information before release, including but not limited to prospectus, annual report, annual information form and management's discussion and analysis.
- j) Review, at least semi-annually, all expenses paid by the Company to or in behalf of the CEO and the President and any other financial arrangements or transactions with them and their affiliates.
- k) Review all post-audit or management letters containing the recommendations of the external auditor and management's response/follow-ups of any identified weakness.
- l) Have the right, for the purpose of performing their duties, of inspecting all of the books and records of the Company and its affiliates and of discussing such accounts and records and any matters relating to the financial position or condition of the Company with the officers and auditors of the Company and its affiliates.
- m) Review any transaction involving the Company and a related party at least once a year or upon any significant change in the transaction or relationship.
- n) Review and discuss with the independent auditors and management (including the senior internal audit executive) any significant matters regarding the Company's internal controls and procedures over financial reporting that have come to the attention of the independent auditor during the conduct of their annual audit, and review whether internal control recommendations made by the auditors have been implemented by management and review any special steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.
- o) Review major risk exposures (whether financial, operating or otherwise) and the guidelines and policies that management has put in place to govern the process of monitoring, controlling and reporting such exposures (including any hedging).
- p) Review and discuss reports from the independent auditors on:
 - (i) all critical accounting policies and practices used in preparation of the Company's financial statements;
 - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors; and

- (iii) other material written communications between the independent auditor and management, such as management letters or schedules of adjusted differences.
- q) Discuss with management and the independent auditors the Company's use of non-GAAP information in any report, earnings release or other publicly disseminated document and any off-balance sheet structures and the effect of regulatory and accounting initiatives on the Company.
- r) Review annually management's report on internal controls and any auditor's attestation regarding management's assessment of internal controls, required by law or Listing Rules and review whether internal control recommendations made by the auditors have been implemented by management.
- s) Establish procedures for: (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable business conduct, accounting or auditing matters.
- t) Have such other duties, powers and authorities, consistent with the provisions of applicable laws and Listing Rules, or as the Board may by resolution delegate to the Audit Committee from time to time.
- u) At the Company's expense, retain independent counsel, accountants or other experts for such purposes as the Committee, in its sole discretion, determines to be appropriate to carry out its responsibilities, and set the compensation to be paid to such experts.
- v) Review on an annual basis and if necessary update this Charter and have changes approved by the Board.

Regulations

The following regulations shall apply to the proceedings of the Audit Committee.

- a) The business of the Audit Committee shall be transacted either at meetings thereof or by conference telephone or other communications facilities that permit all persons participating in the meeting to hear each other, or by resolution in writing. All questions at a meeting shall be decided in accordance with the vote of a majority of those present and the Chair of the meeting shall not have a second or casting vote.
- b) A resolution in writing signed by all members of the Audit Committee entitled to vote on that resolution at a meeting of the Audit Committee shall be as valid as if it had been passed at a duly called and constituted meeting. Such resolutions in writing may be in one or more counterparts, all of which, when taken together, shall be deemed to constitute one resolution.

- c) The auditor of the Company shall, at the expense of the Company, be entitled to attend and be heard at or may be invited to any meeting of the Audit Committee, except for portions of meetings in which their work, fees and performance may be discussed.
- d) The Audit Committee Chair shall regularly report on the activities of the Audit Committee, to the Board of Directors.
- e) The external auditor and senior management shall have the opportunity or may be invited to meet separately with the Audit Committee.
- f) The minutes of the proceedings of the Audit Committee and any resolutions in writing shall be kept in a book provided for that purpose which shall always be open for inspection by any director of the Company.
- g) Subject to the foregoing, the calling, holding and procedure at meetings of the Audit Committee shall be determined by the Audit Committee Chair.

Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine if the Company's financial statements or disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are responsibilities of management and the independent auditors.