

September 29, 2003



Report to Shareholders

Pacific Rim Mining Corp. (the "Company") is pleased to provide the following update on its activities during and subsequent to the Company's first quarter of fiscal 2004 (May 1, 2003 to July 31, 2003). Pacific Rim focused on advancing its El Salvador gold projects during the quarter with the continuation of the Company's step-out and scout drilling program at its flagship El Dorado project and the first ever exploration drilling on the neighboring La Calera project.

Results generated during and subsequent to the first quarter of fiscal 2004 from both the El Dorado and La Calera drill programs are outlined below. Tom Shrake, CEO, states "Pacific Rim is very pleased with the results we have generated from both the El Dorado and La Calera drill programs to date. At El Dorado, recent step-out drilling around the currently outlined resource on the Minita vein has resulted in an expansion of the dimensions of the gold mineralized chute, and extended the vertical dimension of the high-grade zone by 100 meters. Additionally, a number of new, high quality vein targets were recently discovered in the North District of the project that we are currently drill testing. At La Calera, our drilling has resulted in the discovery of two mineralized structures that represent a potentially bulk-mineable gold target. The viability of La Calera requires the discovery of additional mineralization. La Calera requires additional surface exploration, including geophysics, prior to continuation of drilling. Future drilling will utilize a reverse circulation rig. In the interim, both diamond drill rigs under contract to the Company will be drilling on the El Dorado project: scout drilling the new North District targets, and definition drilling in anticipation of an updated resource calculation for the project, to be completed this fall."

"Pacific Rim's goal," Mr. Shrake continues, "is to become a highly profitable, intermediate level gold producer. We believe our El Dorado project has the potential to help us achieve this goal."

El Dorado Exploration

The results from 54 holes drilled by Pacific Rim at the El Dorado project (P02-203 through P03-256) have been released to date, 24 of which were made available since the Company's 3^d quarterly report of fiscal 2003. These new results are tabulated below. Earlier results were presented in previous Pacific Rim quarterly reports and news releases.

Hole No.	Vein Tested	Country Grid Northing/Easting	Drill hole azimuth /dip (degrees)	From (meters down hole)	To (meters down hole)	Inter-section (meters)	True Width (meters)	Gold (g/t)	Silver (g/t)
P03-233	S. Minita, Portrero	300996 / 534440	264/50	62.45 127.0	62.7 127.55	0.25 0.55	0.23 0.42	14.58 6.84	158.0 45.0
P03-234	N. Rosario	301313 / 534313	70/70	119.05 139.35 142.7	119.35 140.15 143.45	0.3 0.8 0.75	0.17 0.28 0.38	7.26 9.18 8.01	35.0 58.0 17.0
P03-235	S. Minita, Portrero	300813 / 534458	260/50	71.5 311.1 316.3	71.95 311.7 317.45	0.45 0.6 1.15	0.34 0.55 0.0.56	11.78 12.88 6.74	10.0 140.0 32.0
P03-236	S. Coyotera	303297 / 533417	270/50	373.0	373.75	0.75	0.61	6.03	31.0
P03-237	N. Coyotera	304563 / 533726	290/74	No significant intercepts					
P03-238	N. Coyotera	304695 / 533745	305/65	No significant intercepts					
P03-239	North Coyotera	304723 / 533906	305/62	275.85	276.2	0.35	0.2	6.16	24.0
P03-240	Central Coyotera	304313 / 533309	110/55	279.0	279.2	0.2	0.15	15.37	200.0

Hole No.	Vein Tested	Country Grid Northing/Easting	Drill hole azimuth /dip (degrees)	From (meters down hole)	To (meters down hole)	Inter-section (meters)	True Width (meters)	Gold (g/t)	Silver (g/t)
P03-241	Central Coyotera	304258 / 533311	110/59	242.1	244.1	2.0	1.53	7.52	111.0
P03-242	Central Coyotera	304240 / 533269	110/55	260.4	265.7	5.3	3.41	6.20	68.0
P03-243	Central Coyotera	304368 / 533310	110/55	306.05	307.15	1.1	0.71	7.59	22.0
P03-244	Central Coyotera	304423 / 533338	110/55	311.85 320.35	316.2 327.95	4.35 7.60	2.50 4.90	9.30 7.39	27.0 54.0
P03-245	South Minita	301376 / 534098	090/60	221.45 286.8	225.05 288.0	3.60 1.20	1.90 0.85	9.49 6.92	70.0 70.0
P03-246	Deep Minita	301656 / 533919	090/67	398.05	404.95	6.90	5.40	10.09	54.0
P03-247	Deep Minita	301699 / 533917	081/63	334.1	339.15	5.05	3.5	7.76	35.0
P03-248	Deep Minita	301760 / 533966	089/70	306.2	307.35	1.15	0.66	6.38	33.0
P03-249	North Minita	301839 / 533959	090/56	186.7	189.4	2.7	2.34	12.64	40.0
P03-250	Deep Minita	301522 / 534008	090/71	305.15	305.85	0.7	0.35	8.22	50.0
P03-251	Deep Minita	301642 / 533964	098/71	369.35	383.45	14.1	9.4	12.29	31.0
P03-252	Deep Minita	301697 / 533917	86/65	359.65	361.8	2.15	1.8	16.34	80.0
P03-253	North Minita	301837 / 533974	115/59	226.1 233.0	226.55 235.45	0.45 2.45	0.3 1.70	6.43 6.61	31.0 31.0
P03-254	North Minita	301756 / 533999	081/49	175.3	178.55	3.25	2.5	7.62	54.0
P03-255	Deep Minita	301656 / 533917	096/71	431.15 443.9	431.8 447.7	0.65 3.8	0.3 2.1	8.16 10.60	46.0 57.0
P03-256	South Minita	301412 / 534046	090/60	214.85 217.95 257.8 276.05	215.05 218.4 258.9 284.8	0.2 0.45 1.1 8.75	0.15 0.3 0.9 3.9	6.02 15.65 50.37 16.89	42.0 117.0 105.0 66.0

Results are based on a cutoff grade of 6.0 g/t gold.

Details of these drill results are available in the Company's news releases dated March 10, 2003 (NR #03-02), May 23, 2003 (NR #03-04), July 25, 2003 (NR #03-07) and September 22, 2003 (NR #03-10). Results from the Central District scout drilling (holes 233 through 235 above, plus previously released holes 203 through 232) indicate high grade gold over potentially mineable widths in a number of holes. Results from the Coyotera vein drilling (holes 236 through 244 above) produced mixed results.

Results from the ongoing step-out drilling program on the Minita vein (holes 245 through 256 above) are significant in that they have expanded the dimensions of the Minita mineralized chute and extended the vertical range of the Productive Interval by 100 meters. Step-out drilling at the Minita vein continues at present. An updated resource estimate for the El Dorado project, incorporating the results from Pacific Rim's drilling, is anticipated to be calculated in the fall of 2003. The most recent, pre-Pacific Rim estimate includes an indicated resource at the Minita vein of 799,200 tonnes at an average grade of 13.7 grams per tonne (g/t) gold and 97.9 g/t silver, for a total of 352,700 ounces of gold and 2.5 million ounces of silver (see National Instrument 43-101 Disclosure section of the Management's Discussion and Analysis).

Pacific Rim's geologic mapping and surface sampling program in the North District of the El Dorado project has resulted in the identification of a number of significant new veins with a cumulative strike length of 4 kilometers. Surface sampling results indicate higher-than-average gold values in the southern extension of the San Matias vein, as well as in the Graham and Dulce Anna veins. Intriguingly, surface elevations in this anomalous area are 500-600 meters above sea level; 200-300 meters above the top of the Productive Interval. Additionally, a number of north-

northwest striking extensional veins, similar to the structure that hosts the Minita resource, have been identified within this anomalous area. Drill testing of these new North District vein targets has commenced.

La Calera Project

Pacific Rim has released the results from the first 25 holes drilled on the La Calera gold project. La Calera was initially targeted as a high-grade, vein-hosted epithermal system similar to the Company's nearby El Dorado project. As the drill program progressed, however, results indicate that the La Calera project represents a lower grade, potentially bulk-mineable gold target, with local high-grade gold intercepts.

Hole No.	Vein Tested	UTM Northing/Easting	Drill hole azimuth /dip (degrees)	From (meters down hole)	To (meters down hole)	Inter-section (meters)	Gold (g/t)
PLC03-001	Rosa West	295939 / 519174	70/50	0.0	6.8	6.8	1.34
				12.65	28.7	16.05	1.3
				39.4	48.6	9.2	1.03
PLC03-002	Rosa West	295923 / 519136	70/50	6.0	7.50	1.50	1.9
				21.10	24.0	2.90	4.5
				59.5	66.15	6.65	5.23
				102.7	104.10	1.40	1.17
PLC03-003	Rosa West	295901 / 519085	70/50	9.0	10.50	1.50	1.29
				42.0	60.0	18.0	1.22
				81.0	82.50	1.50	1.60
				118.4	122.95	4.55	2.34
				197.40	198.80	1.40	1.0
PLC03-004	Rosa West	295842 / 519173	70/60	0.0	0.85	0.85	1.27
				35.95	38.55	2.60	2.89
				80.70	83.65	2.95	1.06
				95.50	97.0	1.50	1.78
PLC03-005	Rosa West	295837 / 519174	250/79	7.40	11.35	3.95	0.92
				36.45	48.35	11.90	6.64
				65.20	78.40	13.20	2.75
				81.10	119.20	38.10	4.66
PLC03-006	Rosa	295988 / 519358	250/60	52.05	67.75	15.70	0.95
PLC03-007	Rosa	295881 / 519381	250/60	37.35	50.7	13.35	2.49
PLC03-008	Rosa	295745 / 519388	250/50	14.0	27.35	13.35	3.07
PLC03-009	Rosa West	295692 / 519218	70/50	0.0	4.50	4.50	1.69
				57.6	59.05	1.45	1.14
				72.25	73.60	1.35	1.10
				82.85	91.90	9.05	2.48
PLC03-010	Rosa West	295806 / 5191017	80/65	108.15	110.30	2.15	1.57
PLC03-011	Rosa West	295815 / 519106	70/70	71.70	74.05	2.35	1.92
				85.75	89.05	3.30	1.58
				122.7	151.05	28.35	2.05
PLC03-012	Rosa West	295727 / 519173	70/70	0.0	5.50	5.50	4.63
				58.10	60.60	2.50	9.50
				114.15	116.20	2.05	1.68
				130.55	134.90	4.35	0.98
PLC03-013	Rosa	295417 / 519555	252/50	77.95	98.15	20.2	2.13
PLC03-014	El Calichal	295436 / 519134	70/60	32.75	37.95	5.20	8.26
				60.90	61.75	0.85	15.0
				65.50	67.95	2.45	13.22

Hole No.	Vein Tested	UTM Northing/Easting	Drill hole azimuth /dip (degrees)	From (meters down hole)	To (meters down hole)	Inter-section (meters)	Gold (g/t)
PLC03-015	Rosa	295959 / 519449	235/65	175.05	194.3	19.25	0.93
PLC03-016	Rosa West	296067 / 519083	250/60	30.55 37.85	32.15 51.80	1.60 13.95	1.13 2.66
PLC03-017	Rosa West	296061 / 519057	70/60	36.0 70.7	51.25 88.4	15.25 17.7	1.29 2.38
PLC03-018	El Calichal	295411 / 519036	68/55	No Significant Intercepts			
PLC03-019	Rosa	295541 / 519499	250/50	61.20	63.20	2.0	1.45
PLC03-020	Rosa	296204 / 519238	220/60	79.2	97.0	17.8	2.54
PLC03-020	Rosa	296204 / 519238	220/60	130.55	139.20	8.65	0.92
PLC03-021	El Calichal	295288 / 519152	40/55	97.55	103.35	5.8	1.59
PLC03-022	Rosa West	295704 / 519100	70/60	122.50 203.35	125.60 206.5	3.10 3.15	0.93 0.97
PLC03-023	Rosa West	295881 / 519196	70/55	1.25 12.40 101.0	8.45 14.30 105.8	7.20 1.90 4.8	3.96 2.40 2.35
PLC03-024	Rosa West	296137 / 518978	60/55	102.1 113.20 130.70	107.2 114.20 144.20	5.1 1.0 13.50	1.77 1.27 1.24
PLC03-025	El Calichal	295630 / 519073	250/55	31.10 95.85	33.05 97.0	1.95 1.15	2.76 2.66

Results are based on a cutoff grade of 0.62 g/t gold (typical of the cutoff grade required for a bulk-mineable operation)

Where exposed, the La Calera epithermal system, comprises two parallel, mineralized structures (Rosa and Rosa West). Both structures appear to persist under post-mineral cover that obscures their exposure to the north. Pacific Rim intends to conduct geologic mapping and geophysical surveys to trace these structures further along their strike under the post-mineral cover. The width and continuity of the mineralization in both the Rosa and Rosa West structures indicates a potentially bulk-mineable gold target at La Calera, although the project's viability will depend on increasing the size of the mineralized bodies. Upon completion of the surface work, Pacific Rim intends to resume drill testing of the La Calera project utilizing a reverse circulation drill rig, a more cost effective technique for shallow drilling.

Rawhide Mine, Nevada

Crushing and stacking of the ore stockpiles at the Denton-Rawhide gold mine was completed in May 2003. After eliminating non cash-items, actual cash outlays per ounce of gold produced have therefore been significantly reduced. Production rates have stabilized from their decline reported by the Company in late 2002 (see Pacific Rim's second quarterly report of fiscal 2003 dated December 28, 2002) and efforts are being made to improve recoveries further. During the quarter, the Denton-Rawhide mine generated sufficient cash flow to fully fund its portion of current closure activities as well as the Company's El Salvadoran exploration activities undertaken during the period.

The Denton-Rawhide mine is now in the residual leach phase, during which cash outlays for production, of approximately \$125 / oz, are limited to the pumping and processing of leach fluids. Residual leaching is expected to continue through 2004 and beyond, and result in significantly increased cash flow to Pacific Rim.

Management's Discussion and Analysis of Financial Results and Operating Results

1st Quarter ended July 31, 2003 and 2002. All currency amounts are expressed in United States dollars unless otherwise stated.

The following discussion should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the three months ended July 31, 2003 ("the quarter"). This discussion is limited to matters pertaining to the Company's financial results for the three months ended July 31, 2003 that, in the opinion of the Company, are material. For discussion of previous quarterly results reference should be made to the duly filed reports for those periods.

Financial Performance and Liquidity

Financial Results of Operations

The Company realized a net loss for the three months ended July 31, 2003 of \$1.3 million or \$0.02 per share (basic and diluted) compared to a net profit of \$0.8 million or \$0.01 per share (basic and diluted) for the corresponding period a year earlier. The \$2.1 million increase in the quarterly loss for the quarter ended July 31, 2003 compared to the quarter ended July 31, 2002 is mainly due to \$ 1.6 million of net gains on the sale of securities received on the sale of the Diablillos property in the 2002 period with no comparable item in 2003, increased mine operating losses of \$0.4 million at the Denton-Rawhide mine and an increase in exploration expenditures at the El Dorado property in El Salvador of \$0.3 million, all offset by a reduction in general and administrative costs of \$0.2 million for the quarter.

Gold and silver sales revenues decreased from \$3.2 million for the three months ended July 31, 2002 to \$3.0 million for the three months ended July 31, 2003 reflecting significant decreases in gold sales volumes (2003 – 7,500 ozs; 2002 – 9,000 ozs.) related to decreasing gold recoveries at the Denton-Rawhide mine, which have been largely offset by improved gold prices. The average sale price realized for gold sold in the three months ended July 31, 2003 was \$362 per ounce compared to \$299 per ounce received for gold sold in the three comparable months ended in 2002.

The Company currently has no hedged positions in place. Decisions to hedge are made as a cash-management strategy to guarantee levels of revenue required to fund planned activities, while leaving as much unhedged production as possible available for participation in the risks and rewards of the open market.

Liquidity, Capital Resources and Financial Condition

The current financial statement's balance sheet format has been altered to display a total value for cash and cash equivalents and bullion of \$ 1.8 million at July 31, 2003 (\$ 1.7 million - April 30, 2003) reflecting managements' view that saleable bullion inventory held by a refiner is as readily available to meet short-term liquidity requirements as cash and cash equivalents.

Cash flows for the quarter decreased by \$1.2 million compared to the corresponding year earlier quarter, mainly due to a \$0.6 million improvement in operating cash flows offset by \$1.8 million of cash receipts decreases related to cash receipts from the sale of shares received from the sale of the Diablillos property reported in 2002 with no comparable item in 2003.

During the quarter working capital increased by \$0.9 million from \$7.6 million at April 30, 2003 to \$8.5 million at July 31, 2003 (\$10.3 million at July 31, 2002). This increase in working capital stems primarily from a decrease in current liabilities made possible by the increased operating cash flows during the quarter that enabled the Company to reduce accounts payable by \$0.4 million and fund \$0.9 million of closure expenditures, thereby reducing the

current portion of accrued closure costs. Future working capital levels are expected to decrease as gold “heap leach” inventories at the Denton-Rawhide mine are liquidated and cash proceeds are expended on exploration activities, reclamation activities and overhead costs.

The Company received \$0.2 million of creditor payment proceeds under the Andacollo (Chile) creditors’ plan in each of the quarters ended July 31, 2003 and July 31, 2002.

Production

Pacific Rim’s share (49%) of metal production at Denton-Rawhide for the quarter ended July 31, 2003 was 8,855 ounces of gold and 76,649 ounces of silver at cash production costs (as calculated using industry standards) of \$376 per ounce of gold produced, which includes \$250 per ounce of non-cash “heap leach” inventory “drawdown” costs. Production for the comparable quarter of 2002 was 11,134 ounces of gold and 103,170 ounces of silver at cash production costs of \$228 per ounce of gold produced. Actual cash expended per ounce of gold produced in the current quarter was \$126 per ounce, which when deducted from the \$362 per ounce average realized gold sale price provides significant cash margins from operations to fund ongoing exploration, reclamation and overheads.

Gold production levels at the mine in the quarter ended July 31, 2003 are significantly decreased compared to the corresponding quarter of 2002 due to the placing of material on the heap leach pads with slower than expected metal recoveries during the final mining stages. Efforts are being concentrated on improving the metal recoveries during the final stages of leaching. Production rates during the quarter have stabilized and improved from the 7,557 ounces of gold and 69,604 ounces of silver produced in the previous quarter ended April 30, 2003.

Closure expenditures related to severances and reclamation at the Denton-Rawhide mine are accelerating as mining activity ceased in October 2002 and leaching entered its final phase with ore crushing and stacking completed in May 2003. Reclamation closure spending increased from \$0.04 million in the comparable quarter ended July 31, 2002 to \$0.9 million for the current quarter ended July 31, 2003. Residual leach gold production is expected to continue beyond 2004, and is projected to be a high cash-flow generating period. A closure plan for the Denton-Rawhide mine has been presented to the regulatory authority for review and approval. The Company’s estimated share of future severance and reclamation liabilities at Denton-Rawhide is estimated to be \$3.0 million, to be funded out of ongoing operating cash flow from the mine and balances available from the \$3.4 million closure fund which have been set aside to date.

Exploration

During the current quarter, the Company’s primary exploration activities continued to focus on mapping and drilling of the El Dorado and La Calera projects in El Salvador. Exploration expenditures for the quarter ended July 31, 2003 were \$0.9 million compared to \$0.6 million for the comparable quarter ended July 31, 2002. Ongoing exploration will be funded from the Company’s expected share of cash flows generated by the Denton-Rawhide mine.

Outlook

The Company anticipates continued gold production from the Denton-Rawhide mine through the remainder of fiscal 2004 with additional production continuing thereafter as long as production costs remain economically viable. Actual cash production costs are expected to continue at or near current levels as residual leaching continues at the mine and costs are limited to the pumping and processing of leaching solutions. Funds will continue to be expended on the Company’s El Salvadoran exploration projects, primarily on the flagship El Dorado gold project. Both step-out and scout drilling are expected to continue throughout the quarter, with an updated resource calculation for the El Dorado project, expected to be completed by mid-November 2003 at the latest.

National Instrument 43-101 Disclosure

Mr. William Gehlen supervises all of Pacific Rim Mining Corp.'s exploration work in El Salvador. Mr. Gehlen is a Certified Professional Geologist with the AIPG (No. 10626), an employee of Pacific Rim and a Qualified Person as defined in NI 43-101.

Details of the Minita resource estimate are presented in a technical report prepared for Dayton Mining Corporation by Mr. P. LaCroix, P.Eng (a Qualified Person as defined in National Instrument 43-101) entitled "Resource Update Nueva Esperanza & El Dorado Mine Area – El Dorado Project – El Salvador", dated February 8, 2002. Mr. LaCroix's report is summarized in the Company's 2003 Annual Information Form, available on SEDAR. A technical report entitled "Review of the Eldorado Project, El Salvador", prepared by Mr. Peter Ronning, P.Eng., a Qualified Person independent of Pacific Rim, has been filed with SEDAR, in conjunction with and summarized in the Company's 2003 Annual Information Form. This report outlines the geology and work to date conducted on the El Dorado project in El Salvador.

A technical report entitled "Review of the La Calera Project, El Salvador", prepared by Mr. Peter Ronning, P.Eng., a Qualified Person independent of Pacific Rim, has been filed with SEDAR, in conjunction with and summarized in the Company's 2003 Annual Information Form. This report outlines the geology and work to date conducted on the La Calera project in El Salvador.

Forward-Looking Statements

Information set forth in this document may involve forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Pacific Rim's control, including: the results of current exploration activities; the results from future exploration opportunities; significant declines in metal prices; currency fluctuations; increases in production costs; differences in ore grades, recovery rates, and tonnes mined from those expected; changes in mining, or heap leaching rates from currently planned rates; general market and industry conditions; and other factors detailed in the Company's filings with the U.S. securities and Exchange Commission.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Pacific Rim's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements, and, accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Pacific Rim will derive therefrom. Pacific Rim Mining Corp. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PACIFIC RIM MINING CORP.

Interim Consolidated Balance Sheets

(Prepared by management)

in thousands of US dollars

	<u>July 31</u> <u>2003</u> (unaudited)	<u>April 30</u> <u>2003</u> (audited)
Assets		
Current assets		
Cash and cash equivalents	658	1,107
Bullion inventory (note 2)	1,104	594
Cash and cash equivalents and bullion	<u>1,762</u>	<u>1,701</u>
Receivables	127	50
Inventories - short-term (note 4)	<u>8,499</u>	<u>8,829</u>
	10,388	10,580
Inventories - long-term (note 4)	–	2,002
Property, plant and equipment (note 5)	5,583	5,455
Closure fund (note 7)	<u>3,392</u>	<u>3,410</u>
	<u>19,363</u>	<u>21,447</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	834	1,228
Due to related parties (note 11)	379	231
Accrued closure costs - current portion (note 7)	<u>632</u>	<u>1,488</u>
	1,845	2,947
Loan payable to a related party (note 7)	1,508	1,640
Accrued closure costs (note 7)	<u>2,379</u>	<u>1,900</u>
	<u>5,732</u>	<u>6,487</u>
Share holders' Equity		
Share capital (note 8)		
Authorized:		
1,000,000,000 common shares without par value		
Issued and fully paid:		
78,528,594 shares outstanding	56,173	56,173
Deficit	<u>(42,542)</u>	<u>(41,213)</u>
	<u>13,631</u>	<u>14,960</u>
	<u>19,363</u>	<u>21,447</u>
<u>“Thomas C. Shrake”</u> , Director	<u>“David K. Fagin”</u> , Director	

See accompanying notes to these Interim Consolidated Financial Statements

PACIFIC RIM MINING CORP.

Interim Consolidated Statements of Income (Loss) and Deficit

(Prepared by management)

in thousands of US dollars (except per share amounts)

(unaudited)

	Three months ended July 31, 2003	Three months ended July 31, 2002
Revenues		
Sales	3,023	3,226
Cost of sales		
Operating costs	3,147	2,409
Depreciation, depletion and amortization	372	921
	3,519	3,330
Mine operating loss	(496)	(104)
Expenses		
Exploration	871	592
General and administrative	153	302
Write-down of marketable securities	-	269
Interest expense	16	21
Foreign exchange	7	12
Interest income	(33)	(36)
Gain on sale of mineral property	-	(900)
Gain on sale of marketable securities	-	(1,007)
	1,014	(747)
Net income (loss) before unusual item	(1,510)	643
Recovery of Investment In Andacollo Mine	181	201
Net income (loss) for the period	(1,329)	844
Deficit - beginning of period	(41,213)	(38,413)
Deficit - end of period	(42,542)	(37,569)
Per share:		
Net income (loss) per share - basic and diluted	(0.02)	0.01
Weighted average shares o/s during period:	78,528,594	78,428,459

See accompanying notes to these Interim Consolidated Financial Statements

PACIFIC RIM MINING CORP.

Interim Consolidated Statements of Cash Flow

(Prepared by management)

in thousands of US dollars

(unaudited)

	Three months ended July 31, 2003	Three months ended July 31, 2002
Net income (loss) for the period	(1,329)	844
Adjustments to reconcile net income (loss) to cash flow provided by (used for) operating activities:		
Depletion, depreciation and amortization	265	876
Closure costs amortization	107	45
Foreign exchange loss	7	12
Net interest earned on closure fund	(15)	(38)
Gain on sale of marketable securities	-	(1,007)
Gain on sale of mineral properties	-	(900)
Write-down of marketable securities	-	276
	(965)	108
Accounts payable and accrued liabilities	(394)	(62)
Closure cost expenditures	(872)	(44)
Due to related parties	7	(250)
Inventories	1,822	(781)
Receivables	(77)	(20)
Cash flow provided by (used for) operating activities	(479)	(1,049)
Investing Activities		
Purchases of property, plant and equipment	(9)	(36)
Proceeds from sale of property, plant and equipment	46	-
Sale of marketable securities proceeds	-	1,817
Cash flow provided by (used for) investing activities	37	1,781
Financing activities		
Issuance of share capital	-	21
Cash flow provided by (used for) financing activities	-	21
Foreign exchange	(7)	(12)
Net Increase (decrease) in cash and cash equivalents	(449)	741
Cash and cash equivalents, beginning of period	1,107	2,564
Cash and cash equivalents, end of period	658	3,305

See accompanying notes to these Interim Consolidated Financial Statements

Pacific Rim Mining Corp.
Notes to Interim Consolidated Financial Statements
July 31, 2003
In thousands of U.S. dollars

1. Nature of Operations and Basis of Presentation

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

Basis of Presentation

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

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

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

The accompanying unaudited interim consolidated financial statements (the "financial statements") have been prepared by management in accordance with the accounting principles and methods of application disclosed in the Company's audited consolidated financial statements for the fiscal period ended April 30, 2003.

The financial statements include all adjustments that are, in the opinion of management, necessary for a fair presentation. These financial statements do not include all disclosures required by Canadian Generally Accepted Accounting Principles for annual financial statements and accordingly these financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's annual report for the year ended April 30, 2003 (the "Annual Report").

The balance sheet of these financial statements has been changed from previous used formats to separately report saleable bullion inventory located at gold refiners from all other inventories held. A total amount is included for cash and cash equivalents and bullion to reflect managements view that the bullion reported is closely equivalent to cash and immediately available to cover short-term cash requirements.

2. Significant Accounting Policies and Accounting Changes

Asset Retirement

Effective May 1, 2003, the Company has elected early implementation of the Canadian standard for accounting for asset retirement obligations, whereby the Company is required to recognize asset retirement obligations in the period in which they are incurred, if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long term asset. The associated liability is accreted over the estimated number of future ounces of gold to be produced until settlement of the obligation and the asset is depreciated over the estimated useful life of the asset. As a result of the adoption of this accounting standard the carrying value of the Rawhide Mine and the corresponding asset retirement obligation have been increased by \$ 0.5 million. This has been applied prospectively.

United States GAAP for asset retirement obligations (Financial Accounting Standards Board ("FASB") Statement No. 146) conforms in all material respects to Canadian GAAP.

Bullion Inventory

Bullion inventory is valued at the lower of cost and fair market value. Details are as follows:

	July 31, 2003		April 30, 2003	
	Gold	Silver	Gold	Silver
Ounces at Refinery	2,730	26,506	1,544	15,402
Market value per ounce (\$/oz.)	355.00	5.10	339.00	4.63
Market value	\$ 969	135	\$ 523	71
Total Market Value	<u>\$1,104</u>		<u>\$594</u>	

3. Financial Instruments

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

4. Inventories

Details are as follows:

	July 31, 2003		April 30, 2003	
Production inventory	\$ 8,181	\$	10,291	
Supplies inventory	318		540	
	<u>8,499</u>		<u>10,831</u>	
Less: Long term portion of production inventory	-		(2,002)	
	<u>\$ 8,499</u>	\$	<u>8,829</u>	

The estimated value of inventory that will not be recovered within the next fiscal year has been reclassified as long term.

5. Properties, Plant and Equipment

Details are as follows:

	July 31, 2003		April 30, 2003	
Cost	\$ 10,618	\$	10,652	
Accumulated depreciation and write-downs	(5,035)		(5,197)	
	<u>\$ 5,583</u>	\$	<u>5,455</u>	

6. Mineral Properties

a) El Salvador Properties

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

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

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

	Option Payment	Minimum Exploration Expenditures
Upon signing (paid)	\$ 5	\$ -
Upon completion of a two month due diligence (paid)	15	-
On or before May 17, 2003 (paid and expenditure incurred)	20	25
On or before May 17, 2004 (expenditure incurred)	35	50
On or before May 17, 2005 (expenditure incurred)	75	100
On or before May 17, 2006 (expenditure incurred)	150	200
Totals:	<u>\$ 300</u>	<u>\$ 375</u>

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

b) Denton-Rawhide Joint Venture

The Company owns a 49% interest in the Denton-Rawhide Mine. The Company's 49% interest in the joint venture is summarized as follows:

	July 31, 2003	April 30, 2003
Cash and working capital	\$ 8,615	\$ 8,838
Inventories - long-term portion	-	2,002
Property, plant and equipment	1,353	1,219
Closure fund	3,392	3,410
Current liabilities	(1,729)	(2,510)
Long-term liabilities	(1,508)	(1,900)
Net assets	<u>\$ 10,123</u>	<u>\$ 11,059</u>

	Three Months Ended July 31, 2003	Three months Ended July 31, 2002
Sales	\$ 3,023	\$ 3,226
Costs and expenses	(3,519)	(3,330)
Net loss before taxes	<u>\$ (496)</u>	<u>\$ (104)</u>

7. Closure Fund, Accrued Closure Costs and Loan Payable to a Related Party

The Company, as part of the Denton-Rawhide acquisition, agreed to reimburse Kinross Gold Corporation ("Kinross"), who is a major shareholder of the Company and has a director in common, a principal amount of \$2.118 million for Kinross' interest in the reclamation and severance trust funds ("Closure Fund") held for the benefit of the Denton-Rawhide operation. The principal amount is repayable to Kinross, on an annual basis, from 25% of the net internal cash flow from the Denton-Rawhide Mine. Interest is payable annually at rates equivalent to those earned by the Closure Fund trust accounts. As a result of adjustments to working capital accounts at the time of purchase, the principal amount owing to Kinross was reduced to the outstanding amount of \$1.849 million of which \$0.341 million (plus accrued interest) is due and payable at December 31, 2003 and the balance of \$1.508 million is payable at December 31, 2004.

The closure trust funds are held in a trust managed by a Trustee that is a large North American banking institution. The trust funds are invested in mutual funds composed of U.S. Government guaranteed fixed income securities with maturities of one to five years. The fair market value of the funds at July 31, 2003 was approximately \$3,637. The closure trust funds are provided as security to the mine operator for the estimated closure liabilities.

Accrued closure costs – April 30, 2003		
Short term	\$ 1,488	
Long term	\$ 1,900	3,388
Add: Accrual of additional reclamation obligations (see note 2)		\$ 495
Total Reclamation Obligation		3,883
Less: Reclamation expenditures during the period		872
Accrued closure costs – July 31, 2003		
Short term	632	
Long term	\$ 2,379	\$ 3,011

8. Share Capital

Common Shares

Details are as follows:

	<u>Number of Shares</u>	<u>Amount</u>
Balance – April 30, 2003	78,528,594	\$ 56,173
Common shares issued during period	0	-
Balance – July 31, 2003	<u>78,528,594</u>	<u>\$ 56,173</u>

Stock Options

Upon amalgamation, the stock options outstanding under the plans of Dayton Mining Corporation and Pacific Rim Mining Corp. were rolled over, provided that upon surrender, termination or expiry without exercise the shares are not available for the grant of new options.

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

Stock options or bonus shares may be granted under the 2002 Plan, by the Board of Directors, to eligible parties, for a term of up to 10 years, at the closing price on the TSX on the date prior to the grant, and on conditions as may be determined by the Board of Directors.

	<u>Number of Options</u>		Weighted Average Exercise Price (in Cdn \$)	Expiry
	Pre- Amalgamation Plans	October 2002 Plan		
Options outstanding at April 30, 2003	4,517,480	2,110,000	\$0.73	2003-2007
Three months ended July 31, 2003 - granted	-	170,800	\$0.43	2008
- cancelled	(88,000)	(130,000)	\$0.59	2005-2007
- exercised	-	-	-	-
Options outstanding at July 31, 2003	4,429,480	2,150,800	\$0.72	2003-2008
Vested as at July 31, 2003	4,429,480	1,376,933	\$ 0.68	2003-2008

The following table summarizes information about stock options outstanding to directors, former directors and employees as at July 31, 2003.

Expiry Date	Exercise Price (in Cdn \$)	Number Outstanding	Number Vested
November 4, 2003	\$ 0.88	574,000	574,000
February 4, 2004	\$ 1.49	4,000	4,000
April 27, 2004	\$ 1.36	1,188,000	1,188,000
June 29, 2004	\$ 1.06	330,000	330,000
June 29, 2004	\$ 1.36	36,080	36,080
September 24, 2004	\$ 1.30	29,000	29,000
May 28, 2005	\$ 0.54	985,600	985,600
July 4, 2006	\$ 0.29	1,282,800	1,282,800
April 18, 2007	\$ 0.62	1,980,000	1,320,000
July 23, 2008	\$ 0.43	170,800	56,933
		<u>6,580,280</u>	<u>5,806,413</u>

If the Company had accounted for stock options granted to directors and employees using the fair value method, the pro-forma effect on net loss and loss per share for the period ended July 31, 2003 would be as follows:

	Three Months Ended July 31, 2003		Year Ended April 30, 2003
Net Loss for the Year			
As reported	\$	(1,329)	\$ (2,800)
Stock option compensation expense		(32)	(473)
Pro-forma net loss for the year	\$	<u>(1,361)</u>	\$ <u>(3,273)</u>
Loss Per Share - Basic and Diluted (in U.S. dollars)			
As reported	\$	(0.02)	\$ (0.04)
Pro-forma	\$	(0.02)	\$ (0.04)

The fair value of the options used in the pro-forma information above has been estimated at the date of vesting using the Black-Scholes Option Pricing Model with the following assumptions:

Risk free interest rate	3.67%	4.31%
Average expected option life	3 years	4 years
Stock volatility – based on past trading history	35.43%	89.46%
Dividend payments during life of option	none	none

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

9. Gold Sales Contracts

(Metals prices in U.S. dollars)

At July 31, 2003, the Company gold hedging program consisted of 1,500 ounces of forward sales contracts for future delivery of gold at August 15, 2003 at price of \$386 per ounce. At July 31, 2003 the Company had no financial exposure to market risks related to the settlement of outstanding hedges as gold spot prices were approximately \$355 per ounce at that date. The estimated fair value of these contracts at the July 31, 2003 spot prices was \$47, which represents the fair value to the Company on the balance sheet date if it were to settle these instruments prior to their maturity.

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

10. Segmented Information

The company operates in one business segment, namely; exploration and gold mining with its sole producing asset being a 49 % joint venture interest in a gold mine in Nevada, USA (acquired April 1, 2000), exploration activities in El Salvador (commencing April 6, 2000) and administrative offices in Canada and the USA. There has been no material change in segmented assets from those disclosed in the Company's annual report.

Details are as follows:

	Three Months Ended July 31, 2003		Year Ended April 30, 2003	Three Months Ended July 31, 2002
Total Assets				
Canada	\$	294	\$ 99	\$ 3,327
USA		14,885	17,094	18,431
El Salvador		4,184	4,252	4,184
Chile		-	2	19
Total	\$	<u>19,363</u>	\$ 21,447	\$ 25,961
Total Property, Plant and Equipment				
Canada	\$	7	\$ 8	\$ 10
USA		1,392	1,263	4,494
El Salvador		4,184	4,184	4,184
Chile		-	-	-
Total	\$	<u>5,583</u>	\$ 5,455	\$ 8,688

Revenue, Excluding Interest Income			
Canada	\$ -	\$ -	\$ -
USA	3,023	12,509	3,226
El Salvador	-	-	-
Chile	-	-	-
Total	\$ 3,023	\$ 12,509	\$ 3,226
Depreciation, Depletion and Amortization			
Canada	\$ 1	\$ 4	\$ 1
USA	371	3,088	921
El Salvador	-	-	-
Chile	-	-	-
Total	\$ 372	\$ 3,092	\$ 922
Net Income (Loss)			
Canada	\$ (123)	\$ 847	\$ 1,395
USA	(601)	(1,004)	(223)
El Salvador	(786)	(3,151)	(529)
Chile	181	508	201
Total	\$ (1,329)	\$ (2,800)	\$ 844

11. Related Party Transactions

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

- a) Amounts due to related parties are required to be paid within 12 months and have accordingly been recorded in these financial statements as current liabilities.

Details are as follows:

	July 31, 2003	April 30, 2003
Loan interest due to Kinross	38	22
Loan payable to Kinross - current portion (<i>Note 7</i>)	341	209
	\$ 379	\$ 231

Interest expenses accrued during the period on a loan from a related party was \$ 16 (2002 - \$21).

- b) During the three months ended July 31, 2003, wages and benefits of \$81 (three months ended July 31, 2002 - \$90) were paid to directors and officers and have been included in general and administrative expenses.

12. Income Taxes

The Company has utilized prior period losses to eliminate income taxes that would otherwise be payable on current income.

13. Management Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of the Company's results reported in these interim financial statements are included in the Report to Shareholders dated September 29, 2003.