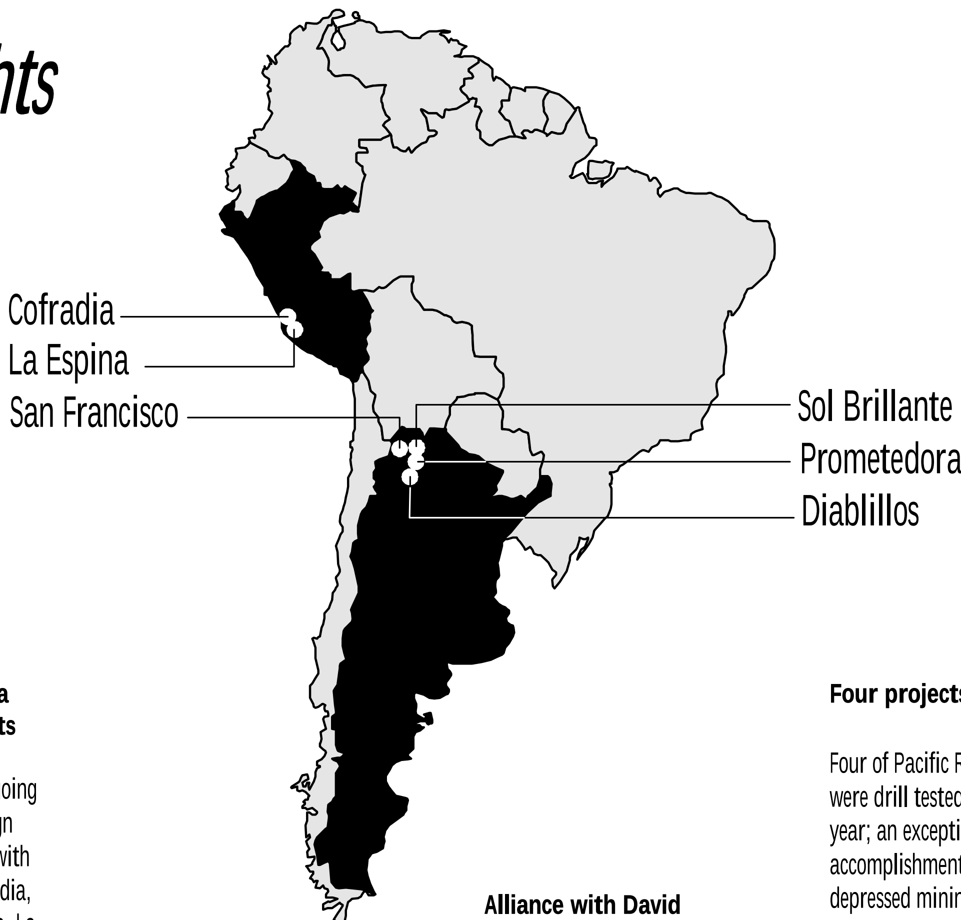
Highlights



Acquisition of Cofradia and other new projects

Pacific Rim's two year on-going project generation campaign paid off over the last year with the acquisition of the Cofradia, San Francisco, Prometedora, La Espina and Sol Brillante projects. The Company's project generation efforts were two-fold: the search for known projects worthy of acquisition through purchase agreements; and, the identification, through regional compilation work, of grassroots exploration opportunities for staking. Pacific Rim evaluated over 300 known properties in Latin America and judged Cofradia to be one of the best of that large group. The Company is extremely pleased to have successfully landed such a promising project. The Sol Brillante project was also optioned and the San Francisco, Prometedora and La Espina projects were staked by the Company, each of which represent highly prospective, low cost additions to Pacific Rim's project portfolio.

Expansion of Oculto resource

The inferred resource of the Oculto silver-gold deposit on Pacific Rim's Diablillos property was significantly increased in an independent resource calculation conducted at the Company's request.
The new inferred resource estimated the deposit to contain 30.7 million tonnes averaging 92.7 g/t silver and 0.60 g/t gold at a cutoff of 0.80 g/t equivalent gold, for a contained resource of 91.5 million ounces of silver and 595,000 ounces of gold. Despite the significant increase in the cutoff grade from the previous resource estimate, the total equivalent ounces of gold still rose by 47%.

Alliance with David Lowell

Pacific Rim has entered into an agreement with Mr. David Lowell (through his private Chilean company) and his business partner whereby they have agreed to identify new precious metal exploration opportunities in Peru on behalf of Pacific Rim. A finder's fee of non-transferable share purchase warrants, exercisable on a pro-rata basis, is payable under this agreement if and when, as a result of an introduction by Mr. Lowell or his partner, Pacific Rim acquires a new project and obtains regulatory acceptance of the acquisition. David Lowell, former Chairman of Arequipa Resources Ltd., has been associated with numerous mineral discoveries including La Escondida, Chile and Pierina, Peru.

Four projects drill tested

Four of Pacific Rim's projects were drill tested in the last year; an exceptional accomplishment in the current depressed mining industry. This high level of activity is a testament to the months of diligent systematic exploration groundwork that preceded drill testing. Several projects were brought from the earliest exploration stages right through to drill testing within the year. Pacific Rim is currently drilling the San Francisco and Cofradia projects and Barrick is currently drilling the Diablillos project.

Augmentation of the treasury

Over $2 million Cdn was added to Pacific Rim's treasury when 1.378 million share purchase warrants priced at $1.52 were exercised. These funds more than provided for the Company's initial acquisition and drill program costs for the newly acquired Cofradia property.

Letter to Shareholders

On behalf of the Board of Directors, we are very pleased to present Pacific Rim Mining Corp.'s annual report and financial statements for the fiscal year ended April 30, 1999.

Pacific Rim is focused on the acquisition and exploration of precious metal properties of merit and the translation of its exploration success into new wealth for shareholders. The management of the Company set out a systematic strategic plan when they began their tenure with Pacific Rim in 1997. This plan includes the acquisition of a portfolio of projects with enormous potential (the 'foundation-building' stage), the exploration of these projects and discovery of large precious metal deposits ('the value-adding stage') and the eventual production from or sale of these projects at a premium (the 'reward' stage). We believe that the maximum value for our shareholders can be obtained by employing our geological expertise to leverage early stage projects into those with economic deposits.

Pacific Rim made enormous headway during 1999 in its strategic plan. Our project generation campaign of the past two years bore fruit during the year, with the acquisition of five new projects (Cofradia, San Francisco, Prometedora, La Espina and Sol Brillante), creating a stable of high quality mineral exploration targets for the Company. Pacific Rim now has a portfolio of six projects in northwestern Argentina and southern Peru. With the foundation now established, the Company has begun to add value to its projects. All of the Company's projects were explored during the last year, with the exception of Diablillos, which is co-owned and operated by a subsidiary of Barrick Gold Corporation. This marks one of the busiest years ever for the Company, and made Pacific Rim stand out as one of the more active Canadian exploration companies of the last year. The Project Review section of this report describes the progress made on our properties during the last year.

As part of Pacific Rim's mandate to only keep projects that continue to meet with a high level of exploration success, the Company terminated the La Colorada, Fantasma and Cerro Blanco option agreements. Throughout the exploration cycle on any project, Pacific Rim constantly weighs the likelihood of discovery against the opportunity cost. Unable to identify a joint venture partner for Cerro Blanco or La Colorada, and after unsatisfactory drill results from the Fantasma project, the balance shifted for these projects during the last year, and the cost of each came to outweigh its potential.

Although Pacific Rim has moved into the second part of its strategic plan and has scaled back its project generation campaign, the Company is continually on the lookout for additional high quality projects. Our own geological team has been quite successful in its approach, and remains very active in this regard. We have further enlisted the assistance of David Lowell, former Chairman of Arequipa Resources Ltd. and the discoverer of numerous world class mineral deposits, in the identification of new projects of merit.

Pacific Rim's promotional activities were stepped up during the last fiscal year. In June, 1998 the Company obtained 20-F registration with the SEC, opening up our market to many U.S. investors. We attended numerous mining investment conferences, and were invited to speak about the Company at several of these. In addition, management made several trips within Canada and the US to speak with brokers, analysts and institutional investors about the Company's progress and was met with much enthusiasm. Pacific Rim received coverage in several mining analysts' research reports and well-respected investment newsletters and is currently being actively followed by most of the mining investment community. We are working to get our story out so that when the Company is successful in making a discovery, the groundwork will have been laid, allowing us to build maximum shareholder value.

With the price of gold at 20-year lows and the mining industry in its third consecutive depressed year, it is a challenging time for junior exploration companies. How does Pacific Rim separate itself from the pack? By continuing to explore. It is only with the discovery of new, large, low-cost deposits and the perception that money can be made in the mining industry that we expect a turnaround to occur. We have set our sights no lower than the achievement of this discovery and our contribution to a turnaround.

The success of Pacific Rim will be the result of a team effort. We would like to thank our employees for their hard work over the past year, and thank our shareholders for their continued support. The coming year promises to be very exciting for Pacific Rim as we continue to add value to the Company and we invite all of our current and potential shareholders to join us as we move ever closer to realizing the rewards.

On behalf of the Board of Directors,

Catherine McLeod-Seltzer,
President

Thomas C. Shrake,
Chief Executive Officer

Anthony Petrina,
Chairman

August, 1999

Project Review

Pacific Rim Mining Corp. has a portfolio of six mineral exploration properties in northwestern Argentina and southern Peru that range from the grassroots stage to more advanced projects that contain drill-defined resources. The Company is focused on precious metals in Latin America, specifically the discovery of low-cost, high tonnage gold ± silver deposits in areas that boast prospective geology, reasonable exploration costs and little competition.

The Company started its 1999 fiscal year with four projects in its portfolio; Diablillos, Fantasma, La Colorada and Cerro Blanco. By the end of the year, Pacific Rim added the Cofradia, San Francisco, Prometedora, Sol Brillante and La Espina projects to its stable. Option agreements were terminated on Fantasma, La Colorada and Cerro Blanco, leaving the Company with six highly prospective properties. In addition to researching and ultimately acquiring these new projects, Pacific Rim was very active exploring them during the year. Five of Pacific Rim's current six projects and two of the three terminated projects saw exploration programs in fiscal 1999, and a drill program commenced on Diablillos subsequent to the year end. 1999 was one of the busiest years ever for Pacific Rim and the Company was one of the most active Canadian junior exploration companies of the last year.

Current Projects

Cofradia

The 7,600 hectare Cofradia project is located in southern Peru approximately 300 kilometers southeast of Lima at an elevation of 4,200 meters. The project is situated at the southern portion of a major mineral belt that hosts numerous gold-silver deposits including Yanacocha and Pierina, in an area the Company believes is under-explored for epithermal precious metal deposits.

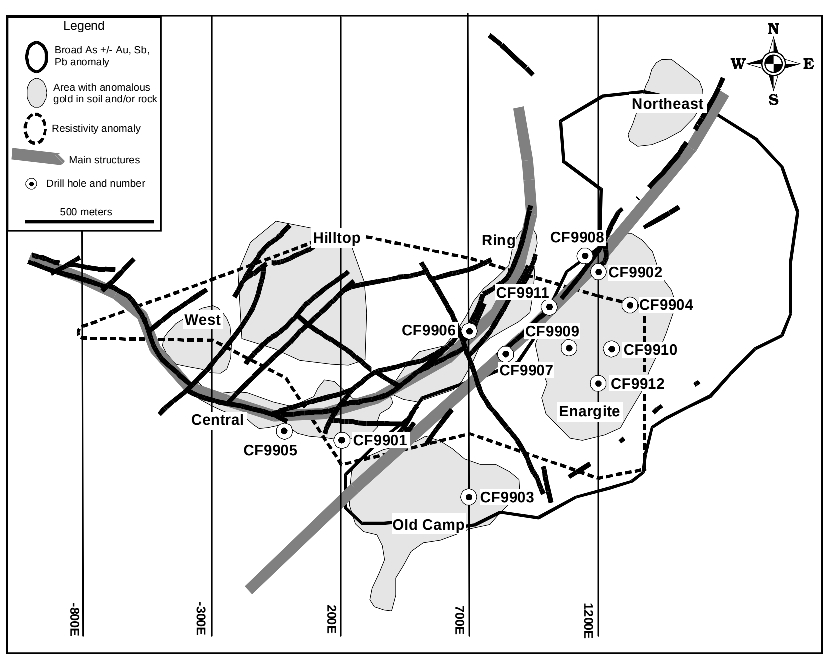
Pacific Rim can earn a 100% interest in the Cofradia property by purchasing SMRL La Capilla, a Peruvian holding company that owns the rights to Cofradia. The agreement requires the Company to make an initial payment of US$ 150,000, expend US$ 500,000 on exploration and make interim payments of US$ 350,000 by March, 2000, and execute a final purchase payment of US$ 25 million by September, 2000. The boldness of this deal demonstrates the potential that Pacific Rim sees in the Cofradia project.

Exploration work on the Cofradia project by Pacific Rim, including detailed geological mapping, rock and soil geochemistry and geophysics, has outlined a large high-sulfidation epithermal alteration system defined by argillic alteration and vuggy silica textures. This alteration system appears to be related to a series of ring fractures, which formed around the collapsed caldera of a volcano in the center of the property. The Company believes that this series of ring fractures acted as the feeder to a gold mineralizing system at Cofradia.

Soil sampling delineated a large gold anomaly approximately 2.5 by 1.5 kilometers over top of and extending outward from the ring fracture system. Ground magnetic and CSAMT (resistivity) surveys indicate that this same area is marked by low magnetic susceptibility and high resistivity. Gold mineralization was identified in rock samples from a number of favourable stratigraphic horizons, including a 50+ meter thick volcaniclastic unit, a carbonaceous limestone unit, tuff dykes that occupy the ring fractures and from local dacite intrusives. Mineralization has also been identified proximal to faults in other volcanic units.

The results of this exploration work helped to define targets for a 6,000 meter Phase I drill program currently underway on the Cofradia project. This drill program is designed to test the center of the caldera where a thick resistive body was delineated by the CSAMT, the ring structure at the perimeter of the caldera where significant gold-in-soil and -rock anomalies were outlined, and the favourable stratigraphic horizons outside the caldera that are associated with 100+ meter thick CSAMT anomalies and that are known to be gold-bearing where they outcrop on surface.

Pacific Rim believes there is significant potential for the discovery of a large deposit on Cofradia, which if present, can easily justify the final purchase payment. In addition, the time frame and structure of the Cofradia agreement allows the Company to conduct the exploration required to determine the project's viability without having to make large payments or expenditures. Pacific Rim believes that the Cofradia project affords the Company enormous upside potential with minimal up-front risk.



Location of initial drill holes and targets at the Cofradia project

Diablillos

The Diablillos project, located 160 kilometers southwest of the city of Salta in northwestern Argentina, contains numerous precious metal enriched, high-sulfidation occurrences, including the Oculto silver-gold deposit.

The 3,600 hectare Diablillos project is owned by a holding company in which Pacific Rim Mining Corp. and a subsidiary of Barrick Gold Corporation ("Barrick") hold a 30% and 70% interest respectively. Barrick is the operator of the Diablillos project. In order to retain its interest in Diablillos, Barrick must either make a positive production decision by June, 2000 or spend US$ 4 million annually on exploration from that date onward until a production decision is made. No production decision has been made for the Diablillos project to date.

Barrick conducted no exploration on the Diablillos project during fiscal 1999. Results of exploration work completed earlier were, however, forwarded to Pacific Rim during the year, including metallurgical test work and reverse circulation drill results.

The results of 19 reverse circulation drill holes completed by Barrick along the northeast extension of the Oculto deposit were reported in Pacific Rim news releases during fiscal 1999. This drilling defined largely low grade intercepts over narrow widths. Column leach tests on rock from the Oculto deposit were also conducted by Barrick and announced in Pacific Rim news releases during fiscal 1999. These tests indicate that mineralized rock from Oculto, while soluble in cyanide solution, would require very fine grinding to liberate the metals and thus, is unlikely to be viably heap leached. A milling circuit will likely be required to recover the silver and gold from the Oculto deposit.

Based on the additional drilling completed by Barrick, Pacific Rim commissioned an updated resource estimate for the Oculto deposit, which was announced in November, 1998. Mine Development Associates of Reno, Nevada estimated the Oculto deposit to contain an inferred resource of 49.5 million tonnes averaging 68.3 g/t silver and 0.42 g/t gold at a cutoff grade of 0.40 g/t equivalent gold. This represents a resource of 108.8 million ounces of silver and 664,000 ounces of gold, an increase of 19% in silver ounces and 132% in gold ounces over the Company's 1997 Oculto resource estimate. In order to reflect the increased cutoff grade required for a standard mill operation, the new resource estimate was also calculated at a 0.80 g/t equivalent gold cutoff. Despite this significant increase in the cutoff grade, the total equivalent ounces of gold still rose by 47% over the 1997 estimate.

Updated Oculto Inferred Resource, November, 1998

Cutoff grade (equivalent* g/t gold)	Tonnes (000's)	Silver Grade (g/t Ag)	Gold Grade (g/t Au)	Total ounces silver (millions)	Total ounces gold (000's)	Equivalent* ounces gold (millions)
0.40	49,529	68.3	0.42	108.8	664	2.48
0.80**	30,704	92.7	0.60	91.5	595	2.12
3.00	5,114	257.1	1.38	42.3	226	0.93

* US$ 300/ounce gold and US$ 5.00/ounce silver.

**estimate of cutoff required for standard mill operation

Following the completion of its reverse circulation drill program at Oculto, Barrick announced its intention to twin four previously drilled reverse circulation holes with new diamond drill holes. Subsequent to Pacific Rim's 1999 fiscal year end, Barrick commenced a 1,200 meter diamond drill program at Oculto, which is currently on going.

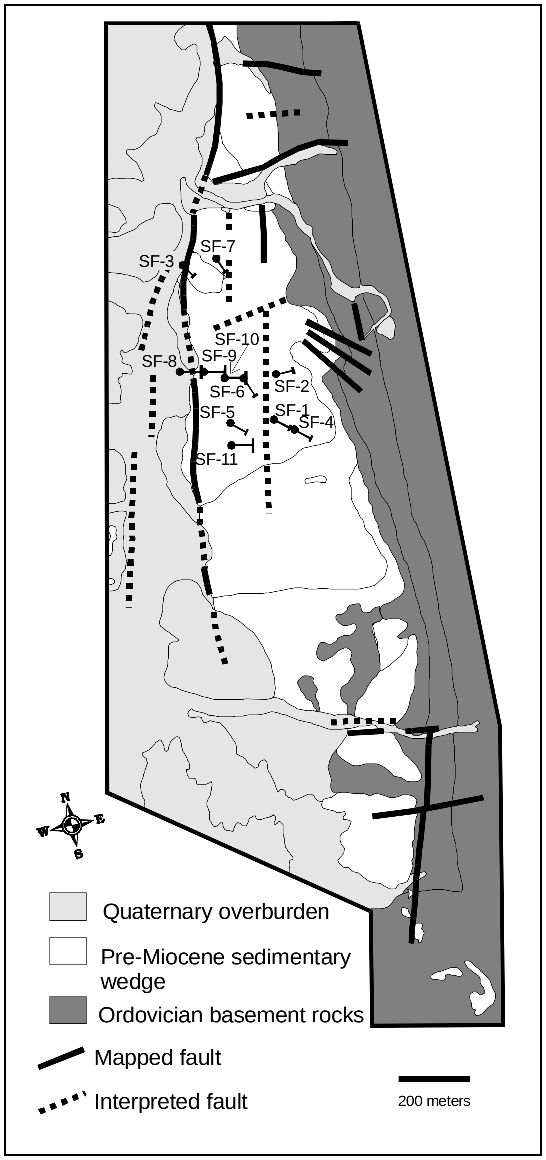
San Francisco

Pacific Rim staked the 3,600 hectare San Francisco project in August, 1998 in order to protect a 500 meter wide by 3,500 meter long low-sulfidation epithermal alteration system that the Company identified during its regional project generation campaign in northern Argentina. The 100%-owned San Francisco property is located in Jujuy province, 5 kilometers from a major highway.

The alteration system at San Francisco is characterized by the presence on surface of gold-enriched, hot spring silica sinter terraces and highly anomalous trace element (mercury, arsenic, and antimony) geochemistry. Silica sinters mark the point where hydrothermal fluids reach the earth's surface – the highest level or cap of a low-sulfidation system. These sinters are not normally enriched in gold, which is typically confined to the 'boiling zone' deeper in the system. The presence of gold throughout the entire exposure of silica sinter terraces at San Francisco (up to 1.2 g/t in rock chip samples) indicates the presence of a mineralizing system on the property and the potential for gold enrichment at depth.

After conducting detailed geological mapping and geophysical surveys, Pacific Rim commenced a 2000 + meter reverse circulation drill program on the San Francisco project in July, 1999. The objective of this drill program is to test faults beneath the surface cap that represent the most likely locations for low-sulfidation-type bonanza veins. Early results from this program have served to define the geologic controls and chemistry of the cap, and have provided an indication of the potential for mineralization in the underlying fault-controlled veins. The cap is a zone of quartz-pyrite alteration that floods the matrix of a porous, 30 to 50 meter thick sandstone, effectively sealing the pores in that unit. This cap appears to be moderately gold-enriched, with initial drill results returning 30 to 40 meter intervals averaging 0.3 to 0.4 g/t gold. Crosscutting the cap, large fault-controlled quartz veins have been intersected that host an assemblage of minerals (rhodocrosite, sphalerite, pyrite, marcasite, polybasite (a silver sulfosalt) and other minor silver minerals) typical of large bonanza vein-type epithermal deposits such as the Comstock Lode. Narrower veinlets of a similar nature have also been intersected in the hanging wall to these faults. These veins and veinlets are enriched in silver and zinc, with lesser gold. The San

Francisco drill program is on going at press time as the Company attempts to test the potential of this project to host a large, bonanza vein-type epithermal deposit.



San Francisco geology and drill locations

Prometedora

Pacific Rim staked the Prometedora project in Salta province, northwestern Argentina in June, 1998, protecting a 3.5 by 1.5 kilometer alteration system that was discovered through the Company's regional project generation campaign.

The Prometedora alteration zone, marked by an intensely silicified core that grades outward into propylitized wall rock, appears to be a classic porphyry-type alteration system. The core of the system is cut by a large north-south fault, which appears to have down-dropped the now overburden-covered stratigraphy on the western side. On the east side of the fault, exposed outcrop in the silicified core of the system has returned anomalous gold in rock samples.

Geological mapping and sampling of the Prometedora project is on going at press time and the Company expects the final stages of this initial investigation to be completed during the fall of 1999. Further exploration will be conducted if warranted.

La Espina

As a result of its project generation campaign in Peru, Pacific Rim staked the La Espina project in August, 1998. The La Espina project totals more than 57,000 hectares and spans a total distance of approximately 115 kilometers.

The La Espina claims are 100% owned by Pacific Rim and form a regional backdrop to the Cofradia project. The claims cover a large part of the southern portion of the Yanacocha-Pierina mineral belt and comprise both high- and low-sulfidation-type epithermal alteration zones.

Pacific Rim is currently conducting its first-pass evaluation of the La Espina claims, which owing to the size of the project, is expected to take over a year in total to complete. Several highly anomalous silver and gold showings have been discovered to date, with one target in particular returning up to 5.14 g/t gold and 118.0 g/t silver. Once the first-pass evaluation is completed, the La Espina claims will be culled to maintain only the most promising ground.

Sol Brillante

The Sol Brillante project is located in Salta province, northwestern Argentina, approximately 300 kilometers northwest of the city of Salta. The 1,400 hectare property surrounds the 100 hectare La Colorada claim formerly optioned by Pacific Rim (see below).

In October, 1998, Pacific Rim acquired Sol Brillante through an option agreement whereby the Company may earn a 100% interest in the project by making a series of cash payments totaling US$ 1.5 million over five years, with the bulk of the payment (US$ 1.34 million) payable in the fifth year.

In late 1998, in conjunction with exploration work being conducted on the La Colorada project, Pacific Rim completed limited geological mapping, ground magnetics, EM and CSAMT on the Sol Brillante property. Results indicated that the rock units that host massive sulfide mineralization on La Colorada continue along strike onto the Sol Brillante ground. Geophysical anomalies coincident with these rocks also persist onto Sol Brillante.

Pacific Rim's acquisition of Sol Brillante provides the Company with a low-cost method of maintaining an interest in any future discoveries on either it or the La Colorada claim groups.

Terminated Projects

La Colorada

Pacific Rim's exploration of the La Colorada base metal project during the last year included detailed geological mapping and ground geophysics (EM, magnetics and CSAMT). The results of these programs all supported the presence of a series of two or more steeply dipping, tightly folded, stratiform volcanogenic massive sulfide horizons and led to the Company's decision to drill test the prospect in December, 1998 with five diamond drill holes.

Massive sulfide mineralization was encountered in all five holes, which defined a large, tabular-shaped horizon of stacked massive and semi-massive sulfide horizons and interconnecting stockwork that averaged 40 meters in true thickness. This body was defined over a strike length of 425 meters and a width of 385 meters and to a vertical depth of 225 meters and was not cut off in any direction. All but one hole returned anomalous zinc, copper, lead, silver and gold, though these intercepts were of sub-economic grade.

Pacific Rim's decision to terminate the La Colorada option stemmed from the onerous payments connected with the Company's option on the project. Although this agreement was renegotiated several times during the year, large payments were scheduled in the coming year. With the La Colorada project's base metal focus and the lack of ore-grade intercepts from the Company's drill program, and in the absence of a suitable joint venture partner, these payments were deemed too costly and Pacific Rim elected to terminate the option in May, 1999. The Company believes it retains an interest in any future discovery on La Colorada through its acquisition of the Sol Brillante project.

Fantasma

A mid-1998 CSAMT survey on Pacific Rim's Fantasma project identified a number of resistivity anomalies, which prompted the Company to launch a drill program on the project in May, 1999. The Fantasma project, in which Pacific Rim held an option to earn a 100% interest, is immediately west of the Company's Diablillos project and two of the three CSAMT anomalies chosen for drill testing are on strike with known mineralized occurrences at Diablillos (the Oculto deposit and the Laderas target).

Seven reverse circulation drill holes totaling 1,923 meters were completed, with one hole testing the most southerly CSAMT anomaly (on strike with the Oculto deposit), five holes testing the central anomaly (on strike with the Laderas target) and one hole testing the northern target. Significant mineralization (14 meters of 147.9 g/t silver) was encountered in only one hole, which was drilled into the central target. Disappointingly, the anomaly on strike with the Oculto deposit was determined to be an isolated fault block of unaltered volcanics, not silicification as was anticipated.

The identification of silver in the central target, while an uneconomic grade at the depth and width over which it was encountered, demonstrates that mineralization from the Laderas structure on the Diablillos property extends almost 1 kilometer along strike to the southwest. In the Company's opinion, this greatly enhances the potential of the Laderas target. Based on the results from this drill program, Pacific Rim terminated the Fantasma option agreement in July, 1999.

Cerro Blanco

No work was conducted on the Cerro Blanco project during fiscal 1999, although the Company did continue to seek a joint venture partner for the project. Unable to locate such a partner, Pacific Rim felt the Cerro Blanco property warranted no further cash outlays and terminated its option agreement in October, 1998.

Project Generation

Pacific Rim has scaled back its intense project generation efforts of the past two years in favour of actively exploring the projects the Company successfully acquired over the last year. Nonetheless, Company geologists continue to make property visits and keep abreast of potential new projects to add to the portfolio.

In February, 1999, Pacific Rim entered into an agreement with Mr. David Lowell (through his private Chilean company), and his business partner, whereby the Company issued a number of non-transferable share purchase warrants exercisable only upon the Company successfully acquiring an exploration project as a result of an introduction to the project by Mr. Lowell or his partner. Mr. Lowell, former Chairman of Arequipa Resources Ltd. is responsible for the discovery of numerous world-class ore deposits including La Escondida in Chile and Pierina in Peru. Pacific Rim is extremely enthusiastic about this alliance as it affords the Company a unique opportunity to identify new projects of merit.

Through its own efforts, and with the assistance of Mr. Lowell, Pacific Rim will continue to seek out new opportunities for discovery.

MD&A

General

Pacific Rim Mining Corp. acquired five new projects during fiscal 1999 and abandoned 3 of its existing projects during and subsequent to the year-end, leaving the Company with a total of six mineral exploration properties in Argentina and Peru.

In May, 1998 David De Witt joined Pacific Rim's Board of Directors. Mr. De Witt is a retired lawyer and a founder and director of Sedun De Witt Capital Corp., a private venture capital company. He is a former director of Arequipa Resources Ltd.

In November, 1998 Pacific Rim became aware of a potential liability involving the Company, arising from a lawsuit commenced in 1997 by Gerald Phillips, a former president and director of the Company (the "Action"). Mr. Phillips commenced the Action in his own name and, without the authorization of the Board of Directors, in the name of the Company against an individual to whom Mr. Phillips gave shares of the Company as collateral for various personal loans. During the course of the litigation, Mr. Phillips sought an injunction restraining the disposition of the collateral shares, in support of which Mr. Phillips gave an undertaking compensating the provider of the loan for any damages that may result from the injunction. Mr. Phillips did not have the authority of the Board of Directors to give this undertaking on behalf of the Company and present management was not aware of it until November, 1998. It is not possible at present to accurately assess the potential for liability that could arise from the undertaking, but the Company believes that the maximum potential exposure is approximately $ 2 million Cdn. Mr. Phillips has agreed to indemnify the Company for any loss it may suffer as a result of the Action, including any damages as a result of the undertaking and all of the Company's legal costs. The matter is currently awaiting a court date, which is expected to be set for 2001.

No investor relations arrangements were entered into during fiscal 1999 and all such activities were carried out by employees, directors and officers of the Company. Investor relations activities included attendance and speaking engagements at mining investment conferences, promotional meetings with investors, brokers and analysts, refurbishing the Company website and updating shareholders as to the Company's affairs and exploration progress.

Liquidity

The cash balance decreased from $ 9,833,276 to $ 7,592,577 from 30 April 1998 to 30 April 1999, a difference of $ 2,240,699. In 1998 the cash balance decreased from $ 11,185,993 to $ 9,833,276 from 30 April 1997 to 30 April 1998, a difference of $ 1,352,717.

Operations

Loss from operations increased from $ 3,079,303 in 1998 to $ 5,030,575 in 1999. However, if the write-off of mineral property costs ($ 4,275,716 in 1999 and $ 1,960,970 for 1998) is excluded, the loss from operations for 1999 has decreased from $ 1,118,333 in 1998 to $ 754,859. The Cerro Blanco, La Colorada and Fantasma mineral property costs of $ 3,408,396 were written off in 1999 and are included in the 1999 write-off of mineral property costs of $ 4,275,716.

Income from interest increased from $ 337,201 in 1998 to $ 399,323 in 1999 due to the increase in interest rates in 1999 and increased cash balances in high quality short-term instruments. Wages and benefits decreased from $ 524,491 in 1998 to $ 431,214 due to decreased staffing in administration. Consulting expense decreased from $ 199,349 in 1998 to $ 26,503 in 1999. The decrease relates mainly to a one time consulting fee of $ 120,000 paid to the former president and director of the Company in 1998.

Investing and Financing

Mineral property expenditures were made during 1999 to evaluate existing properties and to acquire and evaluate new properties. Total expenditures on properties increased from $ 3,557,585 in 1998 to $ 3,586,546 in 1999. Expenditures on the Cofradia/La Espina claims were $ 1,537,136 in 1999 and $ 172,733 in 1998. Expenditures for the Sol Brillante/La Colorada claims increased from $ 498,084 in 1998 to $ 789,341 in 1999. Investigative exploration costs decreased from $ 1,064,496 in 1998 to $ 867,323 in 1999. Net cash received from the issuance of shares decreased from $ 3,753,515 in 1998 to $ 2,094,560 in 1999, a difference of $ 1,658,955. The net cash received was from the exercise of 3,057,850 warrants in 1998 and 1,378,000 in 1999.

Forward-Looking Statements

Some of the statements contained in this annual report are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.

Cautionary Note to U.S. Investors

The United States Securities and Exchange Commission ("SEC") permits mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract and produce. Pacific Rim uses certain terms in this annual report, such as resource, that the SEC guidelines strictly prohibit us from including in filings with the SEC. U.S. investors are urged to consider closely the disclosure in the Company's Form 20-F File No. 029704.

AUDITORS' REPORT

To the Shareholders of Pacific Rim Mining Corp.:

We have audited the consolidated balance sheet of Pacific Rim Mining Corp*. (An Exploration Stage Company)* as at 30 April 1999 and 1998 and the consolidated statements of loss and deficit and cash flows for the years ended 30 April 1999, 1998 and 1997 and cumulative from inception (1 August 1987) through 30 April 1999 and the consolidated changes in shareholders' equity from 30 April 1996 through 30 April 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at 30 April 1999 and 1998 and the results of its operations and its cash flows for the years ended 30 April 1999, 1998 and 1997 and cumulative from inception (1 August 1987) through 30 April 1999 and the changes in shareholders' equity from 30 April 1996 through 30 April 1999 in accordance with generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Langley, B.C.	STALEY, OKADA, CHANDLER & SCOTT
12 July 1999	CHARTERED ACCOUNTANTS

Pacific Rim Mining Corp. Statement 1

(An Exploration Stage Company)

Consolidated Balance Sheet

As at 30 April

Canadian Funds

ASSETS		**1999**		1998
Current				
Cash and short-term investments	**$**	**7,592,577**	$	9,833,276
Accounts receivable		**16,652**		9,564
Prepaid expenses and deposits		**34,446**		29,618
		7,643,675		9,872,458
Capital Assets, less accumulated amortization *(Note 5)*		**197,701**		179,618
Mineral Property Costs - *Schedule (Note 4)*		**3,233,979**		3,773,149
Investment in Salta Gold Ltd. *(Note 3)*		**3,647,792**		3,616,648
Incorporation Costs		**55,101**		56,101
	$	**14,778,248**	$	17,497,974

LIABILITIES				
Current				
Accounts payable	**$**	**156,240**	$	89,951
Contingent Liability *(Note 10)*				
Commitments *(Note 11)*				

SHAREHOLDERS' EQUITY				
Share Capital *(Note 6)*				
Authorized:				
100,000,000 common shares without par value				
Issued and fully paid:				
21,595,370 (20,117,370) shares		**26,802,181**		24,557,621
Deficit - *Statement 2*		**(12,180,173)**		(7,149,598)
		14,622,008		17,408,023
	$	**14,778,248**	$	17,497,974

ON BEHALF OF THE BOARD:

__________________________________, Director

__________________________________, Director

- See Accompanying Notes -

Pacific Rim Mining Corp. Statement 2

(An Exploration Stage Company)

Consolidated Statement of Changes in Shareholders' Equity

As at 30 April

Canadian Funds

	Common Shares		Amount		Accumulated Deficit		**Total** *(Restated – Note 13)*
Balance - 30 April 1996	11,281,610	$	7,380,367	$	(2,881,860)	**$**	**4,498,507**
Issuance of shares for cash	2,475,000		3,267,000		-		**3,267,000**
Exercise of warrants	757,500		868,125		-		**868,125**
Exercise of options	837,750		723,613		-		**723,613**
Allotted: Shares for finder's fee	100,000		230,000		-		**230,000**
Allotted: Special warrants	1,370,600		8,737,575		-		**8,737,575**
Special warrants issuance costs	-		(552,574)		-		**(552,574)**
Loss for the period					(1,188,435)		**(1,188,435)**
Balance - 30 April 1997	16,822,460		20,654,106		(4,070,295)		**16,583,811**
Issuance of shares for special warrants *(Note 6d)*	137,060		-		-		**-**
Exercise of warrants	3,057,850		3,923,825		-		**3,923,825**
Issuance of shares for Property	100,000		150,000		-		**150,000**
Share issuance costs	-		(170,310)		-		**(170,310)**
Loss for the period					(3,079,303)		**(3,079,303)**
Balance - 30 April 1998	20,117,370		24,557,621		(7,149,598)		**17,408,023**
Exercise of warrants	1,378,000		2,094,560		-		**2,094,560**
Issuance of shares for Property	100,000		150,000		-		**150,000**
Loss for the period					(5,030,575)		**(5,030,575)**
Balance - 30 April 1999	21,595,370	$	26,802,181	$	(12,180,173)	**$**	**14,622,008**

Pacific Rim Mining Corp. Statement 3

(An Exploration Stage Company)

Consolidated Statement of Loss and Deficit

Canadian Funds

	Cumulative Amounts from 1 August 1987 to 30 April 1999	For the Years Ended **30 April 1999**	30 April 1998	30 April 1997
Operating Expenses				
Write-off of mineral property costs	$ 7,128,489	**$ 4,275,716**	$ 1,960,970	$ 65,270
Wages and benefits	1,356,042	**431,214**	524,491	285,379
Consulting	640,901	**26,503**	199,346	45,114
Legal fees	638,789	**125,119**	103,690	140,597
Shareholder information and promotion	611,207	**125,805**	122,185	107,250
Office, secretarial and bookkeeping	601,286	**143,855**	114,289	99,633
Travel	547,993	**45,637**	112,902	205,213
Management fees	216,800	**-**	-	-
Rent	209,159	**73,479**	61,614	13,819
Audit and accounting	197,429	**66,752**	67,579	23,223
Loss on equity investment	122,595	**47,147**	54,618	20,830
Amortization	101,739	**23,850**	22,349	18,992
Listing and filing fees	87,253	**9,397**	19,719	9,317
Transfer agent fees	83,351	**9,415**	20,789	10,336
Settlement of legal claim	75,000	**-**	-	75,000
Foreign exchange loss (gain)	56,958	**26,009**	(1,876)	28,069
B.C. Corporate Capital Tax	33,839	**-**	33,839	-
Investment counselling	20,070	**-**	-	-
Bad debts	14,675	**-**	-	10,696
Write-down of marketable securities	3,967	**-**	-	-
Interest and bank charges, *net*	(567,369)	**(399,323)**	(337,201)	29,697
Loss for the Period	(12,180,173)	**(5,030,575)**	(3,079,303)	(1,188,435)
Deficit - Beginning of period	-	**(7,149,598)**	(4,070,295)	(2,881,860)
Deficit - End of Period	$ (12,180,173)	**$ (12,180,173)**	$ (7,149,598)	$ (4,070,295)
Loss per Share - Basic		**$ (0.25)**	$ (0.18)	$ (0.09)
Weighted Average Number of Shares Outstanding		**20,531,787**	17,472,536	12,863,252

- See Accompanying Notes -

Pacific Rim Mining Corp. Statement 4

(An Exploration Stage Company)

Consolidated Statement of Cash Flows

Canadian Funds

	Cumulative Amounts from 1 August 1987 to 30 April 1999	For the Years Ended **30 April 1999**	30 April 1998	30 April 1997 *(Restated - Note 13)*
Operating Activities				
Loss for the period	$ (12,180,173)	**$ (5,030,575)**	$ (3,079,303)	$ (1,188,435)
Items not affecting cash				
Amortization	101,739	**23,850**	22,349	18,992
Write-off of mineral property costs	7,128,489	**4,275,716**	1,960,970	65,270
Write-down of marketable securities	3,967	**-**	-	-
Loss on equity Investments	122,595	**47,147**	54,618	20,830
	(4,823,383)	**(683,862)**	(1,041,366)	(1,083,343)
Changes in:				
- Accounts receivable	(16,652)	**(7,088)**	3,980	129,107
- Prepaid expenses	(34,446)	**(4,828)**	(2,764)	(21,899)
- Accounts payable	156,240	**66,289**	(62,378)	74,400
- Note payable	-	**-**	-	(426,652)
Cash used in operating activities	(4,718,241)	**(629,489)**	(1,102,528)	(1,328,387)
Investing Activities				
Mineral property costs	(12,848,236)	**(3,586,546)**	(3,557,585)	(789,412)
Purchase of capital assets	(298,440)	**(40,933)**	(102,855)	(98,391)
Investment in Salta Gold Ltd.	(259,448)	**(78,291)**	(181,157)	-
Marketable securities, *net*	(3,967)	**-**	-	-
Incorporation costs	(56,101)	**-**	(37,348)	(18,753)
Cash used in investing activities	(13,466,192)	**(3,705,770)**	(3,878,945)	(906,556)
Financing Activities				
Share capital issued	25,777,010	**2,094,560**	3,753,515	13,043,739
Note receivable	-	**-**	-	1,500,000
Note payable to a former director	-	**-**	-	(1,500,000)
Loan payable (receivable) from a former director	-	**-**	(124,759)	295,317
Cash provided by financing activities	25,777,010	**2,094,560**	3,628,756	13,339,056
Net Increase (Decrease) in Cash	7,592,577	**(2,240,699)**	(1,352,717)	11,104,113
Cash - Beginning of period	-	**9,833,276**	11,185,993	81,880
Cash - End of Period	$ 7,592,577	**$ 7,592,577**	$ 9,833,276	$ 11,185,993
Supplemental Schedule of Non-Cash Transactions				
Shares issued for mineral property	$ 795,171	**$ 150,000**	$ 150,000	$ -
Shares issued for Investment in Salta Gold Ltd.	$ 230,000	**$ -**	$ -	$ 230,000

- See Accompanying Notes -

Pacific Rim Mining Corp. <u>Schedule</u>

(An Exploration Stage Company)

Consolidated Schedule of Mineral Property Costs

For the Years Ended 30 April

Canadian Funds

	1999	1998	1997
Direct			
South American Properties			
Cofradia/La Espina claims			
Geological	$ **571,691**	$ -	$ -
Acquisition	**370,535**	172,733	-
Camp and general	**324,321**	-	-
Salaries	**270,589**	-	-
	1,537,136	172,733	-
Sol Brillante/La Colorada claims			
Acquisition	**276,693**	281,640	137,230
Geological	**214,098**	63,791	31,090
Drilling	**168,969**	-	-
Camp and general	**86,751**	29,781	42,484
Salaries	**42,830**	122,872	64,741
	789,341	498,084	275,545
Fantasma/Nunez Cateo claims			
Acquisition	**270,656**	150,000	-
Geological	**57,646**	91,590	-
Camp and general	**16,473**	-	-
Salaries	**5,857**	-	-
	350,632	241,590	-
Cerro Blanco claims			
Camp and general	**27,796**	168,224	125,998
Geological	**20,143**	198,652	74,369
Drilling	**-**	214,093	-
Acquisition	**-**	281,640	123,284
	47,939	862,609	323,651
San Francisco claims	**112,166**	-	-
Prometedora claims	**32,009**	-	-
Diablillos claims	**-**	-	175,612
Various claims - Investigation costs	**867,323**	1,064,496	69,054
Other Property	**-**	868,073	(54,450)
Costs for the Year	**3,736,546**	3,707,585	789,412
Balance - Beginning of year	**3,773,149**	2,026,534	4,583,331
Mineral property transferred for shares in Salta Gold Ltd.	**-**	-	(3,280,939)
Write-off of costs relating to mineral properties abandoned	**(4,275,716)**	(1,960,970)	(65,270)
Balance - End of Year	$ **3,233,979**	$ 3,773,149	$ 2,026,534

Under U.S. generally accepted accounting principles, the company's mineral property costs and investment in Salta Gold Ltd. have been written off (Note 14b).

1. Significant Accounting Policies

a) Nature of Operations

The company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration costs, including such travel and administration costs relating directly to exploration, are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

b) Loss per Share

Basic loss per share computations are based on the weighted average number of shares outstanding during the year. Fully diluted earnings per share has not been disclosed as it is anti-dilutive.

c) Cash and Short-Term Investments

For purposes of reporting cash flows, the company considers cash and short-term investments to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of six months or less. The company places its cash and cash investments with institutions of high-credit worthiness. At times, such investments may be in excess of federal insurance limits.

d) Amortization

The company provides for amortization on its capital assets at 20% - 30% on a declining balance method. One half of the rate is used in the year of acquisition. The Toronto Stock Exchange listing fee of $25,000 is being amortized straight line over 25 years.

e) Foreign Currency Translation

The accounts of the company's foreign operations have been translated into Canadian dollars as follows:

- Monetary assets and liabilities at year-end rates,
- All other assets and liabilities at historical rates, and
- Revenue and expense and exploration and development items at the average rate of exchange prevailing during the year.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year.

1. Significant Accounting Policies - *Continued*

f) Consolidation

These consolidated financial statements include the accounts of the company and International Pacific Rim S.A., Pacific Rim Exploration Inc., Pacific Rim Mining Corp. Argentina S.A., Salta Gold Ltd., Minera Pacific Rim S.A. de C.V., Minera Pacific Rim Peru S.A.C. and other holding companies.

i) International Pacific Rim S.A. was incorporated in Argentina on 10 July 1996. The company owns 100% of the issued share capital of the subsidiary. The subsidiary is involved in mineral property exploration.

ii) Pacific Rim Exploration Inc., formerly Andes Exploration Inc., was incorporated in the state of Nevada on 20 March 1997. The company owns 100% of the issued share capital of the subsidiary. The subsidiary is involved in mineral property exploration.

iii) Pac Rim Caribe, Pac Rim Caribe II, Pac Rim Caribe III and Pac Rim Cayman were incorporated in the prior year to hold the shares of the company's subsidiaries. The company owns 100% of the issued share capital of these holding companies.

iv) Minera Pacific Rim S.A. de C.V. was incorporated in Mexico on 11 September 1997. The company owns 100% of the issued share capital of the subsidiary. The subsidiary is currently inactive.

v) Minera Pacific Rim Peru S.A.C. was incorporated in Peru on 10 June 1998. The company owns 100% of the issued share capital of the subsidiary. The subsidiary is involved in mineral property exploration.

These consolidated financial statements include the results of all of the above subsidiaries' operations from the date of incorporation to the year-end date.

vi) Pacific Rim Mining Corp. Argentina S.A. ("Argentina") was incorporated in Argentina on 1 September 1993. It is involved in mineral property exploration.

Salta Gold Ltd. ("Salta") is a holding company that owns the shares of Argentina. The company was incorporated in the Cayman Islands on 25 June 1996 to hold the shares of Argentina.

These consolidated financial statements include the results of operations for Salta and Argentina for the periods from incorporation until 26 June 1996, when the company entered into an agreement pursuant to which it sold 70% of Salta. Thereafter, the investment in Salta and Argentina has been accounted for under the equity method of accounting as the company currently owns 30% of Salta. Under the equity method of accounting, the company records its share of dividends paid and income or loss for the fiscal period *(Note 3).*

g) Environmental Expenditures

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

1. Significant Accounting Policies - *Continued*

g) Environmental Expenditures - *Continued*

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. To date, the company has incurred no environmental expenditures relating to the exploration of mineral properties.

h) Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimated.

i) Share Capital

i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by the board of directors of the company.

2. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customer, suppliers, or other third parties, will be fully resolved.

The company has concluded that the expected cost and availability of resource to recover information processed as a result of the year 2000 problem will not have a material effect on the company's operations.

3. Salta Gold Ltd.

a) Sale of Salta Gold Ltd.

By an agreement dated 26 June 1996, the company sold 70% of the issued and outstanding share capital of Salta and its one remaining share of Salta's subsidiary, Argentina, effective 2 July 1996.

3. Salta Gold Ltd. - *Continued*

a) **Sale of Salta Gold Ltd.** - *Continued*

In consideration, the purchaser:

i) incurred U.S. $81,667 in exploration expenditures on the Diablillos property *(Note 3ci)* for the 70% interest in Salta;
ii) paid U.S. $1 for the one share of Argentina;
iii) incur, at its option, exploration expenditures on the Diablillos property *(Note 3ci)* of:

On or before June 2000	U.S. $	14,500,000	(completed)
Each subsequent year after June 2000	U.S. $	4,000,000	

The agreement continues until a production decision is made.

If the purchaser fails to incur exploration expenditures as outlined above, Salta may repurchase all of the purchaser's shares for U.S $10,000.

b) **Finder's Fee**

Pursuant to a Finder's Fee and Commission Agreement dated 20 March 1996 and as amended, the issuer has issued to a private corporation beneficially owned by a former director and officer of the issuer, a finder's fee of 100,000 common shares in connection with the issuer's agreement with a third party regarding the Diablillos Property. These shares were issued in August 1997 and allotted in the financial statements for the year ended 30 April 1997 at a deemed price of $2.30 per share, which was the fair market value of the shares of the company the day the Finder's Fee was settled. *(Note 13)*.

c) **Investment in Salta**

i) Details of the investment are as follows:

		CDN $
Investment in Salta	$	3,770,387
Equity in loss		(122,595)
	$	3,647,792

The investment represents the company's mineral property costs incurred to date on the Diablillos claims in Argentina. The equity in loss is the cumulative loss from the sale of Salta (26 June 1996) to 30 April 1999. The current year loss on equity on the investment in Salta is $47,147.

3. Salta Gold Ltd. - *Continued*

c) Investment in Salta - *Continued*

ii) Condensed consolidated financial information of Salta at 31 December 1998 (fiscal year-end) is as follows:

		U.S. $
ASSETS		
Current	$	181,599
Mineral Property		17,588,367
	$	17,769,966
LIABILITIES		
Current	$	117,096
Shareholders' Advances and Equity		17,652,870
	$	17,769,966
Loss For the Period	$	(103,940)

4. Mineral Property Costs

a) Mineral property costs as at 30 April:

		1999		1998
Cofradia/La Espina Claims, Peru	**$**	**1,709,874**	$	172,733
Sol Brillante/La Colorada Claims, Argentina		**1,379,928**		2,064,150
San Francisco Claims, Argentina		**112,166**		-
Prometedora Claims, Argentina		**32,009**		-
Canadian Claims		**2**		2
Cerro Blanco Claims, Argentina		**-**		1,294,674
Fantasma/Nunez Cateo Claims, Argentina		**-**		241,590
	$	**3,233,979**	$	3,773,149

For expenditures incurred during the current year on a property by property basis refer to the Consolidated Schedule of Mineral Property Costs.

b) Cofradia/La Espina Claims, Peru

By agreement dated 19 February 1999, the company can acquire a 100% interest in a company that owns a 100% interest in the Cofradia property, located in Peru. In order to complete the terms of the agreement, the company shall, at its option, make payments and incur exploration costs as follows:

		U.S. $			Exploration Costs
On or before regulatory acceptance *(received)*	$	150,000	*(paid)*	$	-
On or before 23 September 1999		150,000			-
On or before 23 March 2000 *(including 3,000 meters of drilling)*		200,000			500,000
On or before 23 September 2000		25,000,000			-
	$	25,500,000		$	500,000

4. Mineral Property Costs - *Continued*

b) Cofradia/La Espina Claims, Peru - *Continued*

Upon exercise of the option, the property is subject to up to a 4% net smelter royalty, which is dependent upon the price of gold.

The payments have been treated in these consolidated financial statements as resource property acquisition costs to reflect the substance of the transaction.

c) Sol Brillante/La Colorada Claims, Argentina

i) By agreement dated 25 September 1998, the company can acquire a 100% interest in the Sol Brillante property located adjacent to the La Colorada claims in the Salta province of Argentina. In order to complete the terms of the agreement, the company shall, at its option, make the following cash payments:

	U.S. Funds	
Upon signing of the agreement	$ 8,000	(paid)
On or before 25 September 1999	12,000	
On or before 10 September 2000	20,000	
On or before 10 September 2001	40,000	
On or before 10 September 2002	80,000	
On or before 10 September 2003	1,340,000	
	$ 1,500,000	

ii) During the current year the company abandoned its option in La Colorada claims, which resulted in a write-off of $ 1,473,567. Subsequent to year-end, the company issued 15,000 common shares at a deemed price of $18,750 to terminate a finders' fee agreement related to La Colorada claims.

d) Fantasma/Nunez Cateo Claims, Argentina

By agreement dated 27 January 1998, the company can acquire from a company with a director in common, a 100% interest in the Fantasma Claims and the Nunez Cateo Claims, located in Salta Province of Argentina. In order to complete the terms of the agreement, the company shall, at its option, issue the following number of common shares:

	Shares	
On or before 24 March 1998	100,000	(issued)
On or before 10 March 1999	100,000	(issued)
On or before 10 March 2000	100,000	
On or before 10 March 2001	100,000	
	400,000	

Upon exercise of the option, a 1% net smelter royalty will apply with the company having the option to purchase the royalty for $1,000,000.

4. Mineral Property Costs - *Continued*

d) **Fantasma/Nunez Cateo Claims, Argentina** - *Continued*

In addition for the Nunez Cateo claims, the company agrees to meet the optionor's obligations and assumes all of its rights and obligations as set out in the underlying agreement. Under the terms of the underlying agreement, the company shall, at its option, make the following payments:

	U.S. Funds	
Upon signing of the underlying agreement	$ 26,600	(paid by optionor)
On or before 10 March 1998	53,200	(paid)
On or before 10 September 1998	79,800	(paid)
On or before 10 September 1999	133,000	
On or before 10 September 2000	266,000	
On or before 10 September 2001	789,000	
	$ 1,347,600	

The Nunez Cateo property is subject to a 2% net smelter royalty which can be purchased for U.S. $1,165,000.

Subsequent to year-end, management decided to abandon these claims which resulted in a write-off of $592,216.

e) **Cerro Blanco Claims, Argentina**

During the current year, management decided to abandon these claims, which resulted in a write-off of $ 1,342,613.

5. Capital Assets

Details are as follows:

	Cost	Accumulated Amortization	**1999 Net Book Value**	1998 Net Book Value
Office furniture and equipment	$ 257,507	$ 77,889	$ **197,701**	$ 179,618

6. Share Capital

a) The company has granted stock options to its officers, directors and employees pursuant to the policies of the governing regulatory bodies. Details are as follows:

	Number	Exercise Price	Expiration Date
Balance - 30 April 1996	732,750	$0.45/1.75	May 1996 - September 1997
Options granted	60,000	$5.17	April 2002
Options granted	150,000	$1.25	November 1998
Options granted	1,395,000	$3.85	February 1999
Options expired	(45,000)	$1.15	
Options exercised	(45,000)	$0.59	
Options exercised	(292,750)	$0.75	
Options exercised	(50,000)	$1.00	
Options exercised	(200,000)	$1.25	
Options exercised	(50,000)	$1.75	
Options exercised	(200,000)	$1.45	
Balance - 30 April 1997	1,455,000	$3.85/5.17	November 1998 - April 2002
Options granted	330,000	$3.85	June 2000
Options granted	300,000	$1.52	December 2001
Options cancelled	(265,000)	$3.85	
Balance - 30 April 1998	1,820,000	$1.52/5.17	February 1999 - April 2002
Options granted	735,500	$0.88	November 2003
Options granted	737,000	$1.49	February 2004
Options expired	(1,460,000)	$3.85	
Options expired	(45,000)	$1.52	
Options cancelled	(60,000)	$5.17	
Options cancelled	(10,000)	$1.52	
Options cancelled	(1,500)	$0.88	
Options cancelled	(1,000)	$1.49	
Balance - 30 April 1999	1,715,000	$0.88/1.52	December 2001 - February 2004

The stock options outstanding at 30 April 1999 expire as follows:

	Number	Exercise Price	Expiration Date
	245,000	$ 1.52	18 December 2001
	734,000	$ 0.88	4 November 2003
	736,000	$ 1.49	4 February 2004
	1,715,000		

* Subsequent to year-end 5,000 options were exercised for total proceeds of $7,450.

6. Share Capital - *Continued*

a) - *Continued*

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 123 (SFAS No.123), "Accounting for Stock-Based Compensation". SFAS 123 establishes financial accounting and reporting standards for stock-based employee compensation plans. The statement encourages all entities to adopt a fair value based method of accounting, but allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees". The company has adopted the disclosure provisions of SFAS No. 123 as follows:

		1999		1998
Net Loss				
As Reported	**$**	**(5,030,575)**	$	(3,079,303)
Pro forma	**$**	**(5,313,581)**	$	(3,202,405)
Net Loss Per Share				
As Reported	**$**	**(0.25)**	$	(0.18)
Pro forma	**$**	**(0.26)**	$	(0.18)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	1999	1998
Expected dividend yield	**0.00%**	0.00%
Expected stock price volatility	**96%**	122%
Risk-free interest rate	**4.88%**	5.18%
Expected life of options	**5 years**	3.5 years

The weighted average grant-date fair value of options granted 1999 and 1998 was $0.19 and $0.20 respectively.

b) The warrant activity is as follows:

	Number	Exercise Price	Expiration Date
Balance - 30 April 1996	4,385,350	$0.75/2.00	August 1996 - March 1998
Warrants issued	2,475,000	$1.52	January 1999
Warrants issued	75,000	$6.38	April 1999
Warrants exercised	(257,500)	$0.75	
Warrants expired	(570,000)	$1.50	
Warrants expired	(500,000)	$1.35	
Balance - 30 April 1997	5,607,850	$0.75/6.38	July 1997 - April 1999
Warrants exercised	(1,304,350)	$2.00	
Warrants exercised	(1,753,500)	$0.75	
Balance - 30 April 1998	2,550,000	$1.52/6.38	January 1999 - April 1999
Warrants exercised	(1,378,000)	$1.52	
Warrants expired	(1,097,000)	$1.52	
Warrants expired	(75,000)	$6.38	
Balance - 30 April 1999	-		

6. Share Capital - *Continued*

c) During the year, the company entered into an agreement whereby the company issued non-transferable share purchase warrants exercisable to acquire up to a maximum of 722,825 common shares at $1.38 per share with staggered exercise dates to 25 February 2004. This is a finders fee for introductions being made to the company that lead to the acquisition of new exploration opportunities in Peru. Exercise of the warrants is conditional on the company acquiring a project as a result of the introduction and regulatory approval of that project. To date, no shares have been issued under this agreement.

d) During the prior year, the company issued 137,060 common shares to the holders of the special warrants. The special warrants conversion rate was increased to 1.1 from 1.0 common share for each special warrant because the special warrants were not receipted by the governing regulatory bodies by the 5 August 1997 deadline. In total, 1,507,660 common shares were issued for a total cash consideration of $8,737,575.

7. Related Party Transactions

a) In addition to items noted elsewhere, the company entered into the following transactions with related parties:

		1999		1998		1997
Accounts payable - Former director	**$**	**-**	$	-	$	2,820
Consulting services paid or accrued						
- Former directors		**-**		-		40,000
- Former president and director		**-**		120,000		-
Wages - Former president and former director		**-**		-		75,000
Interest expense - Former president and directors *(Note 7d)*		**-**		7,343		30,500
Wages - Former director		**-**		-		75,000
Wages President and director		**141,000**		157,000		-
Wages - Chief Executive Officer		**188,987**		175,975		26,481

b) During the year ended 30 April 1998, the company issued 250,000 (1998 - NIL; 1997 - 1,491,250) shares for $380,000 (1998 - $NIL; 1997 - $1,641,483) to a director. These share issuances (stock options and private placements) were at fair market value.

c) During the year, NIL (1998 - 12,500; 1997 - 125,000) special warrants were issued to the president and director of the company for cash of $NIL (1998 - $NIL; 1997 - $796,875) *(Note 6d).*

d) Interest of $NIL (1998 - $7,343; 1997 - $30,500) *(Note 7a)* was paid or credited to former directors as reimbursement for interest incurred by them on behalf of the company. Based on a floating interest rate on the directors outstanding balances, the effective interest rate during the year was approximately 0 % (1998 - 6.1%; 1997 - 3.9%).

8. Income Taxes

The company has incurred certain mineral property related expenditures of approximately $4,000,000 in Canada and $2,500,000 in Argentina which may be carried forward indefinitely in Canada and until the properties are dropped or the mineral deposits are depleted in Argentina. These expenditures can be used to reduce prescribed taxable income in future years.

The company has non-capital losses for tax purposes of approximately $5,206,000 which may be carried forward and expire as follows:

	U.S.A.	Canada	Argentina
2000	$ -	$ 5,000	$ -
2001	-	306,000	-
2002	-	405,000	90,000
2003	-	1,100,000	-
2004	-	1,300,000	2,000,000
2010	205,000	-	-
	$ 205,000	$ 3,116,000	$ 2,090,000

The potential future tax benefit of these expenditures and tax losses have not been recognized in the accounts of the company.

9. Segmented Information

Details on a geographic basis at 30 April 1999 are as follows:

	U.S.A.	Canada	South American	Other	Total
Assets	$ 110,377	$ 7,540,861	$ 7,127,010	$ -	$ 14,778,248
Capital expenditures	$ 19,133	$ 11,593	$ 3,618,694	$ -	$ 3,649,420
Loss for the year	$ (233,750)	$ (447,953)	$ (4,348,872)	$ -	$ (5,030,575)

Details on a geographic basis at 30 April 1998 are as follows:

	U.S.A.	Canada	South American	Other	Total
Assets	$ 1,178,206	$ 9,755,057	$ 6,564,711	$ -	$ 17,497,974
Capital expenditures	$ 27,470	$ 29,492	$ 2,953,910	$ 868,073	$ 3,878,945
Loss for the year	$ (349,993)	$ (767,095)	$ (1,065,741)	$ (896,474)	$ (3,079,303)

Details on a geographic basis at 30 April 1997 are as follows:

	U.S.A.	Indonesia	Canada	Argentina	Total
Assets	$ 95,182	$ 28,402	$ 11,148,639	$ 5,588,676	$ 16,860,899
Capital expenditures	$ 57,012	$ (54,450)	$ 3,421	$ 900,573	$ 906,556
Loss for the year	$ (189,069)	$ -	$ (850,183)	$ (149,183)	$ (1,188,435)

10. Contingent Liability

During the current year, the company became aware of a contingent liability to pay damages arising from an undertaking given without authorization on the company's behalf by its former president in a Supreme Court Action (the "Action"). The undertaking was given in order to obtain an injunction over certain shares in the possession of the defendants, which the former president claims are his. A defendant in the Action has since filed a separate action against the company, the former president and others, claiming damages resulting from the injunction. The former president has agreed to indemnify the company for any losses it might suffer as a result of the Action. The company has received legal advice that any liability is highly contingent and it will take appropriate steps to protect its interests and the interests of its shareholders. No amount has been accrued in the accounts of the company because the outcome of the Action, and claims relating to the Action, cannot be determined at this time.

11. Lease Commitment

On 18 December 1997, the company entered into an operating lease for office space for the period from 1 January 1998 to 30 April 2002. Under the terms of the agreement, the minimum lease payments for the following fiscal years until 30 April 2002 are as follows:

2000	$	23,034
2001		23,034
2002		23,034
	$	69,102

12. Fair Value of Financial Instruments

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is required to interpret market data and to develop the estimates of fair value. Accordingly, the estimates are not necessarily indicative of the amounts the company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value. Potential income tax ramifications related to the realization of unrealized gains and losses that would be incurred in an actual sale or settlement have not been taken into consideration.

The carrying amounts for cash and cash equivalents are a reasonable estimate of their fair value. Due to the due dates and interest rates of the notes payable to directors, the carrying value of these notes is a reasonable estimate of their fair value.

13. Restatement of Prior Years

On 18 August 1997, the company's Finder's Fee Agreement for the sale of Salta Gold Ltd. was settled. The value attached to the 100,000 shares issued in connection with the Finder's Fee has been adjusted to agree to market value of the shares at the date the Finder's Fee was settled. The shares issued for the Finder's Fee has now been reflected as allotted in the 1997 year's figures.

The effect of this adjustment on the 1997 financial statements is as follows:

		Increase
Investment in Salta Gold Ltd.	$	230,000
Share capital: Allotted	$	230,000

14. United States Generally Accepted Accounting Principles

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Except as set out below, these financial statements also comply, in all material aspects, with accounting principles generally accepted in the United States and the rules and regulations of the Securities Exchange Commission.

a) Under the Canadian generally accepted accounting principles the calculation of basic loss per share is calculated using the weighted average number of common shares outstanding during the year as well as including any common stock equivalents which may be outstanding, if such common stock equivalents are not anti-dilutive. This weighted average number of common shares outstanding includes any shares that remain in escrow, but may be earned out based on the company incurring a certain amount of exploration expenditures.

   Under United States generally accepted accounting principles basic loss per share is calculated using the weighted average number of shares outstanding during the year. This weighted average number of common shares outstanding excludes any shares that remain in escrow, but may be earned out based on the company incurring a certain amount of exploration expenditures. Fully diluted loss per share has not been disclosed because the company's share warrants, share purchase warrants and share purchase options are anti-dilutive.

b) Under Canadian generally accepted accounting principles, the mineral properties are carried at cost and written off or written down if the properties are abandoned, sold or if management decides not to pursue the properties. Under United States generally accepted accounting principles, the company would periodically review and obtain independent reports in determining adjustments to the mineral properties and records properties at net realizable value. The company has not yet obtained an independent report for United States GAAP purposes, therefore, the company's mineral property costs and investment in Salta Gold Ltd. have been written off.

c) Under United States generally accepted accounting principles, stock compensation expense is recorded as shares held in escrow become eligible for release based upon the number of shares eligible for release and the market value of the shares at that time. Under Canadian generally accepted accounting principles, no value is attributed to such shares released and no compensation expense is recorded. The shares held in escrow were performance shares which were issued to certain directors who reorganized the company's business affairs and raised financing sufficient to fund the company's business plan.

14. United States Generally Accepted Accounting Principles - *Continued*

d) The impact of the above differences between Canadian and United States generally accepted accounting principles on loss for the period is as follows:

	Cumulative Amounts from 1 August 1997 to 30 April 1999	**Year Ended 30 April 1999**	Year Ended 30 April 1998	Year Ended 30 April 1997
Loss for the period as reported	$ (12,180,173)	**$ (5,030,575)**	$ (3,079,303)	$ (1,188,435)
Stock compensation expense	(714,375)	**-**	-	-
Write-off of mineral property costs	(6,881,771)	**539,170**	(1,873,154)	(933,312)
Loss for the period in accordance with United States generally accepted Accounting principles	$ (19,776,319)	**$ (4,491,405)**	$ (4,952,457)	$ (2,121,747)

	Year Ended 30 April 1999	Year Ended 30 April 1998	Year Ended 30 April 1997
Primary loss per share for the period in accordance with United States generally accepted accounting principles	**$ (0.25)**	$ (0.28)	$ (0.16)

Weighted Average Number of Shares	**1999**	1998	1997
Canadian Basis	**20,531,787**	17,472,535	12,863,252
Escrow Shares			
- Share warrants *	**-**	-	1,370,600
- Share purchase warrants *	**-**	2,550,000	5,607,850
- Share purchase options *	**1,712,500**	1,820,000	1,455,000
U.S. Basis	**20,531,787**	17,472,535	12,863,252

*Not applicable to calculations because the effect is anti-dilutive.

e) The impact of the above differences between Canadian and United States generally accepted accounting principles on the deficit, as reported, is as follows:

	Cumulative Amounts from 1 August 1997 to 30 April 1999	**Year Ended 30 April 1999**	Year Ended 30 April 1998	Year Ended 30 April 1997
Deficit - As reported	$ (12,180,173)	**$ (12,180,173)**	$ (7,149,598)	$ (4,070,295)
Stock compensation expense	(714,375)	**(714,375)**	(714,375)	(714,375)
Write-off of mineral property costs	(6,881,771)	**(6,881,771)**	(7,389,797)	(5,516,643)
Deficit in accordance with United States generally accepted accounting principles	$ (19,776,319)	**$ (19,776,319)**	$ (15,253,770)	$ (10,301,313)

14. United States Generally Accepted Accounting Principles - *Continued*

f) The impact of the above differences between Canadian and United States generally accepted accounting principles on the statement of changes in shareholders' equity, as reported, is as follows:

	Common Shares						
	Number		Amount		Deficit		Total
Shareholders' equity balance as reported at 30 April 1997	16,822,460	$	20,654,106	$	(4,070,295)	$	16,583,811
Stock compensation expense	-		714,375		(714,375)		-
Write-off of mineral property costs	-		-		(5,516,643)		(5,516,643)
Shareholders' equity in accordance with United States generally accepted Accounting principles at 30 April 1997	16,822,460	$	21,368,481	$	(10,301,313)	$	11,067,168
Shareholders' equity balance as reported at 30 April 1998	20,117,370	$	24,557,621	$	(7,149,598)	$	17,408,023
Stock compensation expense	-		714,375		(714,375)		-
Write-off of mineral property costs	-		-		(7,389,797)		(7,389,797)
Shareholders' equity in accordance with United States generally accepted accounting principles at 30 April 1998	20,117,370	$	25,271,996	$	(15,253,770)	$	10,018,226
Shareholders' equity balance as reported at 30 April 1999	21,595,370	$	26,802,181	$	(12,180,173)	$	14,622,008
Stock compensation expense	-		714,375		(714,375)		-
Write-off of mineral property costs	-		-		(6,881,771)		(6,881,771)
Shareholders' equity in accordance with United States generally accepted accounting principles at 30 April 1999	21,595,370	$	27,516,556	$	(19,776,319)	$	7,740,237