

PACIFIC RIM MINING CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

30 APRIL 2000 and 1999

STALEY, OKADA, CHANDLER & SCOTT

Chartered Accountants

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 2000 and 1999 and the consolidated statements of loss and deficit and cash flows for the years ended 30 April 2000, 1999 and 1998 and cumulative from inception (1 August 1987) through 30 April 2000 and the consolidated statement of changes in shareholders' equity from 30 April 1997 through 30 April 2000. 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 2000 and 1999 and the results of its operations and its cash flows for the years ended 30 April 2000, 1999 and 1998 and cumulative from inception (1 August 1987) through 30 April 2000 and the changes in shareholders' equity from 30 April 1997 through 30 April 2000 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.

“Staley, Okada, Chandler & Scott”

Langley, B.C.
17 July 2000

STALEY, OKADA, CHANDLER & SCOTT
CHARTERED ACCOUNTANTS

Consolidated Balance Sheet

As at 30 April

Canadian Funds

ASSETS	2000	1999
Current		
Cash and short-term investments	\$ 1,347,676	\$ 7,592,577
Accounts receivable	7,008	16,652
Prepaid expenses and deposits	25,636	34,446
	<u>1,380,320</u>	<u>7,643,675</u>
Capital Assets , less accumulated amortization (Note 4)	188,691	197,701
Mineral Property Costs - Schedule (Note 3)	4,698,216	3,233,979
Investment in Salta Gold Ltd. (Note 2)	3,620,124	3,647,792
Incorporation Costs	-	55,101
	<u>\$ 9,887,351</u>	<u>\$ 14,778,248</u>
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LIABILITIES		
Current		
Accounts payable	\$ 423,820	\$ 156,240
Contingent Liability (Note 9)		
Commitments (Note 10)		
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SHAREHOLDERS' EQUITY		
Share Capital (Note 5)		
Authorized:		
100,000,000 common shares without par value		
Issued and fully paid:		
21,650,570 (21,595,370) shares	26,864,033	26,802,181
Deficit - Statement 2	<u>(17,400,502)</u>	<u>(12,180,173)</u>
	<u>9,463,531</u>	<u>14,622,008</u>
	<u>\$ 9,887,351</u>	<u>\$ 14,778,248</u>

ON BEHALF OF THE BOARD:

"Catherine McLeod-Seltzer"

_____, Director

"David De Witt"

_____, Director

Consolidated Statement of Changes in Shareholders' Equity

Canadian Funds

	Common Shares	Amount	Accumulated Deficit	Total
Balance - 30 April 1997	16,822,460	\$ 20,654,106	\$ (4,070,295)	\$ 16,583,811
Issuance of shares for				
- Special warrants <i>(Note 5d)</i>	137,060	-	-	-
- Exercise of warrants	3,057,850	3,923,825	-	3,923,825
- 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
Issuance of shares for				
- Exercise of warrants	1,378,000	2,094,560	-	2,094,560
- 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
Issuance of shares for				
- Exercise of options	40,200	43,102	-	43,102
- Property	15,000	18,750	-	18,750
Loss for the period	-	-	(5,220,329)	(5,220,329)
Balance - 30 April 2000	21,650,570	\$ 26,864,033	\$ (17,400,502)	\$ 9,463,531

Consolidated Statement of Loss and Deficit

Canadian Funds

	Cumulative Amounts from 1 August 1987 to 30 April 2000	For the Years Ended		
		30 April 2000	30 April 1999	30 April 1998
Operating Expenses				
Write-off of mineral property cost	\$ 11,515,720	\$ 4,387,231	\$ 4,275,716	\$ 1,960,970
Wages and benefits	1,735,266	379,224	431,214	524,491
Office, secretarial and bookkeeping	758,773	157,487	143,855	114,289
Shareholder information and promotion	712,998	101,791	125,805	122,185
Rent	289,855	80,696	73,479	61,614
Legal fees	713,576	74,787	125,119	103,690
Write-off of incorporation costs	65,154	65,154	-	-
Audit and accounting	253,815	56,386	66,752	67,579
Travel	582,084	34,091	45,637	112,902
Loss on equity investment	155,776	33,181	47,147	54,618
Amortization	128,743	27,004	23,850	22,349
Listing and filing fees	101,828	14,575	9,397	19,719
Transfer agent fees	97,660	14,309	9,415	20,789
Consulting	640,901	-	26,503	199,346
Management fees	216,800	-	-	-
Settlement of legal claim	75,000	-	-	-
B.C. Corporate Capital Tax	33,839	-	-	33,839
Investment counselling	20,070	-	-	-
Bad debts	14,675	-	-	-
Write-down of marketable securities	3,967	-	-	-
Foreign exchange loss (gain)	33,686	(23,272)	26,009	(1,876)
Interest and bank charges, <i>net</i>	(749,684)	(182,315)	(399,323)	(337,201)
Loss for the Period	(17,400,502)	(5,220,329)	(5,030,575)	(3,079,303)
Deficit - Beginning of period	-	(12,180,173)	(7,149,598)	(4,070,295)
Deficit - End of Period	\$ (17,400,502)	\$ (17,400,502)	\$ (12,180,173)	\$ (7,149,598)
Loss per Share - Basic		\$ (0.24)	\$ (0.25)	\$ (0.18)
Weighted Average Number of Shares Outstanding		21,621,753	20,531,787	17,472,535

Consolidated Statement of Cash Flows

Canadian Funds

	Cumulative Amounts from 1 August 1987 to 30 April 2000	For the Years Ended		
		30 April 2000	30 April 1999	30 April 1998
Operating Activities				
Loss for the period	\$ (17,400,502)	\$ (5,220,329)	\$ (5,030,575)	\$ (3,079,303)
Items not affecting cash				
Amortization	128,743	27,004	23,850	22,349
Write-off of mineral property costs	11,515,720	4,387,231	4,275,716	1,960,970
Write-off of incorporation costs	65,154	65,154	-	-
Write-down of marketable securities	3,967	-	-	-
Loss on equity investment	155,776	33,181	47,147	54,618
	(5,531,142)	(707,759)	(683,862)	(1,041,366)
Changes in:				
- Accounts receivable	(7,008)	9,644	(7,088)	3,980
- Prepaid expenses	(25,636)	8,810	(4,828)	(2,764)
- Accounts payable	423,820	267,580	66,289	(62,378)
Cash used in operating activities	(5,139,966)	(421,725)	(629,489)	(1,102,528)
Investing Activities				
Mineral property costs	(18,680,954)	(5,832,718)	(3,586,546)	(3,557,585)
Purchase of capital assets	(315,434)	(16,994)	(40,933)	(102,855)
Investment in Salta Gold Ltd.	(264,961)	(5,513)	(78,291)	(181,157)
Marketable securities, net	(3,967)	-	-	-
Incorporation costs	(67,154)	(11,053)	-	(37,348)
Cash used in investing activities	(19,332,470)	(5,866,278)	(3,705,770)	(3,878,945)
Financing Activities				
Share capital issued	25,820,112	43,102	2,094,560	3,753,515
Loan receivable from a former director	-	-	-	(124,759)
Cash provided by financing activities	25,820,112	43,102	2,094,560	3,628,756
Net Increase (Decrease) in Cash	1,347,676	(6,244,901)	(2,240,699)	(1,352,717)
Cash position - Beginning of period	-	7,592,577	9,833,276	11,185,993
Cash Position - End of Period	\$ 1,347,676	\$ 1,347,676	\$ 7,592,577	\$ 9,833,276

Supplemental Schedule of Non-Cash Transactions

Shares issued for mineral property	\$ 813,921	\$ 18,750	\$ 150,000	\$ 150,000
Shares issued for investment in Salta Gold Ltd.	\$ 230,000	\$ -	\$ -	\$ -

Consolidated Schedule of Mineral Property Costs

For the Years Ended 30 April

Canadian Funds

	2000	1999	1998
Direct			
South American Properties			
<i>Luicho claims</i>			
Geological	\$ 610,103	\$ -	\$ -
Acquisition	410,347	-	-
Salaries	280,002	-	-
Camp and general	262,516	-	-
Supplies	184,948	-	-
Legal	181,685	-	-
Road	171,514	-	-
Travel	163,454	-	-
	2,264,569	-	-
<i>Cofradia/La Espina claims</i>			
Geological	672,402	571,691	-
Drilling	399,735	-	-
Camp and general	394,255	324,321	-
Salaries	138,553	270,589	-
Acquisition	84,882	370,535	172,733
	1,689,827	1,537,136	172,733
<i>San Francisco claims</i>			
Geological	252,897	55,976	-
Drilling	239,987	-	-
Camp and general	163,045	12,675	-
Salaries	133,437	38,624	-
Acquisition	-	4,891	-
	789,366	112,166	-
<i>Sol Brillante/La Colorada claims</i>			
Acquisition	27,246	276,693	281,640
Salaries	6,423	42,830	122,872
Geological	-	214,098	63,791
Drilling	-	168,969	-
Camp and general	-	86,751	29,781
	33,669	789,341	498,084
<i>Fantasma/Nunez Cateo claims</i>	305,198	350,632	241,590
<i>Cerro Blanco claims</i>	-	47,939	862,609
<i>Prometedora claims</i>	86,508	32,009	-
<i>Various claims - Investigation costs</i>	682,331	867,323	1,064,496
Other Property	-	-	868,073
Costs for the Year	5,851,468	3,736,546	3,707,585
Balance - Beginning of year	3,233,979	3,773,149	2,026,534
Write-off of costs relating to mineral properties abandoned	(4,387,231)	(4,275,716)	(1,960,970)
Balance - End of Year	\$ 4,698,216	\$ 3,233,979	\$ 3,773,149

Under U.S. generally accepted accounting principles, the company's mineral property costs and investment in Salta Gold Ltd. have been written off (Note 13b).

Pacific Rim Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

30 April 2000 and 1999

Canadian Funds

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 taken in the year of acquisition.

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 that they occur.

Pacific Rim Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

30 April 2000 and 1999

Canadian Funds

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, U.S.A. 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, Pac Rim Caribe IV and Pac Rim Cayman were incorporated 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 and Exploradora Pacrim Peru S.A.C. was incorporated in Peru on 3 June 1999. The company owns 100% of the issued share capital of these subsidiaries. The subsidiaries are 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. Argentina 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 2*).

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.

Pacific Rim Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

30 April 2000 and 1999

Canadian Funds

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. 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.

In consideration, the purchaser:

- i) incurred U.S. \$81,667 in exploration expenditures on the Diablillos property 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 of:

On or before June 2000	U.S. \$	10,500,000	(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.

Pacific Rim Mining Corp.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements****30 April 2000 and 1999***Canadian Funds***2. Salta Gold Ltd. - Continued****b) Investment in Salta**

i) Details of the investment are as follows:

	CDN \$
Investment in Salta	\$ 3,775,900
Equity in loss	(155,776)
	<u>\$ 3,620,124</u>

The investment represents the company's mineral property costs incurred to date on the Diablillos claims in Argentina. Equity in loss is the company's 30% share of cumulative losses in Salta between 26 June 1996 (date of sale) and 30 April 2000. The current year loss on equity on the investment in Salta is \$33,181.

ii) Condensed unaudited consolidated financial information of Salta at 31 December 1999 (fiscal year-end) is as follows:

	U.S. \$
ASSETS	
Current	\$ 44,398
Other Assets	1,866,212
Mineral Property	16,528,885
	<u>\$ 18,439,495</u>
LIABILITIES	
Current	\$ 56,705
Shareholders' Advances and Equity	18,382,790
	<u>\$ 18,439,495</u>
Loss For the Period	<u>\$ (74,733)</u>

3. Mineral Property Costs

a) Details are as follows:

	Acquisition	Exploration	2000	1999
Luicho Claims, Peru	\$ 410,347	\$ 1,854,223	\$ 2,264,570	\$ -
Sol Brillante/La Colorada Claims, Argentina	37,573	1,376,024	1,413,597	1,379,928
San Francisco Claims, Argentina	21,667	879,865	901,532	112,166
Prometedora Claims, Argentina	7,375	111,140	118,515	32,009
Canadian Claims	2	-	2	2
Cofradia/La Espina Claims, Peru	-	-	-	1,709,874
	<u>\$ 476,964</u>	<u>\$ 4,221,252</u>	<u>\$ 4,698,216</u>	<u>\$ 3,233,979</u>

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

Pacific Rim Mining Corp.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements****30 April 2000 and 1999***Canadian Funds***3. Mineral Property Costs - Continued****b) Luicho Claims, Peru**

By agreement dated 14 September 1999, the company can acquire a 100% interest in the Luicho 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. \$
On date of signing	\$ 200,000 <i>(paid)</i>
On or before 25 November 2000	400,000
On or before 25 November 2001	1,000,000
On or before 25 November 2002	24,220,000
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	\$ 25,820,000

Upon exercise of the option, the property is subject to a net smelter royalty of between 2.5% and 5%, which is dependent upon the price of gold for the first one million ounces produced. For all gold produced from the property in excess of one million ounces, the property is subject to a 3.5% net smelter royalty.

By agreement dated 4 April 2000, the company entered into a lease with an option to purchase 2,211 hectares of surface rights in areas adjacent to the Luicho claims from the Pomacocha Peasant Community ("Poma"). The surface rights agreement gives the company an access corridor sufficient to build an exploration access road connecting the Luicho claims with existing public roads. The land lease is for a period of 12 months beginning in March 2000, with monthly lease payments of U.S. \$17,000. The company is also required to provide Poma with a new water canal, two water reservoirs, public buildings and to provide assistance with administration matters of the community. The company estimates these costs at \$45,000 and completion date is expected to be 4 April 2001. During the lease period the company has the right to purchase the surface rights for U.S. \$1,006,005.

c) Sol Brillante/La Colorada Claims, Argentina

i) By agreement dated 1 October 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. \$
Upon signing of the agreement	\$ 8,000 <i>(paid)</i>
On or before 1 October 1999	12,000 <i>(paid)</i>
On or before 1 October 2000	20,000
On or before 1 October 2001	40,000
On or before 1 October 2002	80,000
On or before 1 October 2003	1,340,000
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	\$ 1,500,000

ii) During the prior year the company abandoned its option in La Colorada claims. During the current year, 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) San Francisco Claim, Argentina

The San Francisco claim is located in Jujuy Province, Argentina and consists of 1 claim totaling 3,600 hectares. The project was acquired by staking and is 100% owned by the company. There are no underlying payments or royalties associated with the San Francisco claim.

Pacific Rim Mining Corp.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements****30 April 2000 and 1999***Canadian Funds***3. Mineral Property Costs - Continued****e) Prometedora Claim, Argentina**

The Prometedora claim is located in Salta Province, Argentina and consists of 1 claim totaling 3,500 hectares. The project was acquired by staking and is 100% owned by the company. There are no underlying payments or royalties associated with the Prometedora claim.

f) Cofradia/La Espina Claims, Peru

By agreement dated 19 February 1999, the company had an option to acquire a 100% interest in a company that owns a 100% interest in the Cofradia property, located in Peru.

During the current year the company abandoned its option in the Cofradia property, which resulted in a write-off of \$3,399,701.

4. Capital Assets

Details are as follows:

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Equipment and office furniture	\$ 274,501	\$ 85,810	\$ 188,691	\$ 197,701

5. 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 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
Options granted	679,000	\$1.30	September 2004
Options granted	5,000	\$1.70	October 2004
Options granted	10,000	\$4.65	April 2005
Options exercised	(5,000)	\$1.49	
Options exercised	(27,000)	\$0.88	
Options exercised	(5,600)	\$1.52	
Options exercised	(2,600)	\$1.30	
Balance - 30 April 2000	2,368,800	\$0.88/4.65	December 2001 - April 2005

Pacific Rim Mining Corp.
(An Exploration Stage Company)

Notes to Consolidated Financial Statements

30 April 2000 and 1999

Canadian Funds

5. Share Capital - Continued

a) *Continued*

The stock options outstanding at 30 April 2000 expire as follows:

Number	Price per Share	Expiry Date
239,400	\$ 1.52	18 December 2001
707,000	\$ 0.88	4 November 2003
731,000	\$ 1.49	4 February 2004
676,400	\$ 1.30	24 September 2004
5,000	\$ 1.70	7 October 2004
10,000	\$ 4.65	20 April 2005
<u>2,368,800</u>		

* Subsequent to year-end 37,000 options were exercised for total proceeds of \$56,240.

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:

	2000	1999
Net Loss		
As Reported	\$ (5,220,329)	\$ (5,030,575)
Pro forma	\$ (5,470,599)	\$ (5,313,581)
Net Loss Per Share		
As Reported	\$ (0.24)	\$ (0.25)
Pro forma	\$ (0.25)	\$ (0.26)

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:

	2000	1999
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	97%	96%
Risk-free interest rate	6.35%	4.88%
Expected life of options	5 years	5 years

The weighted average grant-date fair value of options granted 2000 and 1999 was \$0.36 and \$0.19 respectively.

Notes to Consolidated Financial Statements

30 April 2000 and 1999

Canadian Funds

5. Share Capital - Continued

b) The warrant activity is as follows:

	Number	Exercise Price	Expiration Date
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 and 2000	-		

- c) During the prior 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. These warrants are a finders fee for introductions being made to the company that led 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, receiving regulatory approval of that project and the company making certain minimum acquisition payments. To date, these conditions have not been and met and accordingly, no shares have been issued under this agreement.
- d) During the year ended 30 April 1998, the company issued 137,060 common shares to the holders of 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.
- e) On 18 August 1999, the company adopted a shareholder rights plan. Under the Plan, the company issued one Right for no consideration in respect of each outstanding common share of the company. All common shares issued by the company during the term of the Plan will have one Right attached to them. The Rights will trade together with the common shares and the term of the Plan is for three years. The Rights are attached to the common shares and cannot be exercised until eight trading days after a triggering event has taken place. A triggering event is one of the following: (i) an Acquiring Person acquires 20% or more of the common shares of the company; or (ii) an Acquiring Person announces his intention to make a take-over bid that would result in the person owning 20% or more of the outstanding common shares of the company. Upon such a triggering event, each Right would separate from the common share and thereafter entitle the holder to purchase common shares at a 50% discount to the market price, up to the amount of the \$50 exercise price of the Right. The Rights will not be separated if the Acquiring Person makes a Permitted Bid. A Permitted Bid is a bid made pursuant to a take-over bid circular to all shareholders of the company, which has a minimum deposit period of at least 60 days and pursuant to which not less than 50% of the common shares, other than those held by the Acquiring Person, are deposited and not withdrawn.
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Notes to Consolidated Financial Statements

30 April 2000 and 1999

Canadian Funds

6. Related Party Transactions

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

	2000	1999	1998
Consulting services paid or accrued			
- Former president and director	\$ -	\$ -	120,000
Interest expense - Former president and directors (Note 6d)	-	-	7,343
Wages - President and director	141,000	141,000	157,000
Wages - Chief Executive Officer	183,775	188,987	175,975

- b) During the year ended 30 April 2000, the company issued NIL (1999 - 250,000; 1998 - NIL) shares for \$NIL (1999 - \$380,000; 1998 - \$NIL) to a director. These share issuances were at fair market value.
- c) During the year, NIL (1999 - NIL; 1998 - 12,500) shares related to special warrants were issued to the president and director of the company for cash of \$NIL (1999 - \$NIL; 1998 - \$NIL). The special warrant shares were issued for \$NIL in 1998 because of an increase in the conversion rate (Note 5d).
- d) Interest of \$NIL (1999 - \$NIL; 1998 - \$7,343) (Note 6a) 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 NIL % (1999 - NIL%; 1998 - 6.1%).

7. Income Taxes

The company has incurred certain mineral property related expenditures of approximately \$4,000,000 in Canada and \$6,000,000 in South America which may be carried forward indefinitely in Canada and until the properties are dropped or the mineral deposits are depleted in South America. These expenditures can be used to reduce prescribed taxable income in future years.

The company has non-capital losses for tax purposes of approximately \$3,810,000 which may be carried forward and expire as follows:

	U.S.A.	Canada	South America
2001	\$ -	\$ 306,000	\$ -
2002	-	431,000	-
2003	-	-	97,000
2004	-	170,000	-
2005	-	118,000	2,043,000
2006	-	-	440,000
2010	205,000	-	-
	\$ 205,000	\$ 1,025,000	\$ 2,580,000

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

Notes to Consolidated Financial Statements

30 April 2000 and 1999

Canadian Funds

8. Segmented Information

Details on a geographic basis at 30 April 2000 are as follows:

	U.S.A.	Canada	South America	Other	Total
Assets	\$ 122,383	\$ 1,184,652	\$ 8,580,316	\$ -	\$ 9,887,351
Capital expenditures	\$ 22,138	\$ -	\$ 5,844,140	\$ -	\$ 5,866,278
Loss for the year	\$ (161,633)	\$ (636,251)	\$ (4,422,445)	\$ -	\$ (5,220,329)

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

	U.S.A.	Canada	South America	Other	Total
Assets	\$ 110,377	\$ 7,540,861	\$ 7,127,010	\$ -	\$ 14,778,248
Capital expenditures	\$ 19,133	\$ 11,593	\$ 3,675,044	\$ -	\$ 3,705,770
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 America	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)

9. Contingent Liability

During the prior 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 has taken appropriate action 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.

10. Commitments

- a) The company has several operating leases for office, field and warehouse space. Under the terms of the agreements, the minimum lease payments are as follows:

2001	\$	51,465
2002		45,394
	\$	<u>96,859</u>

- b) By agreement dated 11 April 2000, the company entered into a drilling contract for the Luicho property whereby a minimum of 20,000 metres is to be drilled. If the company does not have the contractor drill the 20,000 metre minimum, a penalty of U.S. \$10 per metre will be charged for the undrilled amount of metres.

Notes to Consolidated Financial Statements

30 April 2000 and 1999

Canadian Funds

11. Subsequent Events

- a) On 14 June 2000, the company issued 1,307,530 special warrants and 400,000 special notes for total cash of \$7,329,493. 945,080 of the special warrants were purchased by arms length parties at \$4.25 each and 362,450 were purchased by directors and a relative of a director at \$4.45 each. The special notes were purchased by an arms length party at \$4.25 each. Each special warrant and each special note is exchangeable for no additional consideration into one common share and one half non-transferable share purchase warrant. One full share purchase warrant is exercisable to purchase an additional common share at \$5.00 for one year from closing. The common share will be issued upon the issue of receipts for the final prospectus. If the prospectus is not receipted by 13 October 2000, then each special warrant and each special note is exchangeable into 1.1 common shares (except for those held by non-arms length parties). The underwriters of the special warrants received a cash commission of 7% of the total proceeds which totals \$513,065. The underwriters were also granted 119,527 non-transferable share purchase warrants. The compensation warrants are exercisable at \$4.45 for a one year period from closing.
 - b) Subsequent to year end, 37,000 stock options were exercised for cash of \$56,240.
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12. Fair Value of Financial Instruments

The company's financial instruments consist of cash and short-term investments, accounts receivable and accounts payable. 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.

13. United States Generally Accepted Accounting Principles

These consolidated 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 purchase warrants and share purchase options are anti-dilutive.

Notes to Consolidated Financial Statements

30 April 2000 and 1999

Canadian Funds

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

- 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.
- 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 1987 to 30 April 2000	Year Ended 30 April 2000	Year Ended 30 April 1999	Year Ended 30 April 1998
Loss for the period as reported	\$ (17,400,502)	\$ (5,220,329)	\$ (5,030,575)	\$ (3,079,303)
Stock compensation expense	(714,375)	-	-	-
Write-off of mineral property costs	(8,318,340)	(1,436,569)	508,026	(1,873,154)
Loss for the period in accordance with United States generally accepted Accounting principles	\$ (26,433,217)	\$ (6,656,898)	\$ (4,522,549)	\$ (4,952,457)
		Year Ended 30 April 2000	Year Ended 30 April 1999	Year Ended 30 April 1998
Primary loss per share for the period in accordance with United States generally accepted accounting principles		\$ (0.31)	\$ (0.25)	\$ (0.28)

Weighted Average Number of Shares	2000	1999	1998
Canadian Basis	21,621,753	20,531,787	17,472,535
Escrow Shares			
- Share purchase warrants *	-	-	2,550,000
- Share purchase options *	2,368,800	1,712,500	1,820,000
U.S. Basis	21,621,753	20,531,787	17,472,535

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

Notes to Consolidated Financial Statements

30 April 2000 and 1999

Canadian Funds

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

- 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 1987 to 30 April 2000	Year Ended 30 April 2000	Year Ended 30 April 1999	Year Ended 30 April 1998
Deficit - As reported	\$ (17,400,502)	\$ (17,400,502)	\$ (12,180,173)	\$ (7,149,598)
Stock compensation expense	(714,375)	(714,375)	(714,375)	(714,375)
Write-off of mineral property costs	(8,318,340)	(8,318,340)	(6,881,771)	(7,389,797)
Deficit in accordance with United States generally accepted accounting principles	\$ (26,433,217)	\$ (26,433,217)	\$ (19,776,319)	\$ (15,253,770)

- 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		Deficit	Total
	Number	Amount		
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
Shareholders' equity balance as reported at 30 April 2000	21,650,570	\$ 26,864,033	\$ (17,400,502)	\$ 9,463,531
Stock compensation expense	-	714,375	(714,375)	-
Write-off of mineral property costs	-	-	(8,318,340)	(8,318,340)
Shareholders' equity in accordance with United States generally accepted Accounting principles at 30 April 2000	21,650,570	\$ 27,578,408	\$ (26,433,217)	\$ 1,145,191

14. 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. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.