



Quarterly Report to Shareholders
Management Discussion & Analysis
January 31, 2004 Unaudited Financial Statements
(Third Quarter)

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March 12, 2004



Report to Shareholders

Pacific Rim Mining Corp. (the "Company") is pleased to provide the following update on its activities during and subsequent to the Company's third quarter of fiscal 2004 (November 1, 2003 to January 31, 2004). Pacific Rim focused on advancing its El Dorado gold project in El Salvador during the quarter with the continuation of the Company's scout drilling program, designed to search for new areas of underground mineralization in the North and eastern Central Districts of the project area.

During the quarter a new area of gold mineralization was discovered by scout drilling in the Gonso vein area of the El Dorado gold project, approximately 1.2 kilometers east of the Company's Minita vein deposit, which contains a measured and indicated resource of 585,200 ounces of gold (1.6 million tonnes grading 11.4 g/t gold). New drill results from the El Dorado drill program generated during and subsequent to the third quarter of fiscal 2004 are outlined below. Other developments during the quarter include the acquisition of the Aurora and Surefire grassroots gold exploration projects in Nevada and Kinross Gold Corporation's ("Kinross") sale of its 22% interest in Pacific Rim Mining the majority of which was placed with institutional shareholders.

Tom Shrake, CEO, states "Our efforts over the third quarter of fiscal 2004, and our focus for the immediate future is to build on our El Dorado resource by continuing to scout drill high priority vein targets. We have added a third rig to the project and have been drilling along the San Matias vein in the North District and in the Gonso vein area in the eastern Central District, and have had early success in identifying gold at depth in the structurally complicated Gonso area veins. We will continue to test these more distal targets and will shortly begin drill testing both northerly and southerly strike extensions of the Minita vein as well as other nearby parallel veins related and proximal to Minita. We have also begun gathering data for commencement of a preliminary economic assessment of the El Dorado gold project, which we anticipate contracting in the coming months."

"We are continuing to build a solid portfolio of gold projects concurrent with our advancement of our flagship El Dorado project," Mr. Shrake continues. "At El Dorado's neighbouring La Calera gold project, a ground magnetic survey is underway to help trace the gold-bearing Rosa and Rosa west veins along strike. Drilling will recommence in the coming weeks, utilizing a reverse circulation rig. We acquired the Aurora and Surefire projects in Nevada and are actively scouting for additional opportunities in the Patagonia region of South America. Pacific Rim continues to pursue its corporate goal of becoming a highly profitable, low-cost, intermediate-level gold producer."

El Dorado Exploration

Pacific Rim has reported the results from 66 drill holes at the El Dorado project (P02-203 through P03-268) to date. The results for all holes up to P03-260 were made available in previous quarterly reports. Holes P03-261 through P03-268 are presented below:

Hole No.	Vein Tested	UTM Northing/Easting	Drill hole azimuth /dip (degrees)	From (meters down hole)	To (meters down hole)	Inter-section (meters)	True Width (meters)	Gold (g/t)	Silver (g/t)
P03-261	S. San Matias	304861 / 532707	286/50	No significant results					
P03-262	S. Minita	301380 / 534076	90/68	179.95	186.9	4.75	3.5	11.53	103.8
P03-263	S. Minita	301332 / 534041	90/52	150.0	150.15	0.15	0.15	29.80	223.0
P03-264	S. Minita	301236 / 534014	87/48	102.25	103.3	1.05	0.65	6.60	32.9
P03-265	S. San Matias	304991 / 532586	257/55	No significant results					
P03-266	S. San Matias	304463 / 535622	301/50	No significant results					
P03-267	Chica, Candelaria	301121 / 534715	88/60	No significant results					

Hole No.	Vein Tested	UTM Northing/Easting	Drill hole azimuth /dip (degrees)	From (meters down hole)	To (meters down hole)	Inter-section (meters)	True Width (meters)	Gold (g/t)	Silver (g/t)
P03-268	Gonso	301463 / 535622	301/50	394.2	396.1	1.9	1.35	11.07	118.1

Drill hole 268 is the first hole ever drilled across the Gonso vein system. The significance of this intercept, which averaged over 11 g/t gold and 118 g/t silver, is that it is located in the lower portions of the Productive Interval where grades generally drop off. It is too early to understand the economic significance, if any, of this discovery, however, management is encouraged by the width of the structure and the gold and silver grades encountered in the first hole to have tested it. Drill holes 262 through 264 were step-out holes on the Minita vein system that confirm the Minita resource estimate published by Pacific Rim on October 27, 2003 (NR #03-12). Drill holes 261, 265 and 266 were drilled on subsidiary veins on the San Matias system in the North District and encountered no significant mineralization. Drill hole 267 crossed the Candelaria and Chica veins in the Central District and failed to encounter significant mineralization.

During the second quarter of fiscal 2004 (the three months ended October 31, 2003), Pacific Rim published an updated resource estimate for the El Dorado project. This included new resource estimates for the Minita vein system as well as the Coyotera and Nueva Esperanza veins. The measured and indicated resource on the Minita vein now totals 1.6 million tonnes grading 11.38 g/t gold and 70.3 g/t silver, for a total of 585,200 ounces of gold and 3.6 million ounces of silver; a 67% increase over the previous resource estimate for the Minita vein. The near-surface Nueva Esperanza (indicated resource of 1.1 million tonnes grading 2.3 g/t gold and 14.2 g/t silver) and Coyotera (measured and indicated resource of 535,000 tonnes grading 9.07 g/t gold and 70.7 g/t silver) resources are the first ever conducted in compliance with National Instrument 43.101 and add to the measured and indicated resource at El Dorado, which now totals 821,000 ounces of gold and 5.3 million ounces of silver (see National Instrument 43-101 Disclosure section of the Management's Discussion and Analysis).

Pacific Rim is proceeding with its two-pronged approach to the continued advancement of the El Dorado gold project. Management believes the grade, tonnage and vein width defined by the new resource estimate are such that the El Dorado gold project has the potential to support a highly profitable, low-cost underground operation. To evaluate this possibility, Pacific Rim intends to conduct a pre-feasibility study for the El Dorado project in the coming months, and has begun to collect additional data from the project required for this assessment.

Cognisant of the potential market premiums afforded to producers with larger operations, and with a series of high quality vein targets on the El Dorado project remaining to be tested, Pacific Rim is concurrently conducting additional exploration drilling in the search for new chutes of mineralization. A third core drill rig was added to the El Dorado drill program subsequent to the end of the quarter. Drilling is now in progress on the San Matias vein in the project's North District, on the Gonso and surrounding veins in the eastern Central District, and on strike extensions of the Minita vein. Other high priority targets include a number of veins parallel, related and proximal to Minita. This phase of the drilling program is expected to continue for the coming months.

La Calera Project

Pacific Rim has tested the La Calera epithermal vein system, where exposed, by 31 core holes, the available results of which have been tabulated in previous quarterly reports. The La Calera system comprises two parallel, mineralized structures (Rosa and Rosa West). Both structures appear to persist under post-mineral cover that obscures their exposure to the north. Pacific Rim is currently conducting geologic mapping and geophysical (ground magnetic) surveys to trace these structures further along their strike under the post-mineral cover. The width and continuity of the mineralization in both the Rosa and Rosa West structures indicate a potentially bulk-mineable gold target at La Calera, although the project's viability will depend on increasing the size of the mineralized bodies. Pacific Rim intends to resume drill testing of the La Calera project upon completion of these surveys, utilizing a reverse circulation drill rig; a more cost effective technique for shallow drilling.

Project Generation

Pacific Rim added two new grassroots gold exploration properties to its project pipeline during the third quarter of fiscal 2004. Both projects are located in Nevada, USA. The Surefire project consists of 191 claims staked by the Company and is located along the Northern Nevada Rift. The Aurora project, located adjacent to Metallic Ventures Inc.'s Esmeralda Project in the Walker Lane Mineral Belt, was acquired under an option to purchase agreement that calls for Pacific Rim to make staged payments of US\$ 25,000 upon signing (paid), \$35,000 on the first anniversary, \$40,000 on the second anniversary, \$60,000 on the third anniversary and \$75,000 on the fourth and subsequent anniversaries, to a total of US\$ 850,000, in order to earn a 100% interest. A 3% NSR was granted to the owners, which can be reduced to 1% for US\$2 million.

Rawhide Mine, Nevada

The Denton-Rawhide gold mine in Nevada is now in the residual leach phase and actual cash outlays for production are limited to project management and the pumping and processing of leach solutions. Actual cash outlays for production averaged \$131 per ounce of gold produced during the quarter ended January 31, 2004; a considerable reduction compared to the \$267 per ounce of gold produced in the corresponding quarter a year earlier. The Denton-Rawhide mine is currently experiencing a period of increased cash flows, owing to stronger gold prices and lower actual cash production costs relative to recent years. During the quarter a Carbon Column was added to the Denton-Rawhide recovery process, which is expected to improve gold recoveries in the coming quarter. Continuous efforts are being made to improve recoveries further. During the quarter, the Denton-Rawhide mine generated sufficient cash flow to fully fund current closure activities as well as the Company's El Salvadoran exploration, development activities, and administrative overhead expenditures.

Residual leaching at Denton-Rawhide is expected to continue through 2004 and beyond.

Kinross Stock Sale

During the quarter ended January 31, 2004, Pacific Rim's controlling shareholder, Kinross Gold Corporation ("Kinross"), sold its 20% position in the Company, which had consisted of 17,606,049 common shares of Pacific Rim. Concurrent with the filing of their intent to sell notification on December 12, 2003, Kinross' President and CEO Mr. Robert Buchan tendered his resignation from the board of directors of Pacific Rim Mining Corp. On December 24, 2004, Pacific Rim Mining Corp. was advised by GMP Securities Ltd., of Toronto, Canada that they had completed the sale and that the majority of the shares were sold to institutional investors.

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

3rd Quarter ended January 31, 2004 and 2003. All currency amounts are expressed in United States dollars unless otherwise stated.

The following discussion should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the three months ended January 31, 2004 ("the quarter"). This discussion is limited to matters pertaining to the Company's financial results for the three months ended January 31, 2004 that, in the opinion of the Company, are material. For discussion of previous quarterly results reference should be made to the duly filed reports for those periods.

Financial Performance and Liquidity

Financial Results of Operations

The Company realized a net loss for the three months ended January 31, 2004 of \$1.3 million or \$0.02 per share (basic and diluted) compared to a net loss of \$0.3 million or \$0.00 per share (basic and diluted) for the corresponding period a year earlier. The \$1.0 million increase in the quarterly loss for the quarter ended January 31, 2004 compared to the quarter ended January 31, 2003 is due to a reduction in revenues coupled with an increase in exploration expenditures and operating costs during the current quarter, offset in part by reduced depreciation, depletion and amortization costs.

Gold and silver sales revenues decreased from \$3.7 million for the three months ended January 31, 2003 to \$3.3 million for the three months ended January 31, 2004 reflecting a decline in quarterly gold sales volumes (2004 – 7,500 ozs; 2003 – 10,000 ozs.), offset partially by stronger gold prices during the current quarter. The average price realized for gold in the three months ended January 31, 2004 was \$401 per ounce compared to \$336 per ounce received in the three comparable months in 2003.

The Company entered into a number of hedge contracts prior to and during the quarter in order to lock in a certain portion of its anticipated revenues from the Denton-Rawhide gold mine. During the quarter, 3,000 ounces of gold were sold forward at \$400 per ounce in 500-ounce monthly contracts extending to May 2004. During the previous quarter 3,000 ounces of gold were sold forward at \$390 per ounce in 500-ounce monthly contracts extending to April 2004. As of January 31, 2004, 2,500 ounces of gold had been delivered into these contracts on schedule, and 3,500 ounces of gold remained sold forward. The Company's decision to hedge is purely a cash-management strategy to guarantee sufficient revenues for planned activities, while leaving available as much unhedged production as possible for participation in the risks and rewards of the open market.

Liquidity, Capital Resources and Financial Condition

The Company has adopted a balance sheet format to display a total for cash and cash equivalents and bullion, reflecting management's view that saleable bullion inventory held by a refiner is as readily available to meet short-term liquidity requirements as cash and cash equivalents. Cash and cash equivalents and bullion totaled \$2.1 million at January 31, 2004 (\$1.7 million - April 30, 2003). The \$0.4 million improvement in cash and cash equivalents and bullion is due to improved operating cash flows from the Denton-Rawhide gold mine.

Cash flows for the quarter decreased by \$0.8 million compared to the corresponding year earlier quarter, mainly due to a \$0.7 million reduction in cash flow provided by investing activities (representing proceeds from the sale of marketable securities during the quarter ended January 31, 2003 with no comparable item in the current quarter) and a \$0.5 million increase in cash flow used for financing activities (representing a \$0.5 million cash influx from the issuance of share capital less a \$1.0 million loan repayment), offset by a \$0.4 million improvement in cash flow provided by operating activities. The improvement in operating cash flow for the quarter ended January 31, 2004 compared to the corresponding period a year earlier is primarily a result of the improved cash flows at the Denton-Rawhide mine.

During the quarter working capital decreased by \$1.8 million from \$6.5 million at October 31, 2003 to \$4.7 million at January 31, 2004. This decrease in working capital for the current quarter stems primarily from a \$1.8 million reduction of "heap leach" inventories at Denton Rawhide. Future working capital levels are expected to decrease as gold "heap leach" inventories at the Denton-Rawhide mine are liquidated and cash flows are expended on exploration activities, reclamation activities and overhead costs.

The Company received \$0.1 million of creditor payment proceeds under the Andacollo (Chile) creditors' plan in each of the quarters ended January 31, 2004 and 2003.

Production

Pacific Rim's share (49%) of metal production at Denton-Rawhide for the quarter ended January 31, 2004 was 7,184 ounces of gold and 53,455 ounces of silver at cash production costs (as calculated using industry standards) of \$383 per ounce of gold produced, which includes \$250 per ounce of non-cash "heap leach" inventory "drawdown" costs. Production for the comparable quarter of 2003 was 8,115 ounces of gold and 63,372 ounces of silver at cash production costs of \$181 per ounce of gold produced. Actual cash expended per ounce of gold produced in the current quarter was \$131 per ounce, which when deducted from the \$401 per ounce average realized gold sale price, provides significant cash margins from operations to fund ongoing exploration, reclamation and overheads.

Gold and silver production levels at the mine in the quarter ended January 31, 2004 are significantly decreased compared to the corresponding quarter of 2003 due to the cessation of active mining in October, 2002 and crushing and stacking in May 2003 combined with expected declines in production as the residual leach activity depletes the remaining gold inventories contained in the "heap". Efforts are focused on maintaining and improving the metal recoveries during the final stages of leaching.

Closure expenditures, related to severances and reclamation at the Denton-Rawhide mine, of \$0.02 million, net of closure fund withdrawals, were made during the quarter ended January 31, 2004 (\$0.2 million for the quarter ended January 31, 2003) as the operation completed its first full period of residual leaching. Residual leaching at Denton-Rawhide is expected to continue beyond 2004, which is projected to be a significant cash-flow generating period. A closure plan for the Denton-Rawhide mine has been presented to the regulatory authority for review and approval. The Company's share of future severance and reclamation liabilities at Denton-Rawhide is estimated to be \$2.1 million, which is being funded out of ongoing operating cash flow from the mine and balances available from Pacific Rim's \$2.9 million closure fund.

Exploration

During the current quarter, the Company's primary exploration activities concentrated on scout drilling on the El Dorado gold project in El Salvador and the Company's project generation program. Exploration expenditures for the quarter ended January 31, 2004 were \$1.2 million compared to \$0.9 million for the comparable quarter ended January 31, 2003. Ongoing exploration will be funded from the Company's expected share of cash flows generated by the Denton-Rawhide mine.

Outlook

The Company anticipates continued gold production from the Denton-Rawhide mine through the remainder of fiscal 2004 with any further production continuing thereafter at reduced levels as recoveries decline. Actual cash production costs are expected to continue at or near current levels as residual leaching continues and costs are limited to project management and the pumping and processing of leaching solutions. Funds will continue to be expended on the Company's El Salvadoran exploration projects, primarily on the flagship El Dorado gold project where exploration drilling is continuing to test high priority vein targets in both the North and Central Districts. Drill testing of the La Calera project in El Salvador will recommence during the fourth quarter of fiscal 2004 and surface exploration of the Surefire and Aurora projects in Nevada will be initiated during the coming year.

National Instrument 43-101 Disclosure

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

Details of the El Dorado project, including geology, drill results and resource estimates are presented in a technical report prepared for Pacific Rim Mining Corp. by Mr. Steve Ristorcelli, P.Geo. and Mr. Peter Ronning, P.Eng.,

(both independent of Pacific Rim and Qualified Persons as defined in National Instrument 43-101) entitled “Technical Report on the El Dorado Project Gold and Silver Resources, Department of Cabanas, Republic of El Salvador”, dated November 26, 2003 and publicly available on SEDAR.

A technical report entitled “Review of the La Calera Project, El Salvador”, prepared by Mr. Peter Ronning, P.Eng., a Qualified Person independent of Pacific Rim, has been filed with SEDAR, in conjunction with and summarized in the Company’s 2003 Annual Information Form.

Forward-Looking Statements

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

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

PACIFIC RIM MINING CORP.
Interim Consolidated Balance Sheets
(Prepared by management)

in thousands of US dollars

	<u>January 31</u> <u>2004</u> (unaudited)	<u>April 30</u> <u>2003</u> (audited)
Assets		
Current assets		
Cash and cash equivalents	1,426	1,107
Bullion inventory (note 3)	663	594
Total: Cash and cash equivalents and bullion	<u>2,089</u>	<u>1,701</u>
Receivables	339	50
Inventories - short-term (note 5)	<u>4,689</u>	<u>8,829</u>
	7,117	10,580
Inventories - long-term (note 5)	-	2,002
Property, plant and equipment (note 6)	5,370	5,455
Closure fund (note 8)	<u>2,897</u>	<u>3,410</u>
	<u>15,384</u>	<u>21,447</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,359	1,228
Due to related parties (note 12)	-	231
Loans payable (notes 8 & 12)	828	-
Accrued closure costs - current portion (note 8)	<u>222</u>	<u>1,488</u>
	2,409	2,947
Loan payable to a related party (note 8)	-	1,640
Accrued closure costs (note 8)	<u>1,886</u>	<u>1,900</u>
	<u>4,295</u>	<u>6,487</u>
Shareholders' Equity		
Share capital (note 9)		
Authorized:		
1,000,000,000 common shares without par value		
Issued and fully paid:		
79,553,494 shares outstanding (78,528,594 @ Apr. 30/03)	56,710	56,173
Deficit	<u>(45,621)</u>	<u>(41,213)</u>
	11,089	14,960
	<u>15,384</u>	<u>21,447</u>

Signed on behalf of the Board:

"Thomas C. Shrake" Director

"David K. Fagin" Director

See accompanying notes to these Interim Consolidated Financial Statements

PACIFIC RIM MINING CORP.

Interim Consolidated Statements of (Loss) and Deficit

(Prepared by management)

In thousands of US dollars (except per share amounts)

(unaudited)

	Three Months Ended		Nine Months Ended	
	January 31		January 31	
	2004	2003	2004	2003
Revenues				
Sales	3,318	3,720	9,903	9,920
Cost of sales				
Operating costs	3,157	2,347	9,998	7,405
Depreciation, depletion and amortization	293	747	977	2,391
	3,450	3,094	10,975	9,796
Mine operating income (loss)	(132)	626	(1,072)	124
Expenses				
Exploration	1,194	933	3,254	2,413
General and administrative	194	216	574	720
Write-down of marketable securities	–	–	–	275
Interest expense	12	17	41	58
Foreign exchange	7	(11)	(1)	(21)
Interest income	(71)	(38)	(132)	(138)
Gain on sale of mineral property	–	–	–	(900)
Gain on sale of marketable securities	–	(62)	–	(1,056)
	1,336	1,055	3,736	1,351
Net (loss) before unusual item	(1,468)	(429)	(4,808)	(1,227)
Recovery of Investment In Andacollo Mine	132	92	400	422
Net (loss) for the period	(1,336)	(337)	(4,408)	(805)
Deficit - beginning of period	(44,285)	(38,881)	(41,213)	(38,413)
Deficit - end of period	(45,621)	(39,218)	(45,621)	(39,218)
Per share:				
Net (loss) per share - basic and diluted	(0.02)	(0.00)	(0.06)	(0.01)
Weighted average shares o/s during period	79,148,768	78,519,992	78,888,209	78,446,907

See accompanying notes to these Interim Consolidated Financial Statements

PACIFIC RIM MINING CORP.

Interim Consolidated Statements of Cash Flow (Prepared by management)

In thousands of US dollars
(unaudited)

	Three Months Ended January 31		Nine Months Ended January 31	
	2004	2003	2004	2003
Net (loss) for the period	(1,336)	(337)	(4,408)	(805)
Adjustments to reconcile net (loss) to cash flow provided				
by (used for) operating activities:				
Depletion, depreciation and amortization	206	662	694	2,085
Closure costs amortization	87	85	283	306
Foreign exchange loss(gain)	7	(11)	(1)	(21)
Net interest earned on closure fund	(49)	(35)	(78)	(111)
Gain on sale of marketable securities	-	(62)	-	(1,056)
Gain on sale of mineral properties	-	-	-	(900)
Write-down of marketable securities	-	-	-	275
	<u>(1,085)</u>	<u>302</u>	<u>(3,510)</u>	<u>(227)</u>
Accounts payable and accrued liabilities	471	(61)	783	(473)
Closure cost expenditures net of closure fund withdrawals	18	(164)	(1,135)	(468)
Due to related parties	(880)	(159)	(850)	(579)
Inventories	1,924	(75)	6,073	(1,302)
Receivables	(203)	-	(289)	10
Cash flow provided by (used for) operating activities	<u>245</u>	<u>(157)</u>	<u>1,072</u>	<u>(3,039)</u>
Investing Activities				
Purchases of property, plant and equipment	(82)	-	(402)	(12)
Proceeds from sale of property, plant and equipment	72	-	132	98
Proceeds from sale of marketable securities	-	682	-	2,499
Cash flow provided by (used for) investing activities	<u>(10)</u>	<u>682</u>	<u>(270)</u>	<u>2,585</u>
Financing Activities				
Loan repayments	(1,021)	-	(1,021)	-
Issuance of share capital	521	2	537	31
Cash flow provided by (used for) financing activities	<u>(500)</u>	<u>2</u>	<u>(484)</u>	<u>31</u>
Foreign exchange	<u>(7)</u>	<u>11</u>	<u>1</u>	<u>21</u>
Net increase (decrease) in cash and cash equivalents	(272)	538	319	(402)
Cash and cash equivalents, beginning of period	1,698	1,624	1,107	2,564
Cash and cash equivalents, end of period	<u>1,426</u>	<u>2,162</u>	<u>1,426</u>	<u>2,162</u>
Non-Cash Transaction: Marketable Securities received for mineral properties	-	-	-	900

See accompanying notes to these Interim Consolidated Financial Statements

Pacific Rim Mining Corp.
Notes to Interim Consolidated Financial Statements
January 31, 2004

In thousands of U.S. dollars, except per share amounts

1. Nature of Operations and Basis of Presentation

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

Basis of Presentation

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

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

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

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

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

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

2. Significant Accounting Policies and Accounting Changes

Asset Retirement

Effective 1 May 2003, the Company has elected early implementation of the Canadian standard for accounting for asset retirement obligations, whereby the Company is required to recognize asset retirement obligations in the period in which they are incurred, if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-term asset. The associated liability is accreted over the estimated number of future ounces of

gold to be produced until settlement of the obligation and the asset is depreciated over the estimated useful life of the asset. As a result of the adoption of this accounting standard the carrying value of the Rawhide Mine and the corresponding asset retirement obligation have been increased by \$ 0.5 million. This has been applied prospectively.

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

3. Bullion Inventory

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

	January 31, 2004		April 30, 2003	
	Gold	Silver	Gold	Silver
Ounces at refinery	1,402	16,945	1,544	15,402
Market value per ounce (\$/oz.)	400.00	6.00	339.00	4.63
Market value	\$ 561	102	\$ 523	71
Total market value	\$ 663		\$ 594	

4. Financial Instruments

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

5. Inventories

Details are as follows:

	Jan. 31, 2004	April 30, 2003
Production inventory	\$ 4,430	\$ 10,291
Supplies inventory	259	540
	4,689	10,831
Less: Long-term portion of production inventory	-	(2,002)
	\$ 4,689	\$ 8,829

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

6. Property, Plant and Equipment

Details are as follows:

	Jan. 31, 2004	April 30, 2003
Cost	\$ 11,054	\$ 10,652
Accumulated depreciation and write-downs	(5,684)	(5,197)
	\$ 5,370	\$ 5,455

7. Mineral Properties

a) El Salvador Properties

The Company holds a 100% interest in two exploration areas in El Salvador, known as El Dorado and La Calera.

- i) Annual advance minimum royalty payments are required on the El Dorado property, which are the greater of \$50 per year or a 3% net smelter return royalty (“NSR”). The Company has the right to purchase the NSR for \$4 million (\$1 million for 1.5% and \$3 million for the remainder) provided that the royalty is at least partially acquired within six months of commercial production.

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

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

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

The property is subject to a 0.5% NSR which can be purchased by the Company for \$0.2 million if purchased within six months from the start of commercial production.

b) Nevada, U.S.A.

i) Denton-Rawhide Joint Venture

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

	Jan. 31, 2004	April 30, 2003
Cash and other current assets	\$ 6,345	\$ 8,838
Inventories – long-term portion	-	2,002
Property, plant and equipment	1,142	1,219
Closure fund	2,897	3,410
Current liabilities	(1,309)	(2,510)
Long-term liabilities	(2,107)	(1,900)
Net assets	<u>\$ 6,968</u>	<u>\$ 11,059</u>

	Three months ended		Nine Months Ended	
	Jan. 31, 2004	Jan. 31, 2003	Jan. 31, 2004	Jan. 31, 2003
Sales	\$ 3,318	3,720	\$ 9,903	9,920
Costs and expenses	3,450	3,094	10,975	9,796
Net (loss) before taxes	\$ (132)	626	\$ (1,072)	124

ii) Aurora Property

A Mining Lease and Option to Purchase Agreement was entered into in December of 2003 for 81 mineral claims located in the historical and gold mining area of Nevada known as the Aurora District. The Company has agreed to a 20 year lease and the option to acquire the property from the Owners for aggregate payments of \$850,000 to be paid as follows: \$25,000 upon signing (paid); \$35,000 on the first anniversary; \$40,000 on the second anniversary; \$60,000 on the third anniversary; \$75,000 on the fourth and subsequent anniversaries to the total of \$850,000. The property is subject to a 3% NSR held by the Owner, of which 2% can be purchased for \$2 million. The Company has not yet commenced exploration on this property.

iii) Sure Fire Property

The Company has staked and owns 100% of 191 mineral claims in the Crescent Valley area of North Central Nevada. Exploration has not commenced on this property.

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

The Company, as part of the Denton-Rawhide acquisition, agreed to reimburse Kinross Gold Corporation ("Kinross"), who was a major shareholder of the Company, a principal amount of \$2.118 million for Kinross' interest in the reclamation and severance trust funds ("Closure Fund") held for the benefit of the Denton-Rawhide operation. The principal amount is repayable to Kinross, on an annual basis, from 25% of the net internal cash flow from the Denton-Rawhide Mine. Interest is payable annually at rates equivalent to those earned by the Closure Fund trust accounts. As a result of adjustments to working capital accounts at the time of purchase, the principal amount owing to Kinross was reduced to an outstanding amount of \$1.849 million of which \$1.021 million was repaid on December 31, 2003 and the balance of \$0.828 million is payable on December 31, 2004.

The closure trust funds are held in a trust managed by a Trustee that is a large North American banking institution. The trust funds are invested in mutual funds composed of U.S. Government guaranteed fixed income securities with maturities of one to five years. The fair market value of the funds at January 31, 2004 was approximately \$3.1 million (Cost - \$2.9 million). The closure trust funds are provided as security to the mine operator for the estimated closure liabilities.

Accrued closure costs – April 30, 2003			
Short term	\$	1,488	
Long term		<u>1,900</u>	3,388
Add: Accrual of additional reclamation obligations (see note 2)			<u>495</u>
Total Reclamation Obligation			3,883
Less: Reclamation expenditures during the period (nine months)			<u>1,775</u>
Accrued closure costs – January 31, 2004			
Current portion		222	
Long term portion		<u>1,886</u>	\$ <u>2,108</u>

At January 31, 2004, closure trust funding is in excess of current total closure cost estimates. Excess funding is reserved for unforeseen contingencies that might arise in this area.

9. Share Capital

Common Shares

Details are as follows:

	<u>Number of Shares</u>	<u>Amount</u>
Balance – April 30, 2003	78,528,594	\$ 56,173
Common shares issued - May 1, 2003 to Jan. 31, 2004	<u>1,024,900</u>	<u>537</u>
Balance – January 31, 2004	<u>79,553,494</u>	<u>\$ 56,710</u>

Stock Options

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

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

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

	<u>Number of Options</u>		Weighted Average Exercise Price (in Cdn \$)	Expiry
	Pre- Amalgama- tion Plans	October 2002 Plan		
Options outstanding at April 30, 2003	4,517,480	2,110,000	\$0.73	2003-2007
Nine months ended January 31, 2004				
- granted	-	1,425,800	\$0.80	2008
- cancelled	-	(130,000)	\$0.62	2007
- exercised	(1,024,900)	-	\$0.69	2003-2006
Options outstanding at January 31, 2004	3,492,580	3,405,800	\$0.75	2004-2008
Vested as at January 31, 2004	3,492,580	1,795,267	\$ 0.69	2004-2008

The following table summarizes information about stock options outstanding to directors, former directors and employees as at January 31, 2004.

<u>Expiry Date</u>	<u>Exercise Price (in Cdn \$)</u>	<u>Number Outstanding</u>	<u>Number Vested</u>
February 4, 2004	\$ 1.49	4,000	4,000
April 27, 2004	\$ 1.36	1,188,000	1,188,000
June 29, 2004	\$ 1.06	330,000	330,000
June 29, 2004	\$ 1.36	36,080	36,080
September 24, 2004	\$ 1.30	29,000	29,000
May 28, 2005	\$ 0.54	798,500	798,500
July 4, 2006	\$ 0.29	1,107,000	1,107,000

Expiry Date	Exercise Price (in Cdn \$)	Number Outstanding	Number Vested
April 18, 2007	\$ 0.62	1,980,000	1,320,000
July 23, 2008	\$ 0.43	170,800	56,934
October 8, 2008	\$ 0.85	1,255,000	418,333
		6,898,380	4,287,847

If the Company had accounted for stock options granted to directors and employees using the fair value method, the pro-forma effect on net loss and loss per share for the period ended January 31, 2004 would be as follows:

	Three Months Ended Jan. 31, 2004*	Six Months Ended Oct. 31, 2003	Nine Months Ended Jan. 31, 2004	Year Ended April 30, 2003
Net Loss for the Period				
As reported	\$ (1,336)	(3,072)	(4,408)	\$ (2,800)
Stock option compensation expense	-	(269)	(269)	(473)
Pro-forma net loss for the year	\$ (1,336)	(3,341)	(4,677)	\$ (3,273)
Loss Per Share - Basic and Diluted				
As reported	\$ (0.02)	(0.04)	(0.06)	\$ (0.04)
Pro-forma	\$ (0.02)	(0.04)	(0.06)	\$ (0.04)

* no options were issued or vested during the three months ended January 31, 2004

The fair value for options vested and used as stock option compensation expense in the pro-forma information above has been estimated on a quarterly basis at the date of vesting using the Black-Scholes Option Pricing Model with assumptions listed in the table below. No options were issued or vested in the three months ended January 31, 2004.

	Three Months Ended			Year to
	Jan.31/04	Oct.31/03	Jul.31/03	Apr.30/03
Risk free interest rate	n/a	3.88%	3.67%	4.31%
Average expected option life	n/a	5 years	3 years	4 years
Stock volatility – based on trading history	n/a	110.16%	101.27%	89.46%
Dividend payments during life of option	n/a	None	none	none

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

10. Gold Sales Contracts (Metals prices in U.S. dollars)

At January 31, 2004, the Company gold hedging program consisted of 3,500 ounces of forward sales contracts for future delivery of gold at various dates between February 13, 2004 and May 14, 2004 at an average price of \$396 per ounce. The estimated fair value of these contracts at January 31, 2004 spot prices was \$(14) which represents the cost to the Company on the balance sheet date if it were to settle these instruments prior to their maturity.

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

11. Segmented Information

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

Details are as follows:

			January 31, 2004		April 30, 2003	
Total Assets						
Canada			\$ 673		\$ 99	
USA			10,527		17,094	
El Salvador			4,184		4,252	
Chile			-		2	
	Total		\$ 15,384		\$ 21,447	
Total Property, Plant and Equipment						
Canada			\$ 10		\$ 8	
USA			1,176		1,263	
El Salvador			4,184		4,184	
Chile			-		-	
	Total		\$ 5,370		\$ 5,455	
			Three Months ended		Nine Months ended	
			January 31, 2004	January 31, 2003	January 31, 2004	January 31, 2003
Revenue, Excluding Interest Income						
Canada			\$ -	-	\$ -	-
USA			3,318	3,720	9,903	9,920
El Salvador			-	-	-	-
Chile			-	-	-	-
	Total		\$ 3,318	3,720	\$ 9,903	9,920
Depreciation, Depletion and Amort.						
Canada			\$ 1	1	\$ 3	3
USA			292	746	974	2,388
El Salvador			-	-	-	-
Chile			-	-	-	-
	Total		\$ 293	747	\$ 977	2,391
Net Income (Loss)						
Canada			\$ (117)	(38)	\$ (412)	1,159
USA			(277)	511	(1,412)	(127)
El Salvador			(1,074)	(902)	(2,984)	(2,259)
Chile			132	92	400	422
	Total		\$ (1,336)	(337)	\$ (4,408)	(805)

12. Related Party Transactions

Until December, 2003 Kinross Gold Corporation (Kinross) by virtue of their ownership of approximately 22% of the Company's common stock was considered a related party. In the later part of December, 2003 Kinross sold its entire investment in Pacific Rim and is no longer a related party. The following table indicates comparative amounts owing to Kinross as a related party at April 30, 2003 and as a non related party at January 31, 2004.

- a) Amounts due to related parties within 12 months have been recorded in these financial statements as current liabilities as follows:

	January 31, 2004	April 30, 2003
Loan interest due to Kinross	<u>2</u>	22
Loan payable to Kinross - current portion (<i>Note 8</i>)	828	209
Total amount owing to Kinross	\$ 830	\$ 231

- b) During the three months and nine months ended January 31, 2004, wages and benefits of \$ 107 and \$ 271 respectively (January 31, 2003 - \$ 97 and \$ 287 respectively) were paid to directors and officers and have been included in general and administrative expenses.

13. Income Taxes

The Company has utilized prior period losses to eliminate income taxes that would otherwise be payable on current income. Prior period losses have not changed materially from those listed in Note 11 of the audited financial statements contained in the April 30, 2003 Annual Report.

14. Lease Commitments

The Company's current lease commitments are unchanged from those listed in Note 12 of the audited financial statements contained in the April 30, 2003 Annual Report.

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

Management's discussion and analysis of the Company's results reported in these interim financial statements are included in the Report to Shareholders dated March 12, 2004.