

**IN THE MATTER OF AN ARBITRATION
 UNDER THE RULES OF ARBITRATION OF THE
 INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES, THE
 CENTRAL AMERICA – UNITED STATES – DOMINICAN REPUBLIC FREE TRADE
 AGREEMENT AND THE FOREIGN INVESTMENT LAW OF EL SALVADOR**

PAC RIM CAYMAN LLC,)	
)	
Claimant,)	
)	
v.)	ICSID Case No. ARB/09/12
)	
REPUBLIC OF EL SALVADOR,)	
)	
Respondent)	
)	

WITNESS STATEMENT OF CATHERINE McLEOD-SELTZER

Introduction

1. My name is Catherine McLeod-Seltzer. I was born in Vancouver, Canada and am a Canadian citizen. I submit this Witness Statement in support of Claimant’s Counter Memorial in opposition to the new Objections to Jurisdiction submitted by the Government of El Salvador (“El Salvador” or “the Government”).

2. I am currently the Chairman of the Board of Pacific Rim Mining Corp., which is the ultimate corporate parent of Pac Rim Cayman LLC (“Pac Rim Cayman”) and its two Salvadoran subsidiaries, Pacific Rim El Salvador, S.A. de C.V. (“PRES”) and Dorado Exploraciones, S.A. de C.V. (“DOREX”). In my Witness Statement, I will refer to Pac Rim Cayman, PRES, and DOREX collectively as the Claimant. I will refer to Pacific Rim Mining Corp. and all of its subsidiaries collectively as the “Pacific Rim Companies” or simply the “Companies.”

3. In addition to serving as the Chairman of Pacific Rim Mining Corp., I also serve as one of the Managers of Pac Rim Cayman, which is a Nevada corporation based in Reno. I am also a Director of Pacific Rim Exploration Inc. (“Pac Rim Exploration”), another Nevada corporation, which, since 1997, has served as the exploration arm of the Companies. I am also the President and a Director of Dayton Mining (U.S.) Inc., a Nevada corporation which is owned by Pacific Rim Mining Corp. (and which is therefore one of the Companies).

4. I understand that El Salvador has alleged that Pac Rim Cayman is nothing but a “shell” company, set up by a large Canadian mining company with no ties to the United States, solely to be able to arbitrate a “preexisting” dispute at the International Centre for Settlement of Investment Disputes (“ICSID”) under the Central America – United States – Dominican Republic Free Trade Agreement (“CAFTA”). This is not correct.

5. As described below, the Companies have always had a substantial presence in Nevada, U.S.A. Indeed, Mr. Thomas C. Shrake, who has served as the Chief Executive Officer (“CEO”) of Pacific Rim Mining Corp. since 1997, has always maintained his offices there, along with the Companies’ other senior geologists. Mr. Shrake has largely managed the Companies, including Pac Rim Cayman and its Salvadoran subsidiaries, from Nevada. Pacific Rim Mining Corp. has other subsidiaries in Nevada, including Dayton Mining (U.S.) Inc., which provided a substantial portion of the capital invested in El Salvador. Pac Rim Cayman is a legitimate holding company, which for many years has held the Companies’ most important assets, namely, our Salvadoran subsidiaries. In December 2007, we domesticated Pac Rim Cayman to Nevada as part of a larger corporate restructuring (one of several taken over the years) for various business reasons, well before we believed we had a dispute with El Salvador.

6. The remainder of this Witness Statement is divided into two general parts. *First*, I summarize my personal and professional background, which will help the Tribunal understand my role in the Companies, Mr. Shrake's role in the Companies, and the respective functions of our Vancouver and Reno offices. *Second*, I provide an overview of the Companies' business, organization, management, and financing from 1997 to the present.

I. PERSONAL AND PROFESSIONAL BACKGROUND

7. I have over 25 years of experience in the mining industry and come from a family with a long history of involvement in the mining industry. My focus has always been on mining finance.

8. My grandfather, John McLeod, immigrated from Scotland to Northern British Columbia, Canada in the early 1900's and worked as a miner, prospector, and grubstaker. (A grubstaker is someone who would loan money to other prospectors in exchange for a share of any profits they might ultimately make. It was an early form of mining finance – albeit with less paperwork and a more colorful name.)

9. My father, Donald McLeod, left school before completing high school and began working in a gold mine during the early part of World War II. He worked his way up from miner to mine superintendent. He eventually managed exploration and development programs. Later in his career, my father was involved in discovering and putting a number of mines into production. Part of his management responsibilities included obtaining financing for the projects, which is how I first became interested in the business of financing mining projects.

10. In addition to me, several other members of my family, notably my brother, Bruce McLeod, and my cousin, Rob McLeod, have followed in our grandfather's footsteps and are

involved in the mining industry. Bruce and Rob work as a mining engineer and geologist, respectively.

11. I received my Bachelor's Degree in Business Administration from Trinity Western University in 1984. While in University, I spent every summer working at the Royal Bank, learning the nuts and bolts of banking.

12. Following graduation, I worked in the Treasury Department of the Canadian Commercial Bank for a year.

13. From 1985 to 1992, I was employed by Yorkton Securities Inc. ("Yorkton"), first as an institutional trader, later as a broker, and finally as an Operations Manager. In my initial position as an institutional trader I took orders from London and traded the equities of mining companies. Because of my extensive background in mining, I was able to leverage my knowledge of the industry to eventually gain a position as a broker. In 1991, I became the Operations Manager for Yorkton in Santiago, Chile, a position which I held from 1991-1992.

14. In 1992, while in Chile, I met Mr. David Lowell, a highly respected member of the mining community who is well known for his ability to find profitable mines. We realized that we had similar interests and that our respective skill-sets could be highly complementary in a business setting.

15. In 1993, I formed a company with Mr. Lowell called Arequipa Resources ("Arequipa"). Serving as the President, Chief Executive Officer, and a Director of Arequipa, I was responsible for raising money to finance the company and to take it public, which we did in September 1993. Under our leadership, Arequipa discovered the 10 million-ounce Pierina gold

deposit, which we sold in 1996 to Barrick Gold for C\$1.1 billion. As part of the discovery and development of the Pierina deposit, Arequipa particularly focused on creating jobs and building medical clinics and schools for the communities located near the mine.

16. After the sale of Arequipa, I began to look for other business opportunities, one of which was Pacific Rim Mining Corp., which I will describe in greater detail below. It is important to note, however, that I did not view Pacific Rim Mining Corp. as a full-time project for myself, and I continued to look for and became involved in a number of unrelated opportunities.

17. For example, I have served as Chairman of the Board of Directors for Bear Creek Mining since April 2000. I co-founded Stornoway Diamond Corporation, and have served on its Board of Directors since November 2001. I was a Co-founding Director of Francisco Gold, which was sold to Glamis Gold Ltd. in 2002. In 2003, I joined forces with Mr. Lowell again to form Peru Copper Inc. to acquire the Toromocho Copper deposit. Three years after we took Peru Copper public, Chinalco acquired it for \$840 million. I have served on the Board of Directors of Kinross Gold since November 2005 and Troon Ventures since 2008. In 2007, I was appointed to the Advisory Board of Animas Resources. And from 2001 to 2007, I held a position on the Board of Directors of Miramar Mining, which was sold to Newmont Mining in 2007. I was recently appointed to the Board of Directors of Major Drilling, an international drilling company that services the mining exploration industry.

18. I am not a geologist. My expertise lies in finance. My general approach has been to team up with geologists like Mr. Lowell, Mr. Shrake, Ms. Eira Thomas of Stornoway Diamonds, and Mr. Andrew Swarthout, CEO of Bear Creek, who are proven mine finders, and to

provide them with my market expertise in raising the money necessary to run a successful exploration venture.

19. I have raised more than \$500 million in working capital for mining exploration in the past 25 years, and have been directly involved in more than \$4 billion in corporate transactions in the mining industry.

20. Over the course of my career, I have developed a reputation for building successful mineral companies. I have been recognized publicly for this success. For example, I received the “Award for Performance” from the Association of Women in Finance in 1997. I have been listed numerous times in *Financial Post’s* “Power 50.” And in 1999, I received the great compliment of being named Mining Man of the Year by the Northern Miner.

II. OVERVIEW OF THE PACIFIC RIM MINING CORP.

A. Formation of the Current Management Team and Structure

21. Following the sale of Arequipa, I began to look for other projects where I could pair my financing expertise with a highly successful exploration geologist. In September 1996, I attended a conference of the Denver Gold Group, a well-regarded not-for-profit industry association, where I learned about a silver project in Salta, Argentina called the Diablillos project. Barrick owned Diablillos in a joint venture with Pacific Rim Mining Corp., a publicly traded company which, up to that point, I had never heard of. I also learned that Pacific Rim Mining Corp. was primarily owned and run by people with relatively little experience in the mining business. I thought I could put a team in place that would do a better job of managing and growing the company. I began to assemble private and institutional investors in order to

acquire Pacific Rim Mining Corp. by carrying out a private placement. By 1997, we had acquired control of the company.

22. Again, my expertise lies in finance, not geology; therefore, I needed to find a seasoned geologist to take the lead on locating and developing significant mineral deposits and to hire and manage the teams of geologists and mining engineers necessary to carry out successful mining operations. Finding valuable mineral deposits is both a science and an art. There are relatively few people out there with a consistent track record of finding and developing valuable mineral deposits. I had heard that Tom Shrake was one of them. Carl Hering, a senior explorationist at Placer Dome, where Mr. Shrake had once worked, used these specific words: “Tom is a mine finder.” In this business, there is no higher praise; and it is seldom said about anyone.

23. As I had been putting together the financing details to acquire the Pacific Rim Companies, I arranged for an introduction to Mr. Shrake. I knew that Mr. Shrake had just left Gibraltar Mines Limited following its acquisition by Westmin Resources Ltd. – an acquisition that Mr. Shrake had largely made possible by his delineation of substantial copper deposits in Chile. I thought that he might be interested in leading Pacific Rim Mining Corp.

24. After sitting down with Mr. Shrake to discuss his potential role in the Pacific Rim Companies, I realized that Mr. Shrake and I share a similar vision for the type of mining company that we want to be involved with.

25. We both believe that mining companies can and should generate profit for their ultimate owners. At the same time, we both understand that mining projects have an enormous impact on the communities where they are located – and that the community members are and

must be treated as important stakeholders in the project. I quickly learned that Mr. Shrake shares my commitment to sustainable development and to running mining operations according to the highest environmental, ethical, and safety standards.

26. I believe that both Mr. Shrake and I embrace these principles because they are personally gratifying and also because they make good business sense. Implementing strong environmental and safety controls may require additional investment and careful planning upfront. But they save substantial costs and help yield higher profits in the long run. Moreover, there is no question that mining operations in the developing world are (and should be) coming under increased scrutiny from a variety of quarters. If the mining industry wants to continue to work in the developing world, it will have to use the same environmental and safety controls as are used at the best and safest projects in the developed world. Consumers, investors, governments, and the public at large will increasingly demand no less.

27. Impressed by Mr. Shrake's proven geological expertise, business acumen, and social values, I asked him to join Pacific Rim Mining Corp. as its CEO. We agreed that Mr. Shrake could remain in Reno, set up offices there, and put together a geological and technical team of his choice, who would work with him in Reno. In 1997, Mr. Shrake set up Pac Rim Exploration as a Nevada corporation to serve as the exploration arm of the Companies. Pac Rim Exploration provided the salaries and benefits for most of the Companies' senior geologists, including Mr. Shrake. At Mr. Shrake's direction, we also set up several holding companies in the Cayman Islands, including Pac Rim Cayman, to hold the Companies' foreign subsidiaries. At the time, it was believed that there were tax advantages to be derived from holding these assets through Cayman Islands companies.

28. Thus, from the beginning, Mr. Shrake was responsible for the core exploration and mining functions of the Companies – including managing our subsidiaries – which he did from his offices in Reno. I was originally the President of Pacific Rim Mining Corp., a title I held until January 2006, when Mr. Shrake assumed the titles of President and CEO, and I became Chairman of the Company. My responsibilities included finance, shareholder relations, and attending to “big picture” strategy on the non-technical side of the business. However, it was never anyone’s intention for me to be involved in the daily management operations of the Companies. Although the accounting, marketing, and other administrative functions of the Companies were largely handled by Pacific Rim Mining Corp. in Vancouver, those functions reported directly to Mr. Shrake in Reno. For Mr. Shrake, his responsibilities at the Companies were a full-time job. I was involved in other, unrelated companies, which required a substantial amount of my time and attention. Moreover, the Board quickly developed great trust and confidence in Mr. Shrake’s abilities and judgment. We let him run the day-to-day business of the Companies, as a CEO is supposed to do.

B. The 2002 Merger with Dayton Mining Corporation

29. In 2001, Mr. Shrake approached the Board of Directors of Pacific Rim Mining Corp. with an opportunity involving a promising exploration site in El Salvador that was then owned by Dayton Mining Corporation (“Dayton”), a publicly traded company in Canada. I also sat on the Board of Directors of Dayton and so recused myself from consideration of any proposed transaction. Although I was involved in reviewing and approving the strategic direction of undertaking this transaction based on the early information provided to me by Mr. Shrake, I had no involvement in the due diligence undertaken in connection with the transaction and cast no vote on the proposed transaction.

30. In April 2002, Dayton and Pacific Rim Mining Corp. merged into a single entity – still a publicly traded Canadian corporation, which retained the name Pacific Rim Mining Corp. The respective subsidiaries of the pre-merger Dayton and pre-merger Pacific Rim Mining Corp. were now amalgamated into a single corporate group, all direct or indirect subsidiaries of Pacific Rim Mining Corp. Following the merger, Mr. Shrake retained his title as CEO and I retained my title as President of Pacific Rim Mining Corp. But Mr. Shrake continued to manage and oversee all of the Companies from Reno. As mentioned above, in January 2006, Mr. Shrake assumed the title of President as well as CEO. The combined titles really reflected the work he had been doing all along.

31. As part of the merger, we acquired Dayton’s assets in El Salvador. Those assets, in particular, the El Dorado site in northern El Salvador, became the principal focus of the Companies. All of the Salvadoran exploration activities were ultimately managed by Mr. Shrake. He was ultimately responsible for overseeing the continued exploration of the El Dorado site, acquiring additional exploration sites in El Salvador, and submitting applications for the necessary regulatory approvals and licenses. Mr. Shrake was also in charge of recruiting the talent to run our various operations in El Salvador and hiring the consultants, engineers, geologists, and other scientists who eventually helped us to study the El Dorado project and to design the planned above- and underground mine facilities. Mr. Shrake was ultimately responsible for meeting and working with Salvadoran government officials. Mr. Shrake was the “face” of the Pacific Rim Companies. He traveled to El Salvador frequently to meet with various officials to ensure that our project remained on track.

32. I only traveled to El Salvador on one occasion, in May 2006. Along with Mr. Shrake, I attended meetings with a number of Salvadoran officials, including the Salvadoran

Vice President, Ana Vilma de Escobar, and the Minister of Economy, Yolanda de Gavidia. I recall that the Salvadoran officials we met were very positive about our project, offered to help the Pacific Rim Companies, and did not express any concerns about our ability to obtain the necessary permits.

33. I recall that Mr. Shrake was particularly excited not only by the size and quality of the deposits at and near the El Dorado site, but also by their particular location and geology, which he believed were particularly well suited for environmentally clean or “green” mining. He also expressed the opinion that there was tremendous potential to find additional deposits of this type in El Salvador. Mr. Shrake also frequently discussed the poverty of the region and the jobs and other benefits that he thought we could bring to the community there. Among other things, we funded health services and infrastructure projects; established environmental education programs in the local schools; established the first recycling program in the region; helped clean refuse from the local river system; and planted over 40,000 trees.

34. As a result of the 2002 merger, we also acquired Dayton’s assets in the United States. Specifically, we acquired Dayton Mining (U.S.) Inc., which owned 49% of a Nevada mining joint venture called Denton-Rawhide. We invested nearly all of the money from the Denton-Rawhide mining operations into our El Salvador project. Again, this was all done under Mr. Shrake’s direction and under his supervision.

35. Also as a result of the 2002 merger, we acquired Dayton’s Andacollo gold mine in Chile. When we sold that mine in 2005, most of the proceeds were invested in El Salvador. This too was done under Mr. Shrake’s direction and supervision.

C. The 2007 Corporate Reorganization

36. In the years following the 2002 merger, the Companies' overall corporate structure changed several times, principally as a result of selling off assets, or deactivating entities in jurisdictions where we no longer conducted business. In 2007, in order to save costs and reduce our administrative burden, as well as to reflect our primary focus on our El Salvador assets, we decided to deactivate our subsidiaries in Mexico and Peru – where we had not conducted business in many years – as well as the Cayman Islands holding company through which we held them. In looking at our overall corporate structure, we were also advised that there were no tax benefits to be derived from holding our Salvadoran assets through a Cayman Islands holding company, particularly when those assets were managed primarily from Nevada. That is the location from which Mr. Shrake had been managing Pac Rim Cayman and its subsidiaries for many years. It made no sense to pay fees to maintain Pac Rim Cayman in the Cayman Islands when there were no tax benefits to be derived from that jurisdiction and when Pac Rim Cayman was in fact being managed from Nevada. Accordingly, we decided to domesticate Pac Rim Cayman to Nevada. That is what I recall as the primary factor behind its domestication to Nevada.

D. The Dispute with El Salvador

37. By 2008, there is no question that many members of Pacific Rim Mining Corp.'s Board of Directors were beginning to feel uncomfortable about delays in the issuance of permits for the El Dorado project. However, even into 2008, high-level Salvadoran Government officials were telling Mr. Shrake that the permits would be issued, and that we simply needed to be patient.

38. In March 2008, however, President Saca was widely reported as stating that he was opposed to the issuance of mining permits, and as indicating that he would order dramatic changes to existing Salvadoran law before any further mining activities could proceed. This was shortly after a financing we did in which the Companies raised additional money so they would be prepared to move quickly with additional work after the exploitation permit was granted (as was being promised during our discussions with high-level Government officials). I recall that shortly after that reported announcement, the share price of the stock in Pacific Rim Mining Corp. began to fall precipitously. Later in 2008, we had no choice but to begin to shut down mining operations and lay off personnel. Only after we recognized that the regulatory delays we had been facing were due purely to political reasons – and that, for political reasons, we might not ever get the permits – did we conclude that we had a dispute with El Salvador. I cannot precisely identify that moment. I can say with certainty, however, that it did not occur until after the February 2008 financing and President Saca’s March 2008 statement, and that, as late as the summer of 2008, President Saca was personally discussing the issuance of the permits with Mr. Shrake. Pac Rim Cayman did not file a Notice of Intent to commence arbitration under CAFTA until December 2008. It did not file its Notice of Arbitration until April 2009.

Being in full agreement with the statements contained in this document, I hereby sign it
and acknowledge its contents on this 31 day of December 2010.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, positioned above a thin horizontal line.

Catherine McLeod-Seltzer