



To Our Shareholders,

1997 marked a turning point in our history as a silver company. The noble metal on which we pinned our aspirations put in a remarkable performance, validating in a most dramatic fashion the original concept for creating Apex Silver Mines Limited. At the same time, results from

Leadership in Silver

our flagship project in Bolivia, San Cristobal, continued to exceed our expectations and set new benchmarks by which our industry will be judged. Finally, four years of discipline and commitment in creating not just one of the largest, but also one of the most exciting, portfolios of silver properties in the world, paid off with the largest initial public offering for a precious metals mining company in North America in 1997.

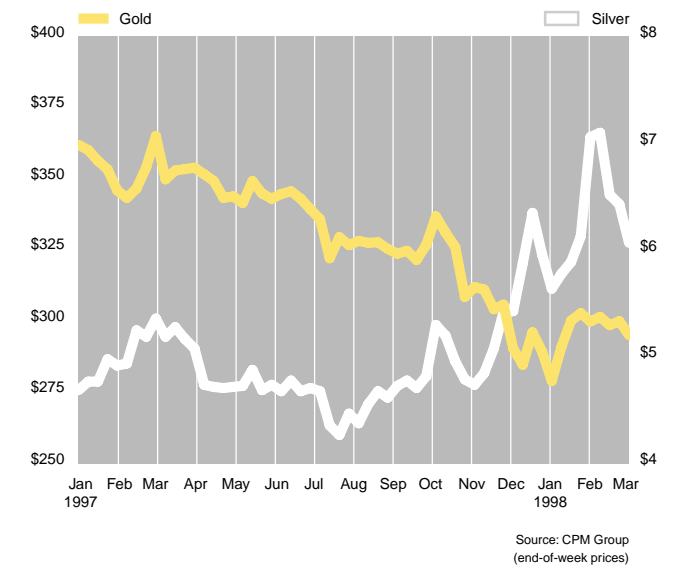


Right Metal, Right Time

1997 was a year of new records for the silver industry. Demand reached multi-decade highs of nearly 800 million ounces, up over 5 percent from a year earlier. Moreover, we witnessed the eighth consecutive year of silver supply deficits, with industrial demand outstripping supply by over 210 million ounces, itself a new record. Silver inventories dropped to new lows, not just in absolute terms but also as a percentage of annual consumption.

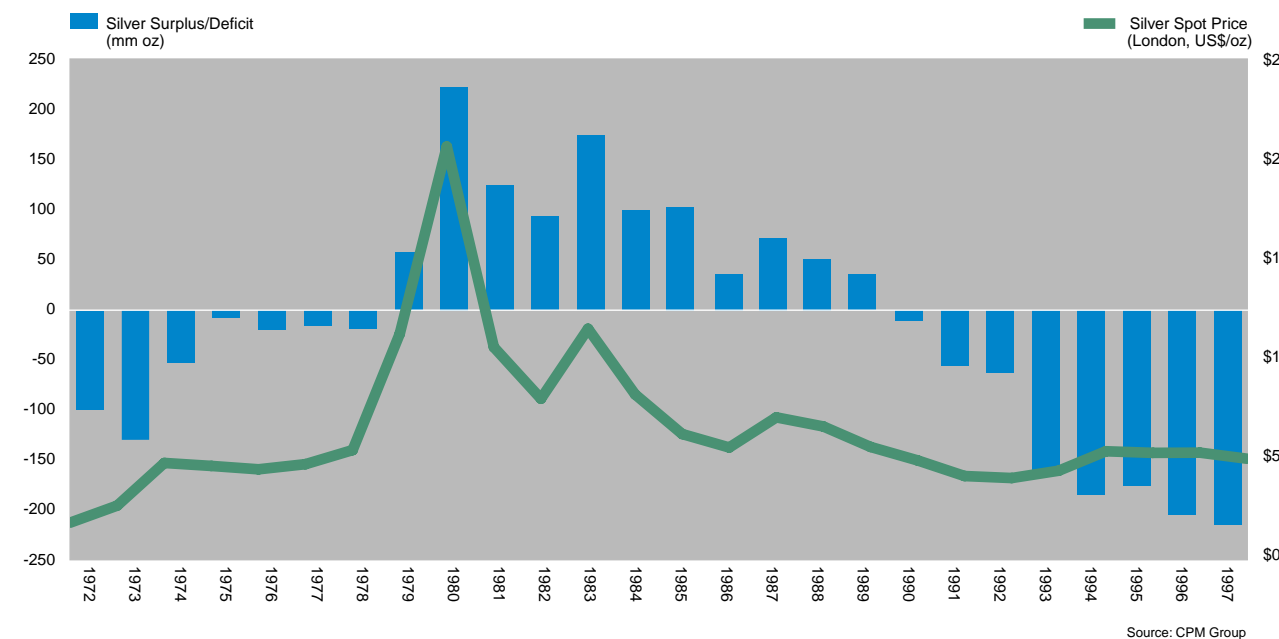
Strong fundamentals also asserted themselves in the market as well, a transformation which has carried over into the new year. With silver having hit ten-year highs at the same time as gold plunged to eighteen-year lows, the price of silver definitively decoupled from gold as investors began to understand that the underlying dynamics of both metals are markedly different. Moreover, after almost two decades of disenchantment, silver was once again reinstated as a vibrant and attractive asset class that could compete for the attention of investors even at a time of fervent demand for financial assets. These two shifts - silver trading in line with its own funda-

Weekly Gold and Silver Prices in 1997 and 1998



mentals, and its reinstatement as a competitive asset class - mark the most important changes in the perception of the metal's outlook since 1980. It is Apex's good fortune to be positioned as a premier, publicly traded silver vehicle at such an exciting and promising time in the silver market.

Strong Silver Market Fundamentals



Right Project, Right Country

Nowhere has our good fortune been in greater evidence, however, than with the ongoing revelations of the scope and scale of our project at San Cristobal. Since its discovery by a team led by Dr. Larry Buchanan and our Bolivian colleagues, San Cristobal has emerged as one of the greatest silver discoveries of this generation. With 219 million ounces of open-pit silver delineated to date, San Cristobal is already the largest open-pit silver reserve in the Western Hemisphere. As these numbers are drawn from only two targets out of more than a dozen already identified by our geologists, we have strong geologic evidence to suggest that reserves will only expand over the coming months and years.

That we have traveled so far, so fast is a strong testament to the positive business environment we have encountered in Bolivia, a vibrant democracy which practices a free market economic system. Possessing a mining culture that is amongst the most highly evolved in South America, Bolivia is a country with a rich silver mining history. The Cerro Rico de Potosi, a rendition of which adorns the nation's flag, was the largest silver deposit ever discovered, providing silver to the Spanish treasury for several centuries. The primacy of mining to the national interest was reaffirmed last spring with the ratification of a new Mining Code that both safeguards investor interests and simplifies the tax regime.

San Cristobal Project, Bolivia



200 km

Right Philosophy, Right Management

The philosophy of the Company since its inception has been to “do it right” and “cut no corners” in building a mining company in which the shareholders can be proud. Certainly, we have accomplished a great deal by maintaining these standards. A diversified asset base, a world-class mineral discovery, and an exploration group with an outstanding track record in identifying deposits have led to the creation of a first-rate silver vehicle.

San Cristobal, on its own, can position us as one of the largest and lowest-cost producers of silver, one that will rank at the forefront of silver companies. As with any project of this scale, there will be numerous challenges to overcome in seeing it through. Positioning ourselves to develop San Cristobal as quickly, cost-effectively and prudently as possible is our leading corporate objective. In addition, ever mindful of our roots as an exploration and development company, we will continue to seek out new targets of opportunity. As we have seen in practice, there are few better ways to maximize shareholder value than to make a discovery; with an immense portfolio of properties to work with, we are committed to unlocking its value for the benefit of our shareholders.

That we can look forward to the future with confidence is a testament to our management. 1997 saw the consolidation of our operating management team, rightly considered to be one of the strongest and most experienced in the business. Keith Hulley, our President and Chief Operating Officer, joined us from Western Mining Corporation. Marcel DeGuire, Vice President of Development, came to Apex from Newmont Mining. Doug Smith, formerly of ASARCO, assumed the position of Vice President of Exploration. And our Bolivian operations, under the leadership of Johnny Delgado, were expanded with the acquisition of the Mintec team and headquartering of our South American operation in La Paz.

Front Row (left to right): **Johnny Delgado Achaval**, CEO, Andean Silver; **Thomas S. Kaplan**, Chairman, Apex Silver Mines Limited; **Keith R. Hulley**, President and COO, Apex Silver Mines Corporation (“Apex Corporation”)
 Middle Row (left to right): **Marcel F. DeGuire**, VP of Development, Apex Corporation; **Douglas M. Smith, Jr.**, VP of Exploration, Apex Corporation; **Gregory G. Marlier**, VP of Finance and CFO, Apex Corporation
 Back Row (left to right): **Dr. Larry J. Buchanan**, Chief Geologist, Apex Corporation; **Linda Good Wilson**, VP of Investor Relations, Apex Corporation

In addition, we benefited from an active and supportive Board of Directors, of whom I am most honored to be a part. New members of the Board were welcomed, including Keith Hulley, Harry Conger (Chairman, Homestake Mining Company, where he served as Chairman and CEO), Michael Comminos (formerly a director and partner of N.M. Rothschild & Sons (C.I.) Ltd.) and Ove Hoegh (past CEO of Leif Hoegh & Co. A/S and senior partner of Hoegh Invest). Richard Katz, Chairman of Quantum Industrial's advisory board, also joined our Board in 1997. He joins David Sean Hanna, as well as two of his associates from our founding shareholders at Quantum, Paul Soros and Eduardo Elzstain.



The support of our Board and shareholders was invaluable during the past year, one of the most challenging for the mining industry in recent memory. I extend my warmest appreciation to those who worked so hard to make our vision of providing superior returns to our shareholders a reality. We shall endeavor in every way to make 1998 as exciting and rewarding as 1997 proved to be.



Thomas S. Kaplan
Chairman and Chief Executive Officer