Questions & Answers

These are the questions most frequently asked:

Q Why did San Cristobal's projected metal production increase? Positive results from detailed metallurgical testwork and flowsheet improvements, conducted post-Feasibility Study, indicated that the higher-grade material encountered in the early years at San Cristobal also has higher projected recoveries. These higher grades and recoveries led to increases in projected metal production and a significant decrease in cash production costs, particularly in the first five years of production.

For the first five years of production, recoveries are now projected to average 77 percent for silver, 92 percent for zinc and 89 percent for lead, which represents a substantial increase from the constant Feasibility Study recoveries of 69 percent for silver, 91 percent for zinc and 75 percent for lead. Updated life-of-mine recoveries now average 75 percent for silver, 92 percent for zinc and 87 percent for lead. At the designed production rate of 40,000 tonnes of ore per day, San Cristobal's first five full years of projected production has now increased to an average 27 million ounces of contained silver annually, while zinc production during this period has increased to an average 570 million pounds contained in concentrates.

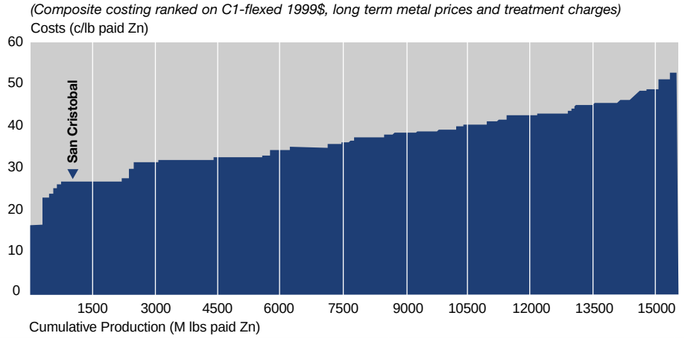
With life-of-mine cash costs expected to average $7.05 per tonne of ore, the San Cristobal Project open pit operation should enjoy an inherently low cost structure and is projected to be one of the lowest cost producers of silver and zinc worldwide. As San Cristobal will produce silver and zinc as co-products, cash operating costs will be attributed to silver and zinc proportional to their value. Since lead is a by-product of silver production, its value will be credited back to silver costs. For the first five years of production, the average cash operating cost per ounce of silver net of lead by-product credits is projected to be $1.23 and the average cash operating cost per pound of zinc is projected to be $0.23, significantly lower than the Feasibility Study estimates of $1.59 per ounce of silver and $0.26 per pound of zinc. Life-of-mine cash costs are now forecast to average approximately $1.83 per ounce of silver and $0.27 per pound of zinc.

Marcel F. DeGuire
Vice President, Development
Apex Silver Mines Corporation

2005 Western World Zinc Mine Production

Source: Brook Hunt based on 1999 data.

(Composite costing ranked on C1-flexed 1999$, long term metal prices and treatment charges)



Q How will you ship the concentrates to smelters around the world? As shown on the location map, the current plan is to transport San Cristobal concentrates via covered trucks to the port of Tocopilla in northern Chile where they will be stockpiled in a modern enclosed storage facility prior to shipment to smelters around the world. Engineering and permits for road and port construction are underway, while the Company has already signed a letter of commitment with the owner of the port. The Company is also working closely with the governments of Bolivia and Chile on issues related to the use of the road.

Ed R. LeBlanc
Vice President, Marketing
Apex Silver Mines Corporation

San Cristobal Location Map

Silver: High Technology Metal

Silver's versatility as a metal drives its high technology uses: electronic components, photographic materials, aerospace and military uses, catalysts, water purification, anti-bacterial applications and high temperature superconductors.

With the highest conductivity of any metal, silver is used in virtually all **electronic devices** such as contacts, connectors or other components. Silver membrane switches are used in an ever-increasing list of applications including computer keyboards, televisions, telephones, automobiles and handheld electronic gear.

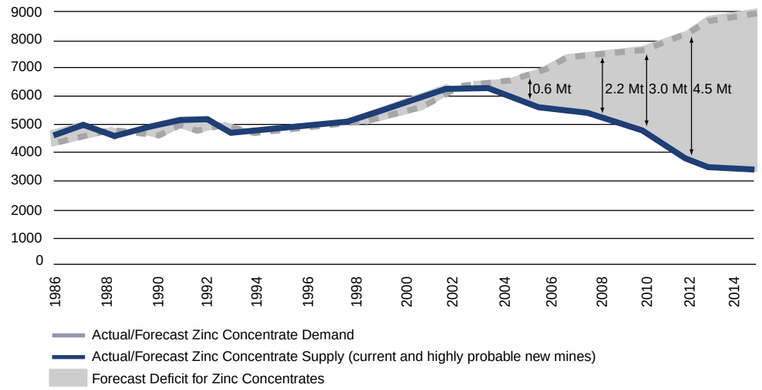
Silver also is being used in the semiconductor industry where it has the capability to substitute for palladium whose price has risen from $140 per ounce in 1997 to nearly $800 per ounce currently. As the breadth of electronic applications expands, the use of silver has increased dramatically.

One of the strongest segments of growth for silver usage is in **photographic papers and films**, with photographic demand for silver increasing 6 percent in 2000. Recent concerns that digital photography would significantly reduce silver usage have proved to be unfounded. Digital photography has actually led to more people taking pictures and printing them on silver-based paper to achieve high quality images.

Silver is used extensively in **aerospace and military applications** where its strength, ductility and malleability are needed in precision components to enhance safety and performance under a wide variety of temperature conditions. Lightweight, high performance silver-zinc batteries are also used as power sources in high-tech military applications like satellites, missiles and launch vehicles. As past development indicates, military applications are often the first step in developing more broad-based commercial uses.

Zinc Supply and Demand

Source: Brook Hunt



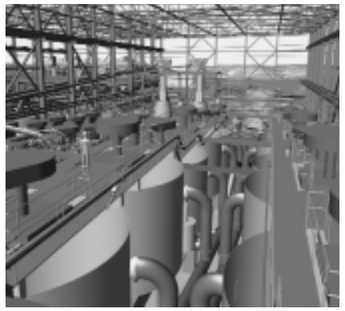
Q What has driven the success of your concentrate sales? San Cristobal has been extremely successful at placing its silver-rich lead and zinc concentrates because they are considered to be high quality products. Both concentrates are high grade and clean: they have metal contents within the ranges that smelters find the most desirable and are low in detrimental impurities like arsenic, antimony and iron. These are extremely important competitive advantages in an environmentally conscious marketplace. San Cristobal concentrates are also viewed as appealing because the mine has long-lived reserves, making it easier for smelters to plan their long term feed requirements. We are also fortunate to be entering the market when an unusually large amount of zinc mine capacity will be lost due to the depletion of existing mineable ore reserves. Based on an independent analysis prepared by Brook Hunt, a significant shortage of zinc production will start developing before San Cristobal is expected to reach commercial production.

The amount of material we have placed under letters of intent with smelters around the world is indicative of our success at marketing our products. We have strategically targeted smelters that offer us the most favorable terms for purchasing the metals in our silver-rich concentrates. For zinc concentrates, we have placed 89 percent of the concentrates under letters of intent, whereas for lead concentrates we have nearly all of our future concentrate production placed under letters of intent. The detailed metallurgical testwork completed in 2000 also led to a modified flow sheet that includes production of relatively small amounts of either additional bulk or lower-grade lead concentrates. We also have letters of intent pending to cover this portion of our production.

–Ed R. LeBlanc

Q How much project engineering has been done on San Cristobal? Overall project engineering now stands at 65 percent complete, an unusually high level of detail for a mining project at this stage of development. We have identified, properly sized and obtained all of the certified vendor engineering for major equipment on the critical path for mine development. This level of detail will not only provide assurance on capital costs for completing the project financing, but will allow us to rapidly begin construction once financing is completed. The mill schematic shown here indicates how much planning and forethought goes into developing our detailed three-dimensional computer aided plant designs.

Michael F. Shaw
Vice President and
Project Manager, San Cristobal
Apex Silver Mines Corporation

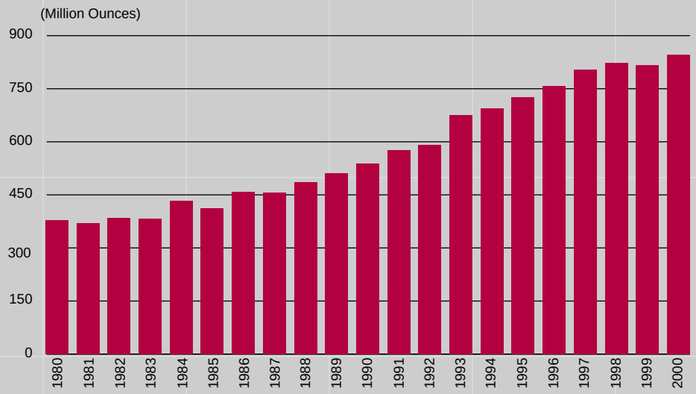


Courtesy: Kvaerner Metals

San Cristobal Three-Dimensional Mill Design

Silver Demand

Source: CPM Group 2001 Silver Survey



Q What has been completed at site to facilitate mine development? During the year 2000, our in-country subsidiary, ASC Bolivia under the guidance of Johnny Delgado, Carlos Fernandez and Rodolfo Aguirre, was busy preparing the San Cristobal site for mine construction. The existing camp at the old Toldos mine was renovated as a "starter camp" to house and office the approximately 400 employees that will be on site when construction begins. Nearly half of the 1,500 housing units required for construction workers were also completed during the year. Additional activities included building a potable water treatment facility for the camps, along with local road improvement. To make way for mine development, the old village of San Cristobal was successfully relocated in 1999 to a new town site chosen by the inhabitants. ASC Bolivia has since been offering training and other development programs for the local townspeople.

– Michael F. Shaw

San Cristobal Construction Camp

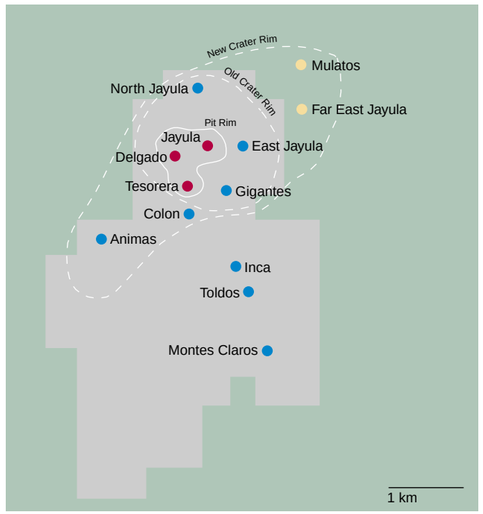
Q What makes Bolivia a great mining country? As home to the Cerro Rico de Potosi, the most famous silver discovery in history, Bolivia has long been known to possess one of Latin America's most favorable mining cultures. The country is democratically governed and economically sound. Having undergone one of the most far-reaching and enlightened privatization programs in Latin America, Bolivia's free market reforms enjoy bipartisan political agreement at home and multi-lateral banking support abroad. The Mining Code of 1997, which offers broad safe-guards for the industry, guarantees that property title is secure and not subject to "use it or lose it" regulations. Foreigners are placed on the same footing as locals, environmental regulations are enforced straightforwardly and Bolivia's effective tax rates are competitive with its neighbors Chile and Peru.

Keith R. Hulley
President and
Chief Operating Officer
Apex Silver Mines Corporation

Q What are the chances that you can expand San Cristobal reserves? As additional test holes placed further out from the existing planned pit have evidenced similar silver and zinc mineralization, continued reserve expansion at San Cristobal is viewed as highly likely. The deposit remains open laterally in several directions as well as to depth. Indeed, recent regional exploration activities in the District have significantly expanded the size of the geologic model used in assessing the deposit, as shown on the map below. Whereas previous San Cristobal geologic models assumed the size of the volcanic depression hosting the primary silver and zinc deposits to be approximately 4 kilometers in diameter, it has now been expanded to encompass an area twice that. In addition to the primary deposits themselves, geological work was advanced on a growing number of large satellites and attractive drill targets within our wholly owned San Cristobal District. After construction commences, it is intended that additional drilling will be undertaken to increase reserves and explore the new targets

Dr. Larry Buchanan
Chief Geologist
Apex Silver Mines Corporation

San Cristobal District Exploration Targets



Silver catalysts are used in a variety of chemical applications including the manufacture of plastics and petroleum refining. Silver's natural bactericidal and algaecidal properties have led to it replacing corrosive chlorine in **water purification** systems, as well as in salves and artificial skin for burn patients.

Sheathing for **superconducting wire and cable** is another high technology application for silver that exploits its high ductility and conductivity. Superconductors are materials that lose nearly all resistance to energy flow when cooled below a critical temperature that varies with the type of material used. With current technology, superconductors need to be cooled to cryogenic temperature in order to exhibit the property of superconductivity. Two applications where superconductors show great commercial promise are magnetic-levitation, where strong superconducting magnets are used to "float" trains above the tracks, and electric generators. A Japanese magnetic-levitation test train attained a speed of 343 miles per hour

Q Why has it taken so long to select a power provider for San Cristobal? Bolivia's discovery of large hydrocarbon reserves over the past few years led to the government's request for Apex Silver to reconsider whether a Bolivian-sourced power provider would be able to meet San Cristobal's electric power needs. San Cristobal is unusually fortunate to be located at the nexus of two energy-rich regions, Bolivia itself and northern Chile. Bolivia has a vast surplus of hydrocarbon reserves and northern Chile is currently experiencing a systemic over-capacity of low-cost electric energy, thereby creating a situation with the potential for competitive and attractive long-term power alternatives. Given the long-lived nature of San Cristobal's ore reserves, it is anticipated that the mine will be a significant consumer of electric power for decades to come.

In order to ensure that an optimum power solution for San Cristobal is selected via a comprehensive and transparent process, the Company has been working closely with both the Lead Arrangers for the project financing, Barclays Capital and Deutsche Bank Alex. Brown Inc., and the Bolivian government. Due to the high level of interest expressed by both Bolivian and foreign suppliers, on December 19, 2000, Apex called for definitive power proposals from interested domestic and foreign power providers as a final step in the competitive bidding process. Proposals have now been received and are being reviewed for their technical qualifications and their integration into our total project financing package.

– Keith R. Hulley

Q Why do you want to create an exploration subsidiary? Creation of a new exploration subsidiary is meant both to focus the Company's efforts on the financing and construction of the San Cristobal Project and to create the opportunity to realize a more meaningful value for the Company's other substantial holdings. The new entity, to be named SilEx, is intended to be a premier exploration vehicle focused on the discovery of precious metal deposits as well as polymetallic deposits containing precious metals.

While the structure of the new company is still being developed, it is anticipated that the new company will raise independent financing from equity or debt sources. Subsequently, options for SilEx may include at some future time taking the company public on its own when the environment improves for exploration valuations and/or spinning it off to shareholders. While it is expected that Apex itself will retain certain rights over deposits with significant value derived from silver, it is also expected that SilEx will take advantage of the depressed state of exploration to be opportunistic in pursuing attractive exploration opportunities in precious and accompanying base metals.

– Keith R. Hulley

Q Are there any other infrastructure issues that need to be resolved? Every mine development project has three very basic infrastructure requirements: power, water and transportation. As already discussed, the power selection process is approaching completion. On-site drilling has indicated that San Cristobal has more than adequate water resources to meet the mine's needs for the foreseeable future. The remaining requirement is designing and constructing adequate road facilities to transport our concentrates to the coast of Chile and completion of the Project's normal permitting process. In a meeting with Bolivian President Hugo Banzer Suarez in late November 2000, Chilean President Ricardo Lagos pledged to facilitate Bolivia's access to Chilean ports, citing Tocopilla and the shipment of San Cristobal Project concentrates specifically. Follow-up meetings between the two countries are scheduled to make this pledge a reality for San Cristobal.

Johnny Delgado
President and
Chief Executive Officer,
Andean Silver Corporation

Q Will you be required to hedge your metal production? A project financing of San Cristobal's size always requires protection for the lenders. Our goal in hedging silver production is to maintain as much upside exposure to silver prices as possible. To meet that goal, we will optimize hedging our zinc and lead production first, then fill in any remaining required hedging with some of our silver. For any silver we are required to hedge, our intent is not to simply sell silver production forward, but to use dynamic hedges to minimize downside exposure while maximizing the opportunity to capture upside movements.

Mark A. Lettes
Vice President and
Chief Financial Officer
Apex Silver Mines Corporation

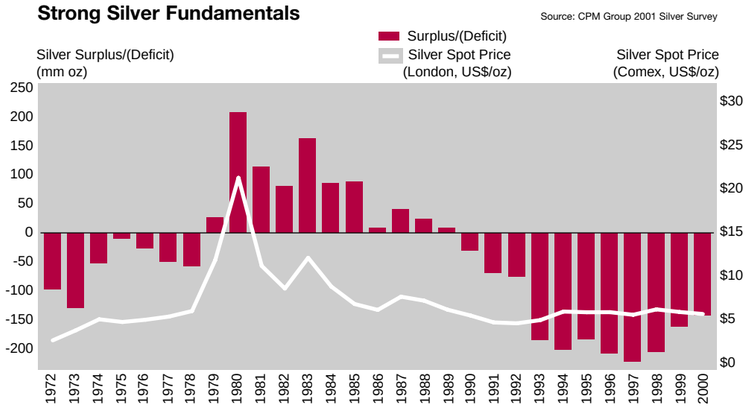
in 1999. Electric generators made with superconducting wire are more than 99 percent efficient and are about half the size of conventional generators. With the rising cost of fossil fuels and the current focus on energy efficiency, improved generators could prove to be exceptionally cost effective for utilities.

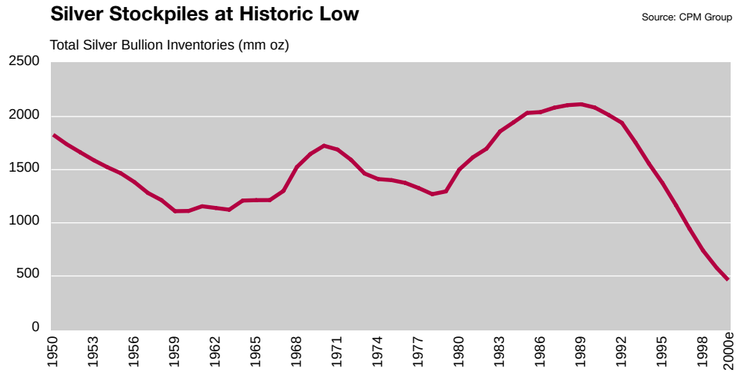
Future use of superconducting cable to transmit power is an application that would substantially increase silver demand as each mile of cable requires approximately one ton of silver sheathing. Due to the high cost of cooling the cable to cryogenic temperatures, the most logical initial use for the superconducting transmission cable would be retrofitting urban areas where the new cable could carry two to five times more power than existing cable. With the ever-increasing intensity of use for electric power driving the worldwide information revolution, coupled with the increasing cost of traditional energy sources, the demand for superconductors will undoubtedly continue to increase.

Superconducting magnets are used in magnetic-levitation trains.

Q Given the continued large silver deficits, why hasn't the price of silver risen yet? Silver consumption has grown by nearly 5 percent a year for the last ten years, while silver stocks have decreased by 100 to 200 million ounces a year for the last eight years. Long-term fundamentals continue to argue for a substantially higher equilibrium price for silver. It is an interesting phenomenon that commodities prices can take a long time to reflect changing market fundamentals, then rapidly move to finally balance supply and demand. Silver and natural gas prices over the past twenty years clearly illustrate this behavior, while last year's astonishing palladium price spike is an even more striking example. As we who are in the markets are well aware: *the longer the bottoming process, the more dramatic the price reversal.*

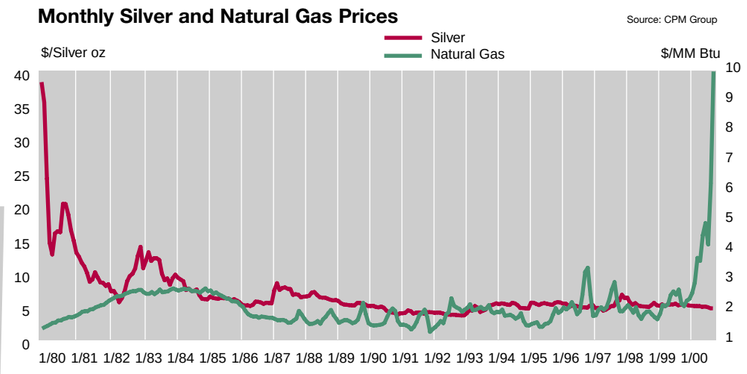
– Mark A. Lettes





Q Have major mining companies approached you about San Cristobal? Of course. We are quite aware that we are in an extraordinary position; rarely does a company have the opportunity to own 100 percent of a world-class asset like San Cristobal. However, we will do whatever we can to maximize shareholder value over the long term. If we believe a joint venture or other strategic proposal is in the interests of our shareholders, we will carefully evaluate its merits.

– Mark A. Lettes



Zinc: Fundamental Metal

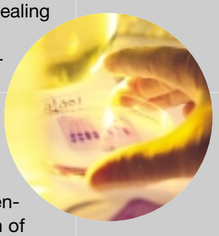
Zinc is a fundamental industrial metal whose consumption has grown by more than 2 percent a year for the last twenty years. Just over half of all zinc consumed is used as a protective coating for steel, with other major uses including brass (18 percent), die-cast alloys (13 percent) and oxides/chemicals (8 percent).

Zinc's dominant use as a coating for steel, or galvanizing, is due to the metal's strength, formability and relatively low cost. During galvanizing, steel is immersed in a molten zinc bath, developing a tough uniform coating as zinc actually forms a metallurgical bond with steel. If the coating is cut exposing the steel, it also provides sacrificial protection in that zinc will corrode first, thereby maintaining the strength and integrity of the steel. Zinc actually "heals" the cut by flowing across the break, in much the same way the human body heals cut skin.

Zinc's natural corrosion resistance also provides long-term protection, particularly for outdoor uses.

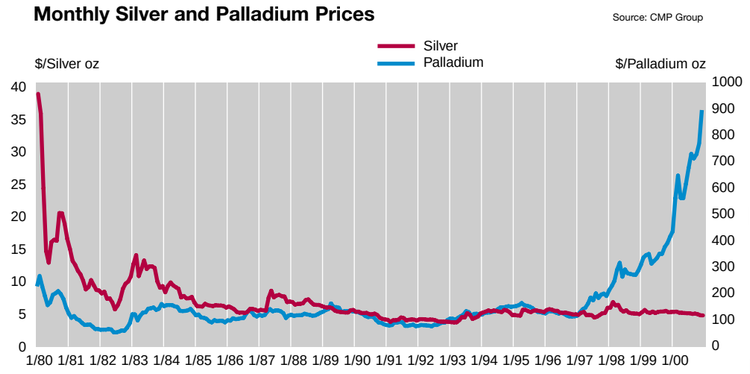
Zinc's formability and light weight make it ideal for die cast parts used in automobiles, appliances and toys. A typical U.S. automobile has nearly 20 pounds of zinc in castings and 18 pounds of zinc in coatings. When combined with copper, it forms brass that represents another 3 pounds in a typical automobile. Zinc is also rolled into sheets that provide the stock for U.S. pennies, which are 98 percent zinc with copper plating. Its formability and corrosion resistance also make it an ideal material for applications like countertops and building downspouts. Zinc powder is an essential component in dry-cell batteries.

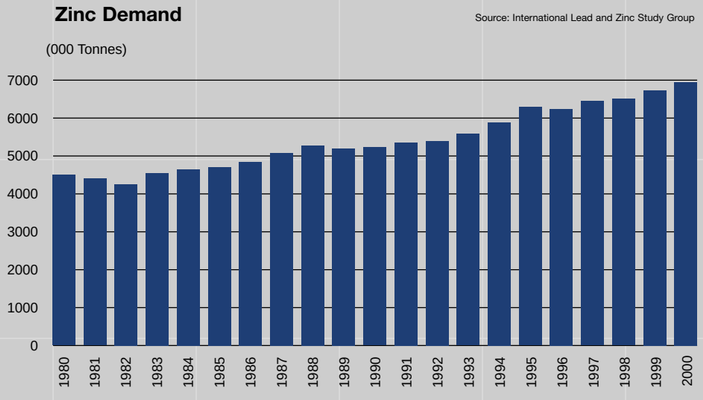
Oxide and chemical uses cover a wide variety of applications including curing rubber, as corrosion protection in many paints, as a healing ingredient in personal care products like diaper-rash ointment and sunscreens, and as a fortifying mineral in cereals and fertilizers. Most recently, zinc's use in the prevention and/or elimination of cold symptoms has been the subject of considerable attention and study.



Q What is the current status of the San Cristobal project financing? Once the power supplier has been selected and infrastructure arrangements are completed, the Company and its Lead Arrangers plan to advance the project financing. Completion of these arrangements is moving ahead in parallel with permitting processes and Kaverner's detailed engineering on the Project, which will allow the Lead Arrangers, working closely with two key multilateral funding agencies, the International Finance Corporation (IFC) and the Corporación Andina de Fomento (CAF), to develop and implement a total financing package for San Cristobal. While it takes a number of steps and a fair bit of time to put together the various pieces for a project financing of this importance, every milestone reached along the chain adds value to the Project and the Company. Rest assured that we and our financial advisors are continuously reviewing all matters relating to our financing and construction schedules within the context of global financial markets and metals prices in order to optimize the Project's economics.

– Mark A. Lettes





Q What are your exploration priorities? Outside the San Cristobal District, Apex has approximately 100 holdings that are combined into 19 major property groups spread over 670,000 acres primarily located in the traditional silver-producing regions of Central and South America. In our view, these holdings comprise one of the most attractive exploration portfolios still independently held. Exploration work in 2001 will concentrate on several new bulk tonnage targets: the San Juan del Cordero property in northern Mexico, the Tijtin property in southwestern Bolivia and the Zapote property in northern El Salvador.

The San Juan del Cordero property comprises nearly 94,000 acres located 37 kilometers north of the major mining center of Parral, state of Chihuahua, Mexico in the heart of a belt of silver and base metals deposits. The Company owns most of the mining claims and has the right to acquire the remaining claims subject to a net smelter return production royalty capped at $3.25 million. During 2000, the Company drilled 2,000 meters in 11 core and reverse circulation holes testing a variety of targets including veins, mantos, breccias and disseminated sulfides. The drilling cut mineralization in thin mantos, breccias, and disseminated sulfides in five holes north of an intrusive body that marks the center of the District's mineralization. Future exploration work will focus on the discovery of mineralization that could be mined by bulk underground or open pit methods.

Tijtin is a 59,000-acre silver-gold prospect located 60 kilometers north of San Cristobal in southwestern Bolivia. Tijtin Canyon's igneous rocks have been altered by multiple episodes of intrusive activity that led to the deposition of precious metals mineralization. Initial surface sampling activity discovered high grade silver and gold values. The Company plans to continue both surface and trench sampling. If results are encouraging, exploration activities would then progress to reverse circulation drilling.

Zapote is a 10,200-acre mining concession in El Salvador that the Company optioned from Intrepid Minerals Corporation. Apex has the right to earn up to 75 percent if it takes the project through to bankable feasibility. Two primary target areas for limestone replacement deposits have been identified, Cerro Colorado III and San Carolina. At Cerro Colorado III, drill results from 14 core and reverse circulation holes indicate the potential for an open pittable silver-zinc-lead deposit. At San Carolina, promising surface sampling and geophysical survey indicate a manto type deposit may be present. The Company plans to continue exploring the area through a combination of mapping, sampling and drilling.

– Dr. Larry Buchanan