Consolidated Balance Sheets

(Expressed in United States dollars)

Years ended December 31,	2001	2000
Assets		
Current assets		
Cash and cash equivalents	$ 41,536,181	$ 61,103,263
Accrued interest receivable	79,045	214,259
Prepaid expenses and other assets	167,463	227,764
Current assets	41,782,689	61,545,286
Property, plant, and equipment (net)	89,710,230	77,351,505
Value added tax recoverable (net)	5,071,137	5,024,021
Other	170,709	132,739
Total assets	$136,734,765	$144,053,551
Liabilities and Shareholders' Equity		
Current liabilities		
Accrued salaries, wages and benefits	$ 23,968	$ 159,465
Accounts payable	1,464,906	2,398,064
Current portion of notes payable	512,915	1,703,712
Current liabilities	2,001,789	4,261,241
Notes payable	1,630,200	1,896,396
Commitments and contingencies (Note 10)	—	—
Shareholders' equity		
Ordinary Shares, $.01 par value, 75,000,000 shares authorized; 34,802,397 and 34,486,629 shares issued and outstanding, respectively (Note 1e)	348,024	344,866
Contributed surplus	196,032,436	192,742,800
Accumulated deficit	(63,277,684)	(55,191,752)
Total shareholders' equity	133,102,776	137,895,914
Total liabilities and shareholders' equity	$136,734,765	$144,053,551

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Operations

(Expressed in United States dollars)

	Years ended December 31, 2001	2000	1999	For the period December 22, 1994 (inception) through December 31, 2001
Income and expenses				
Interest and other income	$ 2,157,442	$ 5,206,229	$ 1,027,419	$ 12,850,391
Trading gains (losses)	(971,669)	457,279	86,128	(440,921)
Exploration	(3,741,927)	(4,440,931)	(6,013,535)	(56,349,567)
Administrative	(5,403,117)	(8,387,357)	(2,846,057)	(22,868,548)
Amortization and depreciation	(126,661)	(235,749)	(232,987)	(1,027,925)
Loss before minority interest	(8,085,932)	(7,400,529)	(7,979,032)	(67,836,570)
Minority interest in loss of consolidated subsidiary	—	—	—	4,558,886
Net loss for the period	$ (8,085,932)	$ (7,400,529)	$ (7,979,032)	$(63,277,684)
Net loss per Ordinary Share—basic and diluted[1]	$ (0.23)	$ (0.21)	$ (0.29)	$ (2.49)
Weighted average Ordinary Shares outstanding (Notes 1e and 2h)	34,634,026	34,472,548	27,601,362	25,423,092

[1] *Potential dilutive Ordinary Shares were antidilutive for all periods presented.*

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars)

	Shares Outstanding	Amount	Contributed Surplus	Accumulated Deficit and Comprehensive Deficit	Total Shareholders' Equity
Issuance of shares upon incorporation, December 22, 1994 ($0.85 per share)	8,822,546	$ 88,225	$ 5,571,398	$ —	$ 5,659,623
Net loss	—	—	—	(213,165)	(213,165)
Balance, December 31, 1994	8,822,546	88,225	5,571,398	(213,165)	5,446,458
Net loss and comprehensive loss	—	—	—	(1,861,185)	(1,861,185)
Balance, December 31, 1995	8,822,546	88,225	5,571,398	(2,074,350)	3,585,273
Issuance of shares in private placement ($8.00 per share)	4,256,700	42,567	32,406,783	—	32,449,350
Net loss and comprehensive loss	—	—	—	(11,723,313)	(11,723,313)
Balance, December 31, 1996	13,079,246	130,792	37,978,181	(13,797,663)	24,311,310
Purchase of minority interest in ASC Bolivia ($11.00 per share)	268,496	2,685	2,950,771	—	2,953,456
Issuance of shares to associates ($11.00 per share)	138,595	1,386	1,523,159	—	1,524,545
Issuance of shares for services ($1.49 per share)	115,207	1,152	231,566	—	232,718
Stock option compensation expense	—	—	416,562	—	416,562
Issuance of shares upon initial public offering ($11.00 per share)	5,523,372	55,234	54,719,730	—	54,774,964
Net loss and comprehensive loss	—	—	—	(14,984,958)	(14,984,958)
Balance, December 31, 1997	19,124,916	191,249	97,819,969	(28,782,621)	69,228,597
Exchange of Apex LDC shares	7,079,006	70,790	(70,790)	—	—
Stock options exercised ($7.91 per share)	25,001	250	197,473	—	197,723
Stock awards ($8.50 per share)	21,838	218	185,407	—	185,625
Unearned compensation	—	—	(185,625)	—	(185,625)
Net loss and comprehensive loss	—	—	—	(11,029,570)	(11,029,570)
Balance, December 31, 1998	26,250,761	262,507	97,946,434	(39,812,191)	58,396,750
Stock options exercised ($8.77 per share)	25,549	256	223,900	—	224,156
Sale of Ordinary Share units ($12.00 per unit)	8,090,132	80,901	94,004,628	—	94,085,529
Commissions paid in stock ($12.00 per share)	84,184	842	(842)	—	—
Stock awards ($12.06 per share)	15,542	156	187,475	—	187,631
Unearned compensation (net)	—	—	(87,042)	—	(87,042)
Net loss and comprehensive loss	—	—	—	(7,979,032)	(7,979,032)
Balance, December 31, 1999	34,466,168	344,662	192,274,553	(47,791,223)	144,827,992

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars)

	Shares Outstanding	Amount	Contributed Surplus	Accumulated Deficit and Comprehensive Deficit	Total Shareholders' Equity
Balance, December 31, 1999	34,466,168	$344,662	$192,274,553	$(47,791,223)	$144,827,992
Stock compensation ($10.88 per share)	5,100	51	55,412	—	55,463
Stock awards ($9.13 per share)	15,361	153	140,168	—	140,321
Unearned compensation	—	—	272,667	—	272,667
Net loss and comprehensive loss	—	—	—	(7,400,529)	(7,400,529)
Balance, December 31, 2000	34,486,629	344,866	192,742,800	(55,191,752)	137,895,914
Stock to acquire mineral rights ($9.43 per share)	96,136	961	905,790	—	906,751
Stock options exercised ($10.36 per share)	39,119	391	404,939	—	405,330
Stock issued as note payment ($10.95 per share)	70,875	709	775,373	—	776,082
Stock ($11.04 per share) and options to consultants	36,000	360	525,080	—	525,440
Stock awards (net) ($9.27 per share)	73,638	737	678,454	—	679,191
Net loss and comprehensive loss	—	—	—	(8,085,932)	(8,085,932)
Balance, December 31, 2001	34,802,397	$348,024	$196,032,436	$(63,277,684)	$133,102,776

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

	Years ended December 31, 2001	2000	1999	For the period December 22, 1994 (inception) through December 31, 2001
Cash flows from operating activities:				
Net cash used in operating activities (Note 9)	$ (6,677,028)	$ (7,243,649)	$ (8,288,609)	$(67,573,515)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(12,742,049)	(27,510,946)	(15,705,206)	(81,502,400)
Net cash used in investing activities	(12,742,049)	(27,510,946)	(15,705,206)	(81,502,400)
Cash flows from financing activities:				
Net proceeds from issuance of Ordinary Shares	—	—	94,085,529	191,761,070
Payment of notes	(474,001)	(438,719)	(236,534)	(1,613,893)
Proceeds from exercise of stock options	325,996	—	224,156	747,875
Deferred organizational and financing costs	—	—	—	(282,956)
Net cash provided by (used in) financing activities	(148,005)	(438,719)	94,073,151	190,612,096
Net increase (decrease) in cash and cash equivalents	(19,567,082)	(35,193,314)	70,079,336	41,536,181
Cash and cash equivalents beginning of period	61,103,263	96,296,577	26,217,241	—
Cash and cash equivalents end of period	$ 41,536,181	$ 61,103,263	$ 96,296,577	$ 41,536,181

	2001	2000	1999
Supplemental non-cash transactions:			
Acquisition of mining properties for assumption of debt	$ —	$ —	$ 260,000
Capitalized development costs at San Cristobal for which a note payable was issued	$ —	$ —	$ 2,000,000
Acquisition of mineral rights for Ordinary Shares at average of $9.43 per share	$ 906,751	$ —	$ —
Payment of debt with Ordinary Shares at $10.95 per share	$ 776,082	$ —	$ —
Payment of consulting services with Ordinary Shares at $11.04 per share and options	$ 525,440	$ —	$ —
Assets transferred as partial payment of debt	$ 206,911	$ —	$ —

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars)

1. Incorporation, Recapitalization, Initial Public Offering, Subsequent Offerings, Ownership and Operations

a. Apex Silver Mines Limited (“Apex Limited” or the “Company”) was formed under the laws of the Cayman Islands in March 1996 for the sole purpose of serving as a holding company for certain ownership interests in Apex Silver Mines LDC (“Apex LDC”). On April 15, 1996, holders of approximately 55% of the then outstanding shares of Apex LDC elected to participate, effective as of the completion of a proposed private placement of shares of Apex Limited which was completed as of August 6, 1996, in a recapitalization effected by an exchange, on a one-for-one basis, of their shares in Apex LDC for identical equity instruments of Apex Limited (the “Recapitalization”). The balance of shareholders retained a direct ownership interest in Apex LDC. As a result of this recapitalization, Apex LDC became a majority-owned subsidiary of Apex Limited. The accompanying financial statements reflect the historical accounts of the Company’s predecessor, Apex LDC. For purposes of the accompanying consolidated financial statements of Apex Limited, the recapitalization has been given retroactive effect to the date of incorporation of Apex LDC, with the results of operations and equity attributable to the other ownership interests in Apex LDC being reflected in “minority interest in consolidated subsidiary”. Consequently, for purposes of these financial statements, Apex Limited is considered the successor to Apex LDC.

b. In August 1996, Apex Limited issued 4,256,700 Ordinary Shares at $8.00 per share in a private placement transaction (the “Private Placement”) for net proceeds of approximately $32.4 million. These proceeds were contributed to Apex LDC in exchange for the issuance by Apex LDC of 4,256,700 shares of its share capital. As a result of this Private Placement, the Company’s ownership interest in Apex LDC was increased from approximately 55% to 65%.

c. On December 1, 1997, the Company closed its initial public offering (the “Offering”) of Ordinary Shares. The Company sold 5,000,000 Ordinary Shares at a price of $11 per share on the American Stock Exchange under the symbol “SIL.” In addition, on December 23, 1997, the underwriters exercised an option to purchase an additional 523,372 Ordinary Shares at the initial price of $11 per share. Net proceeds raised in the Offering were approximately $54.8 million. These proceeds were contributed to Apex LDC in exchange for the issuance by Apex LDC of 5,523,372 shares of its capital.

d. In conjunction with the Recapitalization and the Private Placement, Apex Limited and the shareholders of Apex LDC entered into a Buy-Sell Agreement which was intended to maintain the same beneficial interest in Apex LDC attributable to all shareholders of Apex LDC prior to the Recapitalization and Private Placement. During 1998, pursuant to the terms of the Buy-Sell Agreement, Apex Limited exchanged 7,079,006 of its Ordinary Shares for an equal number of Apex LDC shares. Such shares are included in the 34,802,397 Apex Limited Ordinary Shares outstanding at December 31, 2001. At December 31, 2001, Apex Limited owned 100 percent of Apex LDC. Per the provisions of the Buy-Sell Agreement, all of the outstanding shares of Apex LDC are considered Ordinary Shares outstanding for the purposes of computing net loss per Ordinary Share for the periods presented.

e. In November 1999, pursuant to a shelf registration statement filed with the Securities and Exchange Commission, the Company sold 8,090,132 Ordinary Share units, resulting in proceeds before commissions and fees of approximately $97.1 million and net proceeds of approximately $94.1 million. The Ordinary Share units, priced at $12.00 per unit, were comprised of one Ordinary Share and a warrant which is exercisable for one-half of an Ordinary Share at any time on or before November 4, 2002 at a price of $18.00 per Ordinary Share. The warrants, if exercised, would raise an additional $73.6 million for the Company and would result in the issuance of 4,045,066 Ordinary Shares.

f. The Company's principal activities are the exploration and development of mineral properties. The Company participates in the acquisition and exploration of mineral properties for possible future development directly and indirectly through its subsidiaries.

g. The Company, through indirect subsidiaries, is active in Mexico, Central America and South America and currently holds interests in, or is the beneficial owner of, non-producing silver resource properties in Bolivia, Mexico, Peru and El Salvador. The Company is in the process of developing its San Cristobal property and evaluating certain of its other properties to determine the economic feasibility of bringing one or more of the properties into production.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The policies adopted, considered by management to be significant, are summarized as follows:

a. *Basis of consolidation*
These consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Investments in unincorporated joint ventures are proportionately consolidated.

b. *Translation of foreign currencies*
Substantially all expenditures are made in United States dollars. Accordingly, the Company uses the United States dollar as its functional currency.

c. *Cash, cash equivalents and short-term investments*
The Company considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. Short-term investments include certificates of deposit with maturities greater than three months, but not exceeding twelve months. Short-term investments are recorded at cost which approximates fair value.

d. *Mining properties, exploration and development costs*
The Company expenses general prospecting costs and the costs of acquiring and exploring unevaluated mining properties. When a property is determined to have proven and probable reserves, development costs are capitalized. When proven and probable ore reserves are developed and operations commence, capitalized costs will be amortized using the units-of-production method. Upon abandonment or sale of projects, all capital costs relating to the specific project are written off in the period abandoned or sold and a gain or loss is recognized. Beginning September 1, 1997, all costs associated with the

Company's San Cristobal Project have been capitalized. As of December 31, 2001, capitalized property and development costs related to the San Cristobal Project amounted to $85,676,630. No other amounts related to mineral properties have been capitalized.

e. *Property, plant and equipment*
Mineral properties include costs to acquire development properties and property development costs. Mineral properties brought into production will be charged to operations using the units-of-production method based on estimated recoverable proven and probable reserves. Buildings are stated at cost and are depreciated using the straight-line method, over useful lives of thirty to forty years. Mining equipment and machinery are stated at cost and are depreciated using the straight-line method over useful lives of three to eight years. Other furniture and equipment are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to five years.

f. *Asset impairment*
The Company evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable. If the sum of estimated future net cash flows on an undiscounted basis is less than the carrying amount of the related asset, an asset impairment is considered to exist. The related impairment loss is measured by comparing estimated future net cash flows on a discounted basis to the carrying amount of the asset. Changes in significant assumptions underlying future cash flow estimates may have a material effect on the Company's financial position and results of operations. To date no such impairments have been identified.

g. *Stock compensation*
As permitted under Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("FAS 123"), the Company has elected to measure compensation expense as prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. Under that method, the difference between the exercise price and the estimated fair value of the shares at the date of grant is charged to compensation expense ratably over the vesting period.

h. *Net loss per Ordinary Share*
Basic earnings per share excludes dilution and is computed by dividing net earnings available to ordinary shareholders by the weighted average number of shares outstanding for the period. Diluted earnings per share reflect the potential dilution that would occur if securities or other contracts to issue Ordinary Shares were exercised or converted into Ordinary Shares.

Outstanding options to purchase 1,895,150, 1,498,128 and 915,817 Ordinary Shares were not included in the computation of diluted earnings per share at December 31, 2001, 2000, and 1999, respectively, because to do so would have been antidilutive.

i. *Derivative financial instruments*
In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FAS 133"). FAS 133, as amended by Statement of Financial Accounting Standards No. 137, *Deferral of the Effective Date of FAS Statement No. 133*, became effective for the Company January 1, 2001. FAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. For fair-value hedge transactions in which the Company is hedging changes in the fair value of an asset, liability, or firm commitment, changes in the fair value of the derivative instrument will generally be offset by changes in the hedged item's fair value. For cash flow hedge transactions, in which the Company is hedging the variability of cash flows related to a variable-rate asset, liability or

forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current-period earnings.

To complete the project financing of San Cristobal, the Company may be required to hedge a portion of its planned production. In addition, when San Cristobal enters production, the Company may sell forward a portion of its production and use price-hedging techniques to mitigate some of the risks associated with fluctuating metals prices. The Company currently engages in limited metals trading activities utilizing puts and calls and other market instruments in anticipation of potential lender requirements for the San Cristobal project financing. The Company measured the fair value of open positions at each reporting date during 2001, recording the difference in the carrying value to current earnings, in accordance with FAS 133. Adoption of FAS 133 had no effect on the Company's results of operations or financial position as previously the Company had marked its open positions to market and included gains or losses in earnings. During 2001, 2000 and 1999, the Company recorded mark to market gains (losses) of approximately ($972,000), $457,000 and $86,000, respectively. Inception to date the Company has recorded a loss of approximately $441,000 related to the trading program. Of that amount, approximately $105,000 represents a cash loss and the remaining $336,000 represents mark to market losses as required by FAS 133. Under FAS 133, fair value measurements may vary substantially from period to period based on spot prices, forward prices and quoted option volatilities.

j. Reclassification of prior year balances

Certain prior year balances have been reclassified to conform to the classifications being presented at December 31, 2001.

3. Income Taxes

The provision for income taxes includes United States federal, state and foreign income taxes currently payable and deferred based on currently enacted tax laws. Deferred income taxes are provided for the tax consequences of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

There is currently no taxation imposed by the Cayman Islands. If any form of taxation were to be enacted, the Company has been granted exemption therefrom to January 16, 2015. The Company's subsidiaries which do business in other countries have not generated income and therefore are not liable for local income taxes.

As of December 31, 2001 and 2000, operating loss carryforwards generated by ASC Bolivia amounted to approximately $17.3 and $16.6 million, respectively. Operating losses (as adjusted for inflation) may be carried forward and deducted from taxable income indefinitely. The deferred tax asset resulting from the operating loss carryforwards has been entirely offset by a valuation allowance (Rider 28A).

As of December 31, 2001 and 2000, operating loss carryforwards generated by the Company's subsidiaries other than ASC Bolivia amounted to approximately $17.0 and $15.2 million, respectively. The deferred tax assets resulting from these operating loss carryforwards have been entirely offset by valuation allowances.

(Expressed in United States dollars)

4. Value Added Tax Recoverable

The Company has recorded value added tax ("VAT") paid in Bolivia and Mexico as recoverable assets. Bolivian law states that VAT paid prior to production is recoverable as a credit against Bolivian taxes arising from production, including income tax. The VAT paid in Bolivia is expected to be recovered through production from the proven and probable reserves at the San Cristobal Project that the Company intends to develop. The VAT paid in Mexico is related to exploration activities and according to Mexican law is recoverable upon application to the tax authorities. Although the Company has filed applications to recover all VAT paid through the third quarter of 2001, the Mexican tax authorities have not refunded any VAT to the Company since early 2000. The Company has been informed that the Mexican tax authorities, for their own fiscal reasons, have made no VAT refunds to any companies since early 2000. Based on these circumstances, the Company recorded a 50% impairment of the recoverable VAT in Mexico, although it remains the Company's intent to recover the full amount. At December 31, 2001, the recoverable VAT recorded for Bolivia and Mexico is $4,881,137 and $190,000, respectively, after the impairment.

Because of the uncertainty of the recoverability of VAT paid in Peru, VAT costs incurred in Peru are charged to expense as incurred.

5. Property, Plant and Equipment

The components of property, plant, and equipment were as follows:

December 31,	2001	2000
Mineral properties (San Cristobal)	$85,676,630	$72,819,859
Buildings	1,408,242	1,166,868
Mining equipment and machinery	3,049,941	3,317,827
Other furniture and equipment	845,268	805,289
	90,980,081	78,109,843
Less: Accumulated depreciation	(1,269,851)	(758,338)
	$89,710,230	$77,351,505

Depreciation expense for the periods ended December 31, 2001, 2000 and 1999 totaled $126,661, $235,749 and $232,987, respectively. For the periods ended December 31, 2001, 2000 and 1999, depreciation associated with the San Cristobal Project was capitalized in the amounts of $384,852, $195,505 and $168,461, respectively.

6. Notes Payable

The Company's notes payable consist of the following:

December 31,	2001	2000
San Cristobal area properties	$ 643,657	$1,847,369
San Cristobal Foundation	1,499,458	1,752,739
Sub-total	2,143,115	3,600,108
Less: Current portion	(512,915)	(1,703,712)
	$1,630,200	$1,896,396

In 1996, 1997 and 1998, the Company exercised options to purchase the Toldos and other properties in the San Cristobal area. The following outstanding notes payable were recorded on the Company's books:

Banco de Santa Cruz – The Company will make annual payments of $68,914 for each of the next four years, plus interest at Banco de Santa Cruz' preferential rate of interest which was approximately 14% as of

December 31, 2001. The note plus accrued interest was being carried on the Company's books for $275,657 at December 31, 2001.

Barex – During 2001, the Company issued 70,875 of its Ordinary Shares and paid $56,700 cash as payment in full of its $900,000 note to Barex.

Monica de Prudencio – The Company makes payments of $12,000 per month through June 2004 and the final payment of $8,000 is due July 15, 2004. No interest is due on this debt. The note was being carried on the Company's books for $368,000 at December 31, 2001.

Oscar Bonifaz – During 2001, the Company paid in full a non-interest bearing note to Oscar Bonifaz for $60,000.

San Cristobal Foundation – In 1999, the Company executed a note agreement with the San Cristobal Foundation for $2 million payable by the end of 2005. During 2001, the Company made cash payments of $46,370 and transferred assets valued at $206,911 to the San Cristobal Foundation as partial payment on the note.

7. Stock Option Plans

The Company has established a plan to issue share options and other awards to be valued by reference to the Company's shares for officers, employees, consultants and agents of the Company and its subsidiaries (the "Plan"). Under the Plan, the total number of options and other awards outstanding at any time cannot exceed ten percent of the Company's share capital. Options granted and other awards under the Plan are non-assignable. Options exist for a term, not to exceed ten years, as fixed by the Compensation Committee of the Board of Directors of the Company. Options typically vest ratably over periods of up to four years with the first tranche vesting on the date of grant or the anniversary of the date of grant. Unexercised options expire ten years after the date of grant.

The Company has established a share option plan for its non-employee directors (the "Director Plan"). Under the Director Plan, the total number of options outstanding at any one time cannot exceed five percent of the Company's share capital. Pursuant to the Director Plan, non-employee directors receive (i) at the effective date of their initial election to the Company's Board of Directors, an option to purchase the number of Ordinary Shares equal to $50,000 divided by the closing price of the Ordinary Shares on the American Stock Exchange (the "AMEX") on such date, (ii) at the close of business of each annual meeting of the Company's shareholders, an option to purchase the number of Ordinary Shares equal to $50,000 divided by the closing price of the Ordinary Shares on the AMEX on such date, and (iii) at the close of business of each meeting of the Company's Board of Directors, an option valued at $3,000 calculated using the Black-Scholes option-pricing model to purchase Ordinary Shares with an exercise price equal to that of the closing price of the Ordinary Shares on the AMEX on such date. Options granted to a non-employee director vest on the date of the grant and expire 10 years after the date of the grant or one year after the date that such non-employee director ceases to be a director of the Company. Options granted under the Director Plan are transferable only in limited circumstances.

(Expressed in United States dollars)

A summary of our Company's stock options at December 31, 2001, 2000, and 1999 and changes during those years is presented in the following table:

	2001		2000		1999	
Options	Number of Shares	Average Price Per Share	Number of Shares	Average Price Per Share	Number of Shares	Average Price Per Share
Outstanding at beginning of period	1,498,128	$ 9.91	915,817	$ 9.98	626,571	$ 8.84
Granted during period	571,548	$ 9.24	582,311	$ 9.79	358,847	$11.76
Forfeited or expired during period	(135,407)	$10.53	—	—	(44,052)	$ 8.97
Exercised during period	(39,119)	$ 8.33	—	—	(25,549)	$ 8.77
Outstanding at end of period	1,895,150	$ 9.69	1,498,128	$ 9.91	915,817	$ 9.98
Exercisable at end of period	922,720		713,602		563,898	
Weighted average of fair value of options granted during period		$ 2.27		$ 1.76		$ 1.36
Weighted average remaining contractual life	7.9 years		8.0 years		8.3 years	

Options granted during 2001, 2000 and 1999 ranged in exercise price from $7.44 to $10.32, $9.13 to $11.63 and $7.94 to $14.88, respectively.

Pro forma information regarding net income is required by FAS 123, and has been determined as if the Company has accounted for its stock options under the fair value method of FAS 123. For purposes of calculating the fair value of options, volatility for the three years presented is based on the historical volatility of the Company's stock over its public trading life. The Company currently does not foresee the payment of dividends in the near term. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Years ended December 31,	2001	2000	1999
Weighted average risk-free interest rate	4.08%	6.21%	5.64%
Volatility	40.60%	40.50%	42.10%
Expected dividend yield	—	—	—
Weighted average expected life (in years)	2.88	2.83	2.73

For the purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

Years ended December 31,	2001	2000	1999
As reported			
Net loss	$(8,085,932)	$(7,400,529)	$(7,979,032)
Net loss per Ordinary Share	(.23)	(.21)	(.29)
Pro forma			
Net loss	$(8,974,413)	$(8,837,116)	$(8,509,350)
Net loss per Ordinary Share	(.26)	(.26)	(.31)

In addition, on December 13, 2001, December 13, 2000 and December 14, 1999, the Company issued, net of forfeitures, 73,638, 15,361 and 15,542, respectively, of its Ordinary Shares to employees as performance bonuses. For 2001, 100% of the bonus was paid in shares while 25% of the bonus was paid in shares for 2000 and 1999.

(Expressed in United States dollars)

8. Related Party Transactions

Apex LDC engaged Tigris Financial Group Ltd. to provide management advisory services to Apex LDC and its subsidiaries. Tigris is wholly owned by Mr. Thomas S. Kaplan, a director and officer of Apex LDC and a director and shareholder of the Company. The consulting arrangement with Tigris was terminated at the end of 1999. During the year ended December 31, 1999, fees and reimbursed expenses paid to Tigris for such services amounted to $20,495.

9. Cash Flow Information

A reconciliation of net earnings to cash from operations is as follows:

	Years ended December 31,			For the period December 22, 1994 (inception) through December 31,
	2001	2000	1999	2001
Cash flows from operating activities:				
Net loss	$(8,085,932)	$(7,400,529)	$(7,979,032)	$(63,277,684)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization and depreciation	126,661	235,749	232,987	1,027,925
Minority interest in loss of consolidated subsidiary	—	—	—	(4,558,886)
Stock compensation expense	758,524	468,451	100,589	1,744,126
Shares issued in consideration for services	525,440	—	—	2,049,985
Shares issued to purchase mineral rights	906,754	—	—	906,754
Changes in operating assets and liabilities:				
(Increase) decrease in accrued interest receivable	135,214	(153,140)	65,213	(79,045)
(Increase) decrease in prepaid expenses and other assets	60,301	(13,021)	896,137	(254,205)
Increase in value added tax recoverable	(47,116)	(1,213,561)	(1,084,657)	(5,071,137)
Increase (decrease) in accrued salaries, wages and benefits	(135,497)	41,357	(36,692)	23,968
Increase (decrease) in accounts payable	(933,158)	305,587	(520,182)	(603,083)
Other increase (decrease)	11,781	485,458	37,028	517,767
Net cash used in operating activities	$(6,677,028)	$(7,243,649)	$(8,288,609)	$(67,573,515)

10. Commitments and Contingencies

The Company has lease commitments associated with the corporate headquarters office space as follows:

	2002	2003	2004	2005	2006
Corporate headquarters office lease	$156,011	$207,694	$211,205	$214,715	$181,367

Payments associated with this lease were recorded to rent expense by the Company in the amounts of $145,666, $203,759 and $146,714 for the years ended December 31, 2001, 2000 and 1999, respectively.

The Company had outstanding letters of credit totaling $610,000 and $369,000 at December 31, 2001 and 2000, respectively. The letters of credit are associated with the port and power facilities for the San Cristobal Project and assure the contractors of the reimbursement of their out-of-pocket costs should the Company terminate the letter of intent and not utilize their services.

(Expressed in United States dollars)

11. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, value added tax recoverable, accounts payable, other current liabilities and long-term debt. Except for the value added tax and long-term debt, the carrying amounts of these financial instruments approximate fair value due to their short maturities. The estimated fair values of the Company's long-term financial instruments, as measured on December 31, 2001 and 2000, are as follows:

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Value added tax recoverable	$ 5,071,137	$ 3,685,728	$ 5,024,021	$4,283,122
Notes payable	1,630,200	1,276,100	1,896,396	1,532,900

The fair values of the value added tax recoverable and the long-term debt are estimated based on the expected timing of future cash flows.

12. Segment Information

In 1998, the Company adopted Statement of Financial Accounting Standards No. 131, *Disclosure about Segments of an Enterprise and Related Information*. The Company's sole activity is exploration for and development of silver properties and, consequently, the Company has only one operating segment—mining.

Substantially all of the Company's long-lived assets are in Bolivia.

13. Quarterly Results of Operations (Unaudited)

The following table summarizes the Company's quarterly results of operations for the years ended December 31, 2001 and 2000:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2001				
Net loss for the period	$ 1,871,591	$ 2,531,516	$ 1,780,283	$ 1,902,542
Net loss per Ordinary Share—basic and diluted	$ 0.05	$ 0.07	$ 0.05	$ 0.05
2000				
Net loss for the period	$ 723,296	$ 1,888,071	$ 2,148,069	$ 2,641,093
Net loss per Ordinary Share—basic and diluted	$ 0.02	$ 0.05	$ 0.06	$ 0.08

Board of Directors

Harry M. Conger
Former Chairman
Homestake Mining Company
Age 71

David Sean Hanna
Partner
Arthur D. Hanna
Age 41

Charles L. Hansard
Director
Moore Global Investments, Ltd.
Age 53

Ove Hoegh
Senior Partner
Hoegh Invest
Age 65

Keith R. Hulley
President and Chief Operating Officer
Apex Silver Mines Corporation
Age 62

Thomas S. Kaplan
Chairman and Founder
Apex Silver Mines Limited
Chief Executive Officer
Apex Silver Mines Corporation
Age 39

Kevin R. Morano
Executive Vice President and Chief Financial Officer
Lumenis Ltd.
Age 48

Charles B. Smith
Former President and Chief Operating Officer
Southern Peru Copper Company
Age 63

Paul Soros
Investment Advisory Committee Member
Quantum Industrial Partners LDC
Age 75

Shareholder Information

Investor Relations Contact/2001 10-K Report
The Company's 2001 Annual Report and/or
Form 10-K is available without charge by contacting:

Linda Good Wilson
Vice President, Corporate Development
Apex Silver Mines Corporation
1700 Lincoln Street, Suite 3050
Denver, CO 80203
(303) 839-5060
(888) 696-2739
information@apexsilver.com

Stock Transfer Agent
Questions regarding your Shareholder account
should be addressed to:

American Stock Transfer
40 Wall Street, 46th Floor
New York, NY 10005
(718) 921-8200
(800) 937-5449
Attn: Geraldine Zarbo

Market Information
Apex Silver Mines Limited Ordinary Shares
(symbol SIL) and warrants (symbol SIL.WS) are
both traded on the American Stock Exchange.

Independent Accountants
PricewaterhouseCoopers LLP
1670 Broadway, Suite 1000
Denver, CO 80202

Annual Meeting
Thursday, May 30, 2002, 4:00 p.m. (EDT)

St Regis Hotel
Fontainebleau Room
Two East 55th Street at Fifth Avenue
New York, NY 10022

General Information

Corporate Headquarters Address
Apex Silver Mines Limited
Caledonian House
69 Jennette Street
George Town, Grand Cayman
Cayman Islands, British West Indies

Stock Market Information

Our company's Ordinary Shares are listed on the American Stock Exchange under the symbol "SIL." Our warrants are listed on the American Stock Exchange under the symbol "SIL.WS," and began trading on February 25, 2000. As of April 4, 2002, we had approximately 146 shareholders of record and an estimated 6,200 additional beneficial holders whose Ordinary Shares were held in street name by brokerage houses.

Our company has never paid any dividends on its Ordinary Shares and expects for the foreseeable future to retain all of its earnings from operations for use in expanding and developing its business. Any future decision as to the payment of dividends will be at the discretion of our Board of Directors and will depend upon our earnings, receipt of dividends from our subsidiaries, financial position, capital requirements, plans for expansion and such other factors as our Board of Directors deems relevant.

The following table sets forth the high and the low sale prices per share of our Ordinary Shares for the periods indicated. The closing price of the Ordinary Shares on April 4, 2002 was $12.65.

	Ordinary Shares			
	2001		2000	
Period	High	Low	High	Low
1st Quarter	$10.60	$7.35	$12.13	$8.75
2nd Quarter	$11.49	$7.20	$12.94	$8.30
3rd Quarter	$11.38	$8.65	$11.25	$8.75
4th Quarter	$10.10	$8.42	$10.63	$8.06

Keith Hulley, *President and Chief Operating Officer*
Apex Silver Mines Corporation

Prior to joining Apex in October 1996, Keith Hulley was Director of Operations at Western Mining Holdings Limited Corporation where he was responsible for all global mining activity including mine production, concentrating, smelting, refining and sales. While at Western Mining, Mr. Hulley also supervised the development, construction and operation of the Mount Keith open-pit nickel mine, an A$450 million facility. A mining engineer with more than 30 years experience, Mr. Hulley has held senior executive positions with BP Minerals, Atlas Corporation and USMX. Over the course of his career, Mr. Hulley has worked as a miner and shift supervisor in South African gold mines, served as mine superintendent for Kennecott's Bingham Canyon in Utah and managed an early phase of exploration and development at the Ok Tedi project in Papua New Guinea.

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

Prior to joining Apex in August 1996, Mac DeGuire served as Vice President of Development for Newmont Gold where he was Project Leader for the Muruntau gold project in Uzbekistan, a large-scale, heap leach facility that processes 37,800 tonnes of ore a day. A metallurgical engineer with 30 years experience, Mr. DeGuire was also responsible for various feasibility studies while at Newmont, including the initial study for the Yanacocha gold project in Peru.

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

Prior to joining Apex in January 1999, Mike Shaw served as Project Director for the $240 million solvent extraction-electrowinning expansion of the Cyprus Cerro Verde Mine in Peru for Cyprus Amax Minerals Company. Under his management, the expansion was completed on schedule and six percent under budget. Mr. Shaw held numerous project management positions for Bechtel and Kvaerner Metals (Davy McKee) before joining Cyprus Amax where he helped build Andacollo Gold, El Abra, Jerritt Canyon and Magma's flash smelter. A metallurgical engineer with nearly 30 years experience, Mr. Shaw began his career as metallurgist for Phelps Dodge before specializing in project management.

Linda Good Wilson
Vice President, Corporate Development
Apex Silver Mines Corporation

Prior to joining Apex in October 1997, Linda Good Wilson spent 10 years at Cyprus Amax Minerals Company in various financial analysis and planning positions, including Director in the Investor Relations and Treasury Department. With over 16 years of mining experience, Ms. Wilson began her career as a geologist at AMAX Inc.'s Mount Tolman Project, a large copper-molybdenum deposit in eastern Washington.

Mark Lettes, *Chief Financial Officer and Vice President, Finance*
Apex Silver Mines Corporation

Prior to joining Apex in June 1998, Mark Lettes was Vice President, Trading for Amax Gold and Director of Treasury for Cyprus Amax Minerals Company where he was responsible for all Amax Gold hedging. A financial professional with 25 years experience, Mr. Lettes previously served as Vice President and Chief Financial Officer for Amax Gold where he was responsible for numerous financings including project financings for the Fort Knox Mine in Alaska and the Refugio Mine in Chile, parent-subsidiary financing arrangements with Cyprus Amax Minerals Company and a convertible preferred issue.

Dr. Larry J. Buchanan
Chief Geologist
Apex Silver Mines Corporation

Dr. Larry J. Buchanan, known within Apex Silver as the father of San Cristobal, is a noted exploration geologist whose analysis of epithermal deposits has given rise to the industry paradigm known as "The Buchanan Model". With over 30 years experience, Dr. Buchanan played a key role in identifying several multi-million ounce gold deposits before joining Apex Silver.

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

Prior to joining Apex in February 1998, Ed LeBlanc served as Director of Marketing for Westmin Resources Limited where he was responsible for selling all of the company's mine production. Westmin's products included copper, zinc, precious metal and molybdenum concentrates, as well as precious metal dore and copper cathode. With 20 years experience in mining, Mr. LeBlanc commenced his career as an exploration geologist before specializing in the marketing of nonferrous concentrates and precious metals.

Carlos H. Fernandez Mazzi
President and Chief Executive Officer
Andean Silver Corporation LDC

Carlos Fernandez has served as President and Chief Executive Officer of Andean Silver Corporation LDC, a wholly owned subsidiary of Apex, since January 2002. Prior to joining Andean in January 1998, Mr. Fernandez worked in the Bolivian financial sector for over 12 years, specializing in investment banking and trade finance. Mr. Fernandez also serves as a director of the San Cristobal Foundation, a Company sponsored foundation that implements community related investments near the San Cristobal Project.

Apex Silver wishes to thank
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