



**Apex
Silver
Mines
Limited**

Walker House
Mary Street
George Town,
Grand Cayman
Cayman Islands,
British West Indies



**Apex
Silver
Mines
Limited**

**Annual
Report
2006**

Profitable Horizons

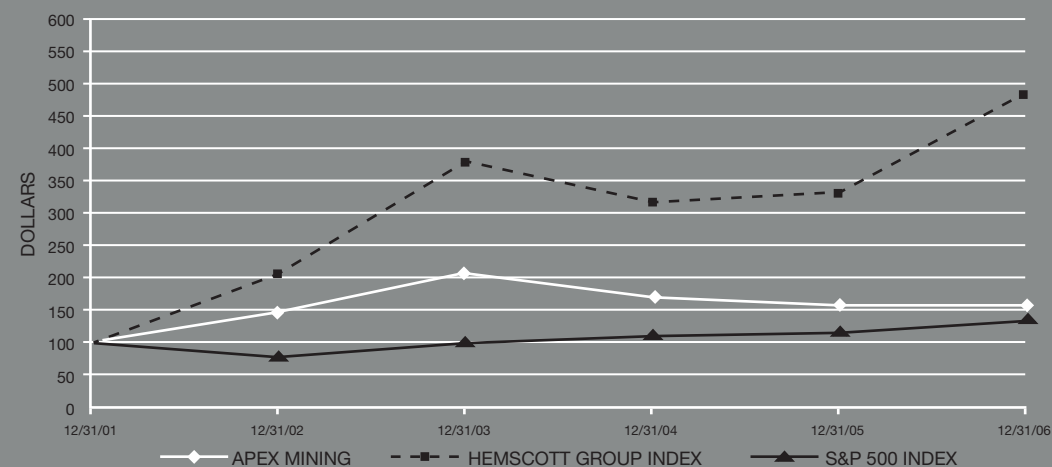




Company Profile

Apex Silver Mines Limited is a mining development and exploration company. The company is nearing completion of its flagship 65%-owned (Sumitomo Corporation – 35%) San Cristobal silver-zinc-lead project. Located in southwestern Bolivia, San Cristobal is one of the world's largest open-pit silver-zinc-lead deposits, containing approximately 450 million ounces of silver, eight billion pounds of zinc and three billion pounds of lead in proven and probable reserves. Production at San Cristobal is expected to begin mid year of 2007 with the payable metal output averaging approximately 17 million ounces of silver, 225,000 tonnes of zinc and 82,000 tonnes of lead per year in the first five years of operation. San Cristobal is predicted to have a 17-year operating life with a current design capacity of 40,000 tonnes of ore per day. Apex Silver also holds an extensive portfolio of highly prospective exploration properties located primarily in the traditional precious metals-producing regions of Argentina, Peru, Mexico and Bolivia. The company finished the year with approximately \$400 million of unrestricted funds in the treasury. Ordinary Shares of Apex Silver trade on the American Stock Exchange under the symbol SIL.

The graph below compares the cumulative total shareholder return as of December 31, 2006 on \$100 invested in our Ordinary Shares as of January 1, 2000, in the stocks comprising the Hemsco Group Index, which includes only companies with silver mining investments, and in the stocks comprising the S&P 500 Index, assuming the reinvestment of all dividends.



Corporate Information

(Expressed in United States dollars)

Shareholder Information

Investor Relations Contact:

Jerry W. Danni
Senior Vice President
Corporate Affairs
Apex Silver Mines Corporation
1700 Lincoln Street, Suite 3050
Denver, CO 80203
(303) 839-5060
(888) 696-2739
Email: information@apexsilver.com
Fax: (303) 839-5907

Stock Transfer Agent

Questions regarding your shareholder account should be addressed to:

American Stock Transfer
59 Maiden Lane
New York, NY 10038
(718) 921-8200
(800) 937-5449
Attn: Geraldine Zarbo

Market Information

Apex Silver Mines Limited Ordinary Shares trade on the American Stock Exchange under the symbol "SIL".

Independent Accountants

PricewaterhouseCoopers LLP
1670 Broadway, Suite 1000
Denver, CO 80202

Annual Meeting

Thursday, June 7, 2007, 9:00 a.m. (MT)
The Brown Palace Hotel
Onyx Room
321 17th Street
Denver, CO 80202

General Information

Corporate Headquarters Address

Apex Silver Mines Limited
Walker House
Mary Street
George Town, Grand Cayman
Cayman Islands, British West Indies

Unit Conversion Table:

1 troy ounce = 31.103 grams
1 (short) ton = 0.907 (metric) tonnes
1 (metric) tonne = 2204.62 pounds
1 troy ounce per (short) ton = 34.286 grams per (metric) tonne
1 foot = 0.305 meters
1 mile = 1.609 kilometers
1 acre = 0.405 hectares

Stock Market Information

Our company's Ordinary Shares are listed on the American Stock Exchange under the symbol "SIL". As of March 27, 2007, we had approximately 160 shareholders of record and an estimated 12,000 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 March 27, 2007 was \$13.57.

Period	Ordinary Shares			
	2006		2005	
	High	Low	High	Low
1st Quarter	\$25.48	\$14.61	\$19.47	\$15.80
2nd Quarter	26.00	12.85	15.84	11.54
3rd Quarter	17.65	13.41	17.20	12.61
4th Quarter	17.52	14.10	18.01	14.65



San Cristobal Proven and Probable Reserves and Development Plan Parameters

Parameter	Units	Proven & Probable Reserves (Dec. 31, 2006)	Proven & Probable Reserves (Dec. 31, 2005)	Development Plan (December 2004)
Basis:				
Silver Price	\$/Oz	8.51	6.28	5.75
Zinc Price	\$/Tonne	1,895.96	1,084.63	1,102.31
Lead Price	\$/Tonne	1,036.16	782.64	661.39
Ore Tonnes	000	250,773	230,570	228,914
Grade:				
Silver	Grams/Tonne	55.30	63.10	63.29
Zinc	%	1.54	1.59	1.60
Lead	%	0.53	0.58	0.59
Contained Metal (1):				
Silver	Ounces	446,000,000	467,656,000	465,806,100
Zinc	Tonnes	3,870,000	3,652,000	3,662,600
Lead	Tonnes	1,324,000	1,342,000	1,350,600

Note: Proven and probable reserves are calculated on the basis of a three-year rolling price average for silver, zinc and lead.

(1) Amounts are shown as contained metals in ore and therefore do not reflect losses in the recovery process. Sulfide ore reserves are expected to have an approximate average recovery of 78% for silver, 93% for zinc and 86% for lead. Oxide ore reserves are expected to have an average recovery of 60% for silver and 50% for lead.

San Cristobal Development Plan Parameters

Parameter	Units	First Five Years	Life-of-Mine
Ore Throughput	Tonnes/Day	40,000	40,000
Grade:			
Silver	Grams/Tonne	82.77	63.29
Zinc	%	1.64	1.60
Lead	%	0.76	0.56
Avg. Payable Metal Production:			
Silver	Ounces/Yr	22,300,000	17,000,000
Zinc	Tonnes/Yr	182,500	167,500
Lead	Tonnes/Yr	85,000	63,500
Avg. Cash Operating Cost*:			
Silver	\$/Oz	1.31	1.43
Zinc	\$/Lb	0.39	0.41

* The term "average cash operating cost" is used on a per-ounce of payable silver and per-pound of payable zinc basis. Our estimated cash operating costs include estimated mining, milling and other mine related overhead costs. The per-ounce of silver cost also includes off-site costs related to projected silver refining charges. The per-pound of zinc cost also includes charges related to transportation of zinc concentrates and their projected treatment and smelting charges. All cash operating costs exclude taxes, depreciation, amortization and provisions for reclamation. The average cash operating cost per ounce of silver is equal to the pro-rata share of estimated average operating costs for the period reduced by the estimated value of lead by-product credits for the period divided by the number of "payable ounces". The lead by-product credits are net of charges related to transportation of lead concentrates and their projected treatment and smelting charges. The "payable ounces" are the estimated number of ounces of silver to be produced during the period reduced by the ounces required to cover estimated refining, treatment and transportation charges for the period. Average cash operating cost per pound of zinc is equal to the pro-rata share of estimated average operating costs for the period divided by the number of "payable pounds". The "payable pounds" are the estimated number of pounds of zinc to be produced during the period reduced by the pounds required to cover estimated refining, treatment and transportation charges for the period. We have included estimated average cash operating cost information to provide investors with information about the cash generating capabilities of the San Cristobal project. This information may differ from measures of performance determined in accordance with Generally Accepted Accounting Principles (GAAP) and should not be considered in isolation or as a substitute for measures of performance that will be prepared in accordance with GAAP. These measures are not necessarily indicative of operating profit or cash flow from operations to be determined under GAAP and may not be comparable to similarly titled measures of other companies.

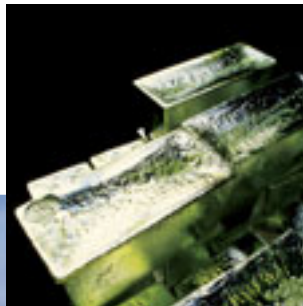
To
Our
Shareholders



Jeffrey G. Clevenger
President,
Chief Executive Officer,
and Director

2006

represents a significant milestone in the history of Apex for its stakeholders. We are evolving from a junior exploration company to the operator of the world's largest current development in zinc, silver and lead; the San Cristobal mine in southwestern Bolivia.



We created a strategic alliance with Sumitomo Corporation from Japan where we exchanged a 35% interest in the San Cristobal project and an option on certain exploration properties for cash, future revenue streams associated with zinc and silver and a diversification of our risk.



We have significantly increased our focus and expenditures on exploration, primarily in Mexico, Peru and Argentina.



We continue to strengthen our management team with additional skills to facilitate the start up of San Cristobal and to implement growth strategies in other areas.



As of this writing, the San Cristobal Project is more than 95% complete with remaining work concentrating on piping and electrical wiring.

Mill hardware is in place, the railroad spur and port are progressing according to plan and production and sales are on schedule for the third quarter of this year. Greater than a million tonnes of mill feed ore have been stockpiled to facilitate the ramp up of production. We are proud of the teamwork that has been instilled in this project under conditions less favorable than many other mining projects. This teamwork is highlighted by the accomplishment of nearly eight million man hours worked to this date by site personnel without a lost time accident. San Cristobal is setting the standard for mining project health, safety, environmental excellence and community sustainable development for years to come. In today's mining environment the significance of community efforts can not be overstated. We have an intensive training program underway to enable the local workforce to obtain the skills needed in modern mining. At the same time we are assisting the local communities with programs that should sustain employment and business opportunities independent of the mine and for many years in the future.

For the past year and a half we have had a focused La Paz team addressing government relations and a wide array of tax ideas considered by the Bolivian government. To date, no detrimental changes to the tax code have been implemented. We have worked hard developing relationships and building trust with a changing government staff by being open, honest and factual as to the competitiveness of the Bolivian mining tax code particularly as the Bolivian code compares to its successful mining country neighbors. Our partner Sumitomo has brought much to this effort as Japan and Bolivia share a strong business and political relationship. Our social responsibility in the neighboring communities of San Cristobal has facilitated this effort as we enjoy strong grass roots support. We continue to receive assurance from the highest levels of the Bolivian government that foreign investment is needed and the rights of foreign investors will be respected for those that obey the laws and assist the local communities in elevating their status beyond poverty. We have done these things and strive to be the 'miner of choice' in Bolivia and elsewhere.

In September we announced a strategic alliance with Sumitomo Corporation, a major world wide diversified company, headquartered in Tokyo, Japan. Sumitomo paid Apex \$224 million cash, assumed its proportionate share of project debt and hedge liabilities and provided a future income



Our timing with San Cristobal could not look better.

stream for Apex based on silver production and on zinc production at prices greater than \$1800 per tonne. In return, Sumitomo was granted 35% of the San Cristobal project and an exploration option for two years on certain Apex properties, primarily in Mexico, Peru, Bolivia and Argentina. This alliance gives Sumitomo an entry into the largest current development in zinc, silver and lead and an option on several prospective exploration properties. For Apex, we now have an internationally respected partner and cash to advance our growth objectives outside of San Cristobal.

It would be remiss were I not to mention the large hedge position that we put in place to close the \$225 million syndicated project financing loan. Prior to the fourth quarter of 2006 we had relied on a valuation method for this hedge position provided by an independent and internationally recognized expert in this field. At the end of the year we determined, along with our auditors, that this method was not providing an appropriate value for the hedge position. As a result of this determination and because we were unable to complete the required accounting for this revaluation by the 10-K filing date, we were unable to file our 10-K report with the Securities and Exchange Commission until April 3, 2007. The restatement is entirely non-cash and we will not know what the actual cash gains or losses on the hedge position are until those positions are settled over the period 2007 through 2012.

The prices for the metals that we will produce in 2007 from San Cristobal remain strong with 2006 zinc prices up 135% and silver prices up about 60% from the prior year. Our timing with San Cristobal could not look better. With several hundred million dollars in unrestricted cash, San Cristobal producing positive cash flows and with our expanded exploration efforts in three countries; we eagerly look forward to informing you of our progress in 2007.

March 30, 2007

Jeffrey G. Clevenger
President,
Chief Executive Officer
and Director



Creating Value

Apex Silver is at a major turning point in its 11 year history.

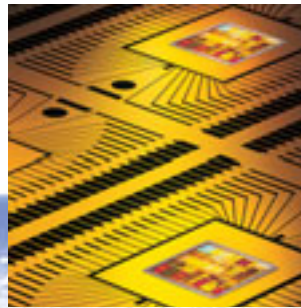
The use of silver affects many aspects of our daily lives.

San Cristobal was discovered by Apex geologists and will enter the production phase in 2007, producing value for shareholders for many years to come. The most cost effective way to create shareholder value is to discover and develop new orebodies that can produce at low cost, resulting in profits and cash flows for shareholders.

For Apex, the path through organic growth is where we seek to develop additional and more profitable ores in the immediate area of the San Cristobal mine and through new discovery and development resulting from a sustained program of exploration in the Americas and elsewhere. At San Cristobal, we have identified several excellent prospects that offer the promise of significant additions to our current minable reserves. These areas will be evaluated in a disciplined exploration program designed to advance the most promising deposits as quickly as warranted.

Apex Silver is dedicated to a sustained and successful exploration program that is driven to discover new deposits. We support offices in five countries in the Americas where we believe the opportunity for discovery is excellent. We also maintain an effort in Australia, where some of the largest ore deposits are found and which has a rich history of new discovery.

Our professional exploration teams have assembled an impressive array of exploration properties throughout the Americas. At year-end we controlled 77 projects totaling about 334,000 hectares. After detailed evaluation, some prospects will not be retained due to lack of potential and some will advance. During 2006, the Board of Directors authorized a significant increase in our exploration budget. Drilling programs were underway on five properties at year-end and we will accelerate this program during 2007.



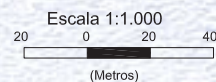
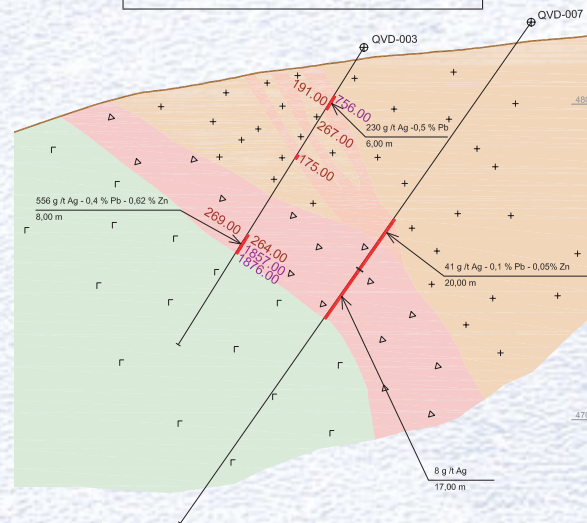
Apex Silver controls over 15,000 hectares in the Zacatecas mining district in central Mexico. This district has produced nearly a billion ounces of silver from veins and the potential for significantly more production is considered excellent. Apex Silver has identified several high-grade silver targets that will be drilled in 2007. We have been successful in locating prospects of merit in areas of high geologic potential. An example is the La Pinta prospect, located south of the 350 million tonne Peñasquito project being developed by Goldcorp. The geology at La Pinta is considered to be very similar to that at Peñasquito, including gold-rich intrusive rocks and zinc and silver-bearing breccias in sedimentary rocks. An extensive drill test will start in early 2007.

In northern Argentina, we have a joint venture with the Peruvian mining company Hochschild Mining on the El Quevar silver project. We can earn a minimum 80% interest in the project through exploration expenditures and periodic payments. The property contains more than five miles of mineralized veins and breccia that show significant silver values in outcrop. In 2006, we conducted a first-pass drilling program that provided encouragement to continue with our investment. Of the 17 holes drilled in this first program, 14 returned intercepts of 1.5 meters or more grading 3 ounces per ton or more in silver, including 6 meters averaging 7.4 ounces per ton silver and 4 meters averaging 34 ounces per ton silver in hole QvD-003 and 6 meters averaging 14 ounces per ton silver in hole QvD-006.

We support an active exploration effort in Peru, a country famous for its mineral endowment. In north-central Peru, we are working on the Joncojirca project, where drilling in 2006 explored a large disseminated silver-zinc-lead deposit. Drill holes results included an intercept of 254 meters averaging 0.89 ounces per ton silver, 0.71% zinc and 0.42% lead. Elsewhere in Peru, we are working on prospects that have potential to host high grade vein deposits, disseminated silver + base metal deposits and deposits with copper and silver.



EL QUEVAR PROJECT
QVD-007 HOLE
Lithology and Ag Values in ppm



Sustainable Development

The management of Apex strongly believes that in order to achieve success in developing a new project, a mining company must secure strong support from the local community.

This support is best earned through a focused and long-term corporate commitment that produces measurable improvement in the social and economic well-being of the community members.

The efforts made by Apex have far-reaching goals aimed at ensuring that the San Cristobal community can sustain itself beyond and outside of mining. This strategy, called sustainable development, is not new. It is traditionally implemented by responsible mining companies in preparation for future closure of their mines in anticipation of mining out their reserves. What is new in the case of Apex is the approach of starting sustainable development in advance of commencing operations. This approach, now commonly called the “San Cristobal Model”, has raised the standard for community involvement to a new level for the entire mining industry.

During the earliest stages of exploration drilling to delineate the San Cristobal orebody, Apex commenced a far-reaching sustainability program to help the local community improve its standard of living without compromising its rich cultural heritage. A 400-year-old church was not only successfully moved to its new location, it was fully restored to its original glory with the help of the local community and Bolivian archaeological experts and artisans. The worshipers and the visitors could now admire the vibrant colors of its original paintings, marvel at the beauty of its silver-gilded altar and enjoy the sound of a more-recently rebuilt organ.



The newly-restored architectural masterpiece has become a focal point of an evolving tourist industry which has been empowered further by improved road access to the area and emergence of other related independent tourist enterprises such as Llama Mama Bicycle Tour Agency, Suri 4x4 Tourist Transportation Services Company and the San Cristobal Hotel and Restaurant. Most of the credit belongs to the newly formed San Cristobal Foundation, a joint company-local community enterprise which has been the engine of the sustainable development effort in the area. Its efforts and seed funding from the company gave impetus to the creation of the new model communities of Culpina K, Vila Vila and Villa Alota which exist today outside of mining. They have their own leadership and sustainable industries rooted in their own independent community initiatives.

The town of San Cristobal itself has put down strong roots in its new location, approximately ten kilometers from the original site. A new school has been built boasting new computer and chemistry labs. A new medical facility has been established to provide significantly improved medical care to the local

community. A newly-established Internet kiosk has brought the global village to the town of San Cristobal. With the added advantage of a year-round vegetable growing hot house, San Cristobal has emerged as the 21st Century model of sustainable development for mining enterprises of the future.

Today, the company, as a member of the existing Consultative Committee, is guided by leaders of the community in the spirit of solidarity and equity. This alliance is based on a vision that development of the region should be governed by its people. This approach is key to ensuring that the communities' economic growth and well-being extend well beyond the mine's production cycle.

This exceptional cooperation between the company and the local community continues to this day. In 2006, the joint committee presided over the relocation of the Achupalla Monument, a sacred ceremonial rock which is believed to bring good fortune to the worshipers who celebrate its power on the anniversary of San Cristobal, every July 28th.





Board of Directors

Jeffrey G. Clevenger
President and
Chief Executive Officer
Apex Silver Mines Limited
Age 57

Harry M. Conger
Former Chairman
Homestake Mining Company
Age 76

Ove Hoegh
Senior Partner
Hoegh Invest
Age 70

Keith R. Hulley
Chairman
Apex Silver Mines Limited
Age 67

Kevin R. Morano
Managing Principal
KEM Capital LLC
Age 53

Terry M. Palmer
Former Partner
Ernst & Young LLP
Age 62

Charles B. Smith
Former President and
Chief Operating Officer
Southern Peru Copper Company
Age 68

Paul Soros
Investment Advisory
Committee Member
Quantum Industrial Partners LDC
Age 80