FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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APEX SILVER MINES LTD

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SIC: **1044** SILVER ORES

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-13627

APEX SILVER MINES LIMITED
(Exact Name of Registrant as Specified in its Charter)

Cayman Islands, British West Indies (State of Incorporation or Organization)	Not Applicable (I.R.S. Employer Identification No.)
Caledonian House Jennett Street George Town, Grand Cayman Cayman Islands, British West Indies (Address of principal executive office)	Not Applicable (Zip Code)

(345) 949-0050
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares, $0.01 par value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $249,359,040 as of March 23, 1999.

The number of Ordinary Shares outstanding as of March 23, 1999 was 26,248,320.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 1999 Annual Meeting of Shareholders are incorporated by reference in Part III of this Report on Form 10-K.

PART I

ITEMS 1 and 2: BUSINESS AND PROPERTIES

Apex Silver Mines Limited ("Apex Limited" or the "Company") is engaged in the exploration and development of silver properties in South America and Central America. Since the Company was founded in 1993, it has accumulated one of the largest, most diversified portfolios of silver exploration properties in the world, having acquired the rights to or gained control of approximately 95 non-producing silver and other mineral properties located in or near the traditional silver producing regions of Bolivia, Mexico, Peru, Chile and Honduras. Exploration efforts since 1993 have successfully produced the Company's first development project, the 100 percent owned San Cristobal project (the "San Cristobal project") located in southern Bolivia. San Cristobal's proven and probable reserves total 259.5 million tonnes of ore grading 2.0 ounces per tonne of silver, 1.57 percent zinc and 0.55 percent lead, containing 509 million ounces of silver, 4.1 million tonnes of zinc and 1.4 million tonnes of lead.

Apex Silver Mines Ltd. was formed in 1993 under the laws of Bermuda. In 1994, Apex Silver Mines Ltd. contributed substantially all of its assets to Apex Silver Mines ("Apex LDC") (formerly Apex Silver Mines LDC), a company organized under the laws of the Cayman Islands. Apex Limited, which was formed to serve as a holding company for certain ownership interests in Apex LDC, was organized under the laws of the Cayman Islands in 1996. As the result of several transactions from 1996 through 1998, including the exchange in 1998 by certain minority shareholders of shares of Apex LDC for Ordinary Shares of Apex Limited pursuant to a previously existing agreement, Apex Limited now owns 100 percent of Apex LDC. In December 1997, the Company completed an initial public offering of Ordinary Shares.

As used herein, Apex Limited, the Company, we and our refer collectively to Apex Silver Mines Limited, its predecessors, subsidiaries and affiliates or to one or more of them as the context may require.

BUSINESS STRATEGY

Apex Limited is one of a limited number of mining companies which focus on silver exploration, development and production. Our strategy is to capitalize on our sizeable portfolio of silver exploration properties in order to achieve long-term profits and growth and to enhance shareholder value.

Although our primary focus is on mining silver, we intend to produce other metals associated with our silver deposits, such as zinc, lead, copper and gold, if economically practicable. The Company is managed by a team of seasoned mining professionals with signficant experience in the identification and exploration of mineral properties, as well as the construction, development and operation of large scale, open pit and underground, precious and base metals mining operations.

The principal elements of the Company's business strategy are to proceed to develop the San Cristobal project into a large scale open pit mining operation; continue to explore and evaluate the Cobrizos silver property in southern Bolivia and the Platosa silver and zinc property in northern Mexico; continue to explore and develop other properties which we believe are most likely to contain significant amounts of silver and divest those properties that are not of continuing interest; and identify and acquire additional mining and mineral properties that we believe contain significant amounts of silver or have exploration potential.

SAN CRISTOBAL PROJECT

The 100 percent owned San Cristobal project is located in the San Cristobal mining district of the Potosi Department in southern Bolivia, a region that has historically produced a significant portion of the world's silver supply. San Cristobal is located in the Bolivian Altiplano in the Andes mountains, approximately 500 kilometers south of the capital city of La Paz. The project is accessible by a gravel road from the international railroad at Rio Grande, approximately 50 kilometers to the north, and from the town of Uyuni, a former railroad maintenance town, approximately 80 kilometers to the northeast. The railroad begins at the Chilean port of Antafogasta, approximately 460 kilometers southwest of San Cristobal, and continues approximately 500 kilometers north to La Paz.

The San Cristobal property is comprised of certain mining concessions in a large block of concessions owned or controlled by the Company covering approximately 345,000 acres. The property is largely unexploited. The relatively small, shut down Toldos mine, located approximately 1.5 kilometers from San Cristobal, was mined by underground block caving and open pit mining between 1985 and 1995. At present, there is no significant plant or equipment on the San Cristobal property.

Additional drilling in 1998 doubled proven and probable reserves at San Cristobal, which total 259.5 million tonnes of ore grading 2.0 ounces per tonne of silver, 1.57 percent zinc and 0.55 percent lead. These reserves contain 509 million ounces of silver, 4.1 million tonnes of zinc and 1.4 million tonnes of lead. The full dimensions of the San Cristobal deposit have not yet been determined; mineralized material extends outward from the identified ore body in most directions as well as to depths below 260 meters. The Company believes that its San Cristobal property contains one of the largest known open pit silver, zinc and lead deposits in the world. Based on the geology of San Cristobal, and the drilling, analysis and proven and probable reserves identified to date, the Company believes that the San Cristobal project could be extended in life and/or increased in scale.

The San Cristobal project is expected to be a large scale, open pit mining operation using conventional mining and processing technologies capable of producing and processing an aggregate 40,000 tonnes per day of ore. The stripping ratio is expected to be approximately 1.9 tonnes of waste for each tonne of ore. The Company plans to secure committed financing by the end of 1999, with mobilization for construction expected to commence shortly thereafter. Start-up is targeted to commence in late 2001, with production expected to commence in 2002.

A bankable feasibility study of the San Cristobal project is being prepared for the Company by Kvaerner Metals, Nonferrous Division, an international engineering, procurement, construction and management firm. We expect the feasibility study to be completed mid year 1999. Kvaerner was also retained by the Company to confirm independently the reliability of the Company's drilling, sampling, and assaying procedures at the San Cristobal project.

Geology

The San Cristobal project occupies the central portion of a depression associated with volcanism of Miocene age. The 4 kilometer diameter depression is filled with fine to coarse grained volcanoclastic sedimentary rocks (including shale, conglomerate, sandstone, landslide debris and talus). During the late Miocene Period, after sedimentation had nearly filled the depression, a series of dacite and andesite porphyry sills and domes intruded the volcanoclastic rocks. Disseminated and stockwork silver-lead-zinc mineralization formed locally both within the volcanoclastic sediments and in the intrusions themselves. The disseminated mineralization was not mined in the past except at the nearby Toldos mine. Historic production on the San Cristobal property was from veins.

The two largest areas of mineralization, the Jayula and Tesorera deposits, initially were drilled separately. Additional drilling in 1998, which more than doubled proven and probable reserves, merged the Jayula and Tesorera deposits into one large deposit, now called the San Cristobal orebody.

Mineralization at the Jayula portion of the San Cristobal orebody is dominated by stockwork consisting of iron oxides, clays, galena, barite, sphalerite, pyrite, tetrahedrite, and acanthite. The veins of the stockwork are most abundant in the dacite sill, near its contact with the volcanoclastic sedimentary rocks. At the Tesorera portion of the orebody, mineralization is characterized by galena, sphalerite, and acanthite, disseminated in the volcanoclastic sedimentary rocks. This mineralization is most prevalent in the coarser grained beds, usually conglomerates and coarse sandstones. To the extent that ore grade mineralization is confined to the sedimentary beds, the mineral zones are both stratiform and strata-bound, forming tabular bodies.

Oxidation of the mineralized zone at San Cristobal has occurred to depths averaging 40 to 75 meters and affects approximately ten percent of the reserves. In this oxide zone, zinc has been almost completely leached out by groundwater; silver values, however, are locally enhanced due to secondary enrichment processes. In the oxide zone, the dominant minerals are iron oxides, clays, native silver, and secondary acanthite.

Reserves

As of December 31, 1998, the San Cristobal deposit drilling totals approximately 149,500 meters of reverse circulation and approximately 20,100 meters of diamond drilling. The drilling indicates that the mineralization is present over an area of 1,500 meters by 1,500 meters. The deposit is open at depth and in several lateral directions.

Proven and probable reserves were calculated using a $4.75 NSR per tonne cutoff value and market price assumptions of $5.00 per ounce of silver, $0.47 per pound of zinc, and $0.25 per pound of lead. Proven and probable reserves include an average recovery of 75.5 percent for silver, 78.0 percent for zinc and 73.3 percent for lead. The following tables show the Company's proven and probable reserves of silver, zinc and lead at the San Cristobal project, which were calculated by Mine Reserves Associates Inc. ("MRA").

<TABLE>
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Proven and Probable Reserves--San Cristobal Project

	Average Grade			Contained Metals		
Tonnes of ore (000s)	Silver Grade (oz./tonne)	Zinc Grade (%)	Lead Grade (%)	Silver Ounces (000s)	Zinc Tonnes (000s)	Lead Tonnes (000s)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
259,519	2.0	1.57	0.55	509,358	4,074	1,427

</TABLE>

In addition to proven and probable reserves, MRA has estimated 35 million tonnes of mineralized material at an average grade of 1.60 ounces of silver per tonne, 1.30 percent zinc, and 0.41 percent lead.

EXPLORATION

Other than San Cristobal and nearby exploration projects in the San Cristobal district, the Company has a portfolio of silver properties in Bolivia, Mexico, Peru, Chile, Honduras and Central Asia totaling in excess of 2.5 million acres and contain potential for silver mineralization or other significant exploration potential. These mineral properties consist of (i) mining concessions which the Company has acquired, or applied for directly; (ii) mining concessions which the Company has leased, typically with an option to purchase; and (iii) mining concessions which the Company has agreed to explore and develop and, if feasible, bring into production, in concert with joint venture partners.

The Company generally seeks to structure its acquisitions of mineral rights so that individual properties can be optioned for exploration and subsequently acquired at reasonable cost if justified by exploration results. Properties that the Company determines do not warrant further exploration or development expenditures are divested, typically without further financial obligation to the Company. Although the Company believes that its exploration properties may contain significant silver or other mineralization, the Company's analysis of these properties is at a preliminary stage. The activities performed to date at these properties often have involved the analysis of data from previous exploration efforts by others, supplemented by the Company's own exploration programs.

The Company's development activities are currently focused on the San Cristobal project, while exploration is concentrated on the Cobrizos property in southern Bolivia and the Platosa property in northern Mexico. In 1999, we expect to complete metallurgical testing at Cobrizos and to complete geophysical work followed by a drilling program at Platosa. Although the San Cristobal project remains the Company's top development priority, the initial work at the Cobrizos and Platosa properties has been promising, and the Company believes that these properties eventually may become candidates for development.

Cobrizos

The Cobrizos property is located on level terrain 12 kilometers north of the San Cristobal project in southern Bolivia. Its proximity to San Cristobal could afford significant potential operating and administrative efficiencies.

During pre-Columbian times, green and blue supergene copper carbonate minerals were produced from the deposit at Cobrizos for use as pigment. Spanish miners subsequently engaged in small scale native copper and copper sulfate mining. Between 1892 and 1906 Compania Arenal sank shafts as deep as 60 meters and produced copper from approximately 100,000 tonnes of material extracted from shallow underground and open cast workings. A combination of flooding and carbon dioxide build-up in the workings ultimately forced a cessation of operations.

The Company is party to a joint venture agreement with Corporacion Minera de Bolivia S.A. ("Comibol"), a Bolivian government mining company, on its approximately 5,000 acres of mining rights at the Cobrizos property. Under the agreement, the Company must make certain payments to Comibol and complete certain work commitments on the property in order to acquire an 85 percent interest in the joint venture. Under the joint venture, Comibol would receive five percent of the operating cash flow (as defined in the agreement) from production at the Cobrizos property until the Company has recovered its entire capital investment; thereafter, Comibol would receive 15 percent of operating cash flow. The Company would be the operator of the joint venture.

Geology

Cobrizos is a partially oxidized copper-silver deposit of possible roll front or red bed type in shale and sandstone of the Jurassic Potoco Formation.

Exploration and Mineralized Material

A drilling program in 1997 and 1998 focused on a silver and copper rich zone previously identified by the Company. Twelve holes were drilled over a strike length of 850 meters which, together with the four earlier holes, resulted in the holes being spaced approximately 75 meters apart. The results indicate a steeply dipping mineralized zone with an average width of 55 meters over the 855 meters of strike length, open at both ends. The indicated depth from surface or near surface is at least 100 meters. MRA calculates that the Cobrizos property contains mineralized material of 11 million tonnes at grades averaging between 3 and 4 ounces of silver per tonne. Further drilling is required to determine the limits of the Cobrizos mineralization, and whether there are proven and probable reserves.

Platosa

In February 1999, the Company announced completion of its first drill program on the approximately 10,800 acre Platosa property which is located 5 kilometers northwest of the town of Bermejillo in the Durango State in northern Mexico. Under the terms of its exploration and development agreement, the Company has the right to earn up to a 65 percent direct ownership interest in the property. Upon completion of earn-in requirements, a joint venture company would be formed with the Company as operator.

Five diamond drill holes totaling approximately 800 meters have been completed. Four of the five holes contained mineralization or other indications of favorable conditions for limestone replacement ("manto") type silver-lead-zinc deposits. One hole encountered 7.45 meters of massive and sanded sulfides averaging 36.4 ounces per tonne silver, 35 percent zinc and 14 percent lead. Overall core recovery averaged 53 percent for the 7.45 meter interval. The Company's geologists believe that the material not recovered was sulfide sand. The Company is conducting a geophysical survey, which will aid geologists in mapping the subsurface anomaly and guide the design of a follow-up drill program.

The Platosa property contains water and is located within approximately 1.5 kilometers of a major paved highway, railroad, and natural gas and power lines. Platosa is located approximately 25 kilometers northeast of the Ojuela mine at Mapimi where historical production totaled between 5 and 6 million tonnes of ore grading 15.3 ounces per tonne of silver, in excess of 0.11 ounces per tonne of gold, 15 percent lead and 10 percent zinc. Ore deposits of this type are important producers of these metals elsewhere in Mexico and the American Cordillera.

Other Mineral Properties

In addition to the San Cristobal project and the Cobrizos and Platosa exploration properties, the Company has a portfolio of more than 2.5 million acres of exploration properties located in the traditional and emerging silver producing regions of the world. The distribution of these holdings is summarized in the table below.

Location and Distribution of Major Groups of Exploration Properties

<TABLE>
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Country	Number of Properties	Acreage(1)
<S>	<C>	<C>
South America		
Bolivia	3	1,134,001
Chile	1	1,977

Peru	6	183,899
Subtotal	10	1,319,877
Central America		
Honduras	7	120,580
Mexico	6	166,691
Subtotal	13	287,271
Central Asia	4	1,388,470
Total	27	2,995,618

</TABLE>

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(1) The Company's holdings consist primarily of ownership interests, leases, options and joint venture interests, in varying percentages. Acreage and percent of total acreage figures do not include land considered part of the San Cristobal, Cobrizos and Platosa properties. These three properties consist of claims and concessions comprising approximately 345,000 acres, 5,000 acres, and 10,800 acres, respectively.

The Company's exploration activities in certain countries are described below. Due to the preliminary nature of the available information regarding these properties, the exploration portfolio is discussed in general terms.

Bolivia

The Company is one of the largest private owners of mineral rights in Bolivia. The Company's holdings and joint ventures, excluding the Cobrizos property and the San Cristobal project, now total approximately 1.1 million acres, including its existing joint venture interests in the historic Pulacayo mine and options on several properties currently under evaluation. The Company is aggressively pursuing its exploration program in Bolivia.

Chile

The Company evaluates exploration opportunities in Chile, but does not maintain an office there.

Peru

The Company has an exploration office in Lima and is actively exploring for silver in Peru, the world's second largest silver producing country. In addition to its San Juan de Lucanas (silver-gold veins) and Otuzco (copper-gold porphyry) properties, the Company has several other properties currently undergoing various stages of mapping, sampling and geophysical evaluation. The Company owns approximately 20 percent of the San Juan de Lucanas property and has rights to acquire most of the remaining 80 percent under contracts with former employees of a company which previously operated a mine on the property. The former employees acquired rights to the property in exchange for a release of claims against their former employer pursuant to a settlement agreement which has received required court approvals. The registration of the settlement agreement (which has been ordered by the court) and subsequent property transfers are pending. The Company's interest in this property may be subject to slight dilution as certain employees have not agreed to sell their rights to the Company or have sought or may seek to terminate their agreements with the Company.

Mexico

Mexico is the largest producer of silver in the world. The Company has an exploration office at Zacatecas, Zacatecas State in northern Mexico, the heart of the silver belt. We hold approximately 12,700 acres of mineral rights in the Zacatecas mining district that we continue to evaluate for vein and volcanogenic massive sulfide exploration targets. Excluding Platosa, the Company controls approximately 165,000 acres of mineral rights in Mexico that it is evaluating for silver and other metals in combination with silver.

Honduras

The Company holds approximately 120,000 acres of mineral rights in Honduras that are administered by the exploration office in Zacatecas, Mexico. Approximately 1,600 meters of diamond drilling was completed by the end of 1998 at the El Ocote silver-copper property, and further evaluation work is planned for 1999.

RISK FACTORS

Investors in the Company should consider carefully, in addition to the other information contained herein, the following risk factors:

No Production History--we have not mined any silver or other metals.

Our company has no history of producing silver or other metals. The development of our economically feasible properties will require the construction or rehabilitation and operation of mines, processing plants and related infrastructure. As a result, we are subject to all of the risks associated with establishing new mining operations and business enterprises. There can be no assurance that we will successfully establish mining operations or profitably produce silver or other metals at any of our properties.

History of Losses--we expect losses to continue for at least the next three years.

As an exploration and development company that has no production history, we have incurred losses since our inception, and we expect to continue to incur additional losses for at least the next three years. As of December 31, 1998, we had an accumulated deficit of $39.8 million. There can be no assurance that we will achieve or sustain profitability in the future.

Potential Inaccuracy of the Reserves and Other Mineralization Estimates

Unless otherwise indicated, reserves and other mineralization figures presented in our filings with the Securities and Exchange Commission, press releases and other public statements that may be made from time to time are based on estimates of contained silver and other metals made by independent geologists and/or our own personnel. These estimates are imprecise and depend on geological interpretation and statistical inferences drawn from drilling and sampling which may prove to be unreliable. There can be no assurance that:

. such estimates will be accurate;

. reserves and other mineralization figures will be accurate; or

. reserves or mineralization could be mined and processed profitably.

Since we have not commenced production on any of our properties, reserves and other mineralization estimates for these properties may require adjustments or downward revisions based on actual production experience. Extended declines in market prices for silver, zinc and lead may render portions of our reserves uneconomic and result in reduced reported reserves. Any material reductions in estimates of our reserves and other mineralization, or of our ability to extract such reserves or mineralization, could have a material adverse effect on our results of operations and financial condition.

We have not established the presence of any proven or probable reserves at any of our mineral properties other than the San Cristobal project. Although independent parties have prepared conceptual studies with respect

to certain of our other properties using data and assumptions that we have provided, these studies involve assumptions and projections based on a level of data insufficient to establish the presence of proven or probable reserves. There can be no assurance that subsequent testing or future feasibility studies will establish additional reserves at our properties. The failure to establish additional reserves could restrict our ability to successfully implement our strategies for long term growth beyond the San Cristobal project.

San Cristobal Project Risks--the completion of the San Cristobal project is subject to additional risks as detailed below.

We plan to complete the development of the San Cristobal project and commence production operations by late 2001. However, there can be no assurance that:

. the development of the San Cristobal project will be commenced or completed on a timely basis, if at all;

. the resulting operations will achieve the anticipated production volume; or

. the construction costs and ongoing operating costs associated with the development of the San Cristobal project will not be higher than anticipated.

If the actual cost to complete the development of the San Cristobal project is significantly higher than expected, there can be no assurance that we will have enough funds to cover such costs or that we would be able to obtain alternative sources of financing to cover such costs. Failure to obtain necessary project financing on acceptable terms, to commence or complete the development of the San Cristobal project on a timely basis, to achieve anticipated production capacity, and unexpected cost increases could have a material adverse effect on our future results of operations and financial condition.

The proximity of the town of San Cristobal may adversely affect our ability to efficiently mine the San Cristobal project. We are in the process of relocating the local population of approximately 350 persons to a new village that we are currently constructing. There can be no assurance that we will successfully complete this relocation program within the time period required by our development plans, if at all.

The successful development of the San Cristobal project is subject to the other risk factors described herein.

Dependence on a Single Mining Project--our principal asset is the San Cristobal project.

We anticipate that the majority, if not all, of our revenues and profits for the next few years and beyond will be derived from the sale of metals mined at the San Cristobal project. Therefore, if we are unable to complete and successfully mine the San Cristobal project in a timely manner, our ability to generate revenue and profits would be materially adversely affected.

Management of Growth--our success will depend on our ability to manage our growth.

We anticipate that as we bring our mineral properties into production and as we acquire additional mineral rights, we will experience significant growth in our operations. We expect this growth to create new positions and responsibilities for management personnel and increase demands on our operating and financial systems. There can be no assurance that we will successfully meet such demands and manage our anticipated growth.

Volatility of Metals Prices--our profitability will be affected by changes in the prices of metals.

Our profitability and long-term viability depend, in large part, on the market price of silver, zinc, lead and other metals. The market prices for such metals are volatile and are affected by numerous factors beyond our control, including:

- global or regional consumption patterns;
- supply of, and demand for, silver, zinc, lead and other metals;
- speculative activities;
- expectations for inflation; and
- political and economic conditions.

The aggregate effect of these factors on metals prices is impossible for our company to predict. A decrease in metals prices could adversely affect our ability to finance the development of the San Cristobal project and the exploration and development of our other properties, which would have a material adverse effect on our financial condition and results of operations.

Hedging Risks--we may lose money through our hedging program.

We have commenced a limited preliminary program to hedge against commodity and base metals price risks. We anticipate that as we bring our mineral properties into production and we begin to generate revenue, we may utilize various price hedging techniques to mitigate some of the risks associated with fluctuations in the prices of the metals we produce. We may also engage in activities to hedge the risk of exposure to currency and interest rate fluctuations as a result of our operations in several foreign countries. Further, terms of certain of our financing arrangements may require us to hedge against these risks.

There can be no assurance that we will be able to successfully hedge against price, currency and interest rate fluctuations. In addition, our ability to hedge against zinc and lead price risk in a timely manner may be adversely affected by the smaller volume of transactions in both the zinc and lead markets. Further, there can be no assurance that the use of hedging techniques will always be to our benefit. Hedging instruments which protect against market price volatility may prevent us from realizing the benefit from subsequent increases in market prices with respect to covered production. Such limitation would limit our revenues and profits. Hedging contracts are also subject to the risk that the other party may be unable or unwilling to perform its obligations under such contracts. Any significant nonperformance could have a material adverse effect on our financial condition and results of operations.

Acquisition, Exploration and Development Risks--the acquisition, exploration and development of mineral properties is highly speculative in nature and frequently non-productive.

Our future growth and profitability will depend, in part, on our ability to identify and acquire additional mineral rights, and on the costs and results of our continued exploration and development programs. Our strategy is to expand our reserves through a broad program of exploration. Mineral exploration is highly speculative in nature and is frequently non-productive. If we discover mineralization, it usually takes several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change. Substantial expenditures are required to:

- establish ore reserves through drilling and metallurgical and other testing techniques;

- determine metal content and metallurgical processes to extract metal from the ore; and

- construct, renovate or expand mining and processing facilities.

As a result of these uncertainties, there can be no assurance that we will successfully acquire additional mineral rights or that our exploration programs will result in new proven and probable reserves or in mineral production.

None of our mineral properties, including the San Cristobal project, has an operating history upon which we can base estimates of future cash operating costs. Estimates of reserves and operating costs, particularly for development projects like the San Cristobal project, are based to a large extent upon interpreting geologic data obtained from drill holes and other sampling techniques and on feasibility studies. Feasibility studies derive estimates of cash operating costs based upon, among other things:

- anticipated tonnage and grades of ore to be mined and processed;

- anticipated metallurgical characteristics of the ore;

- configuration of the ore body;

- expected recovery rates of silver and other metals from the ore;

- expected presence or absence in the ore of metals that are deleterious to metals recovery;

- the cash operating costs of comparable facilities and equipment; and

- anticipated climatic conditions.

Actual cash operating costs, production and economic returns may differ significantly from those anticipated by our studies and estimates.

In addition, there are a number of uncertainties inherent in the development and construction of any new mine, including:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities;

- the availability and cost of skilled labor, power, water and transportation facilities;

- the availability and cost of appropriate smelting and refining arrangements;

- the need to obtain necessary environmental and other governmental permits, and the timing of those permits; and

- the need to obtain funds to finance construction and development activities.

The costs, timing and complexities of mine construction and development are increased by the remote location of many mining properties, like the San Cristobal project. It is common in new mining operations to experience unexpected problems and delays during mine start-up. In addition, delays in the commencement of mineral production often occur.

Thus, there can be no assurance that minerals will be discovered, in sufficient quantities to justify commercial operations in any of our company's properties, other than the San Cristobal project, or that the funds required for mine construction and development can be obtained. Accordingly, there is no assurance that our future development activities or exploration efforts will result in profitable mining operations.

Title to Our Mineral Properties May be Challenged

Our policy is to seek to confirm the validity of our rights to title to, or contract rights with respect to, each mineral property in which we have a material interest. However, we cannot guarantee that title to our properties will not be challenged or impugned. Title insurance generally is not available, and our ability to ensure that we have obtained secure claim to individual mineral properties or mining concessions may be severely constrained. We have not conducted surveys of all of the claims in which we hold direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. Accordingly, our mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, we may be unable to operate our properties as permitted or to enforce our rights with respect to such properties.

We derive the rights to certain of our mineral properties, including certain of our principal properties at the San Cristobal project, from leaseholds or purchase option agreements which require the payment of rent or other installment fees. If we fail to make such payments when they are due, our rights to such property may lapse. There can be no assurance that we will always make payments by the requisite payment dates. In addition, certain of our contracts with respect to our mineral properties require development or production schedules. There can be no assurance that we will be able to meet any or all of such development or production schedules. In addition, our ability to transfer or sell our rights to certain mineral properties requires governmental approvals or third party consents, which may not be granted.

Mining Risks and Limits of Insurance Coverage--we cannot insure against all of the risks associated with mining.

The business of mining is subject to a number of risks and hazards, including:

- adverse environmental effects;
- industrial accidents;
- labor disputes;
- technical difficulties due to unusual or unexpected geologic formations;
- cave-ins; and
- flooding and periodic interruptions due to inclement or hazardous weather conditions.

Such risks can result in, among other things:

- damage to, and destruction of, mineral properties or production facilities;
- personal injury;
- environmental damage;
- delays in mining;
- onetary losses; and

- legal liability.

Although we maintain, and intend to continue to maintain, insurance with respect to our operations and mineral properties within ranges of coverage consistent with industry practice, there can be no assurance that such insurance will be available at economically feasible premiums. Insurance against environmental risks (including potential liability for pollution or other disturbances resulting from mining exploration and production) is not generally available. In addition, certain risks associated with developing and producing silver, zinc, lead and other metals may be excluded from coverage or may result in liabilities which exceed policy limits. Further, we may elect to not seek coverage for certain risks. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a material adverse effect on our financial condition and results of operations.

Foreign Operations--we conduct all of our exploration activities in countries with developing economies and are subject to the risks of political and economic instability associated with these countries.

We currently conduct exploration activities in countries with developing economies including Bolivia, Chile, Honduras, Mexico and Peru in Latin America. These countries and other emerging markets in which we may conduct operations have from time to time experienced economic or political instability. We may be materially adversely affected by risks associated with conducting operations in countries with developing economies, including:

- political instability and violence;
- war and civil disturbance;
- expropriation or nationalization;
- changing fiscal regimes;
- fluctuations in currency exchange rates;
- high rates of inflation;
- underdeveloped industrial and economic infrastructure; and
- unenforceability of contractual rights.

Changes in mining or investment policies or shifts in the prevailing political climate in any of the countries in which we conduct exploration and development activities could adversely affect our business. Our operations may be affected in varying degrees by government regulations with respect to, among other things:

- production restrictions;
- price controls;
- export controls;
- income and other taxes;
- maintenance of claims;

- environmental legislation;
- foreign ownership restrictions;
- foreign exchange and currency controls;

- labor;
- welfare benefit policies;
- land use;
- land claims of local residents;
- water use; and
- mine safety.

We cannot accurately predict the effect of these factors. In addition, legislation in the United States regulating foreign trade, investment and taxation could have a material adverse effect on our financial condition and results of operations.

Government Regulation of Environmental Matters--our exploration activities are subject to foreign environmental laws and regulations which may materially adversely affect our future operations.

Our commercial production and mineral exploration and development are subject to foreign laws and regulations which control the mining and exploration of mineral properties and their potential effects upon the environment. These laws and regulations are comprehensive and deal with matters such as air and water quality, mine reclamation, waste handling and disposal, the protection of certain species and the preservation of certain lands. These laws and regulations will require our company to acquire permits and other authorizations for certain activities. There can be no assurance that we will be able to acquire such permits or authorizations on a timely basis, if at all. Any delay in acquiring a permit or authorization could increase the development cost of a project and may delay the commencement of production.

Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Many aspects of mine operation and reclamation require permits from various regulatory authorities. We cannot predict what environmental legislation or regulations will be enacted or adopted in the future or how future laws and regulations will be administered or interpreted. Compliance with more stringent laws and regulations, as well as potentially more vigorous enforcement policies or regulatory agencies or stricter interpretation of existing laws, may (1) necessitate significant capital outlays, (2) cause us to delay, terminate or otherwise change our intended activities with respect to one or more projects and (3) materially adversely affect our future operations.

Our preliminary analysis of the mining activities conducted by the previous owner and operator of the Toldos mine at the San Cristobal project indicates that low-level effluents from the site may be draining into a seasonal stream which flows into the Rio Grande, which flows into the Salar de Uyuni, a salt lake to the north of the San Cristobal project. Pursuant to the recently enacted Bolivian mining code, mining companies are not liable for identified pre-existing conditions. We expect to improve the environmental situation which may currently exist at the site. We do not expect any such efforts to have a material adverse effect on our proposed operations at the San Cristobal project.

We may be unaware of existing environmental conditions on our other mineral properties which have been caused by previous or existing owners or operators of the properties. We have not sought complete environmental analyses of our mineral properties and have not conducted comprehensive reviews of the environmental laws and regulations in every jurisdiction in which we own or control mineral properties. To the extent we are subject to environmental requirements or liabilities, the cost of compliance with such requirements and satisfaction of such liabilities would reduce our net cash flow and could have a material adverse effect on our financial condition and results of operations. If we are unable to fund fully the cost of remediation of any environmental condition, we may be required to suspend operations or enter into interim compliance measures pending completion of the required remediation.

Competition--we compete against larger and more experienced companies.

The mining industry is intensely competitive. We compete with many companies that have greater financial resources, operational experience and technical capabilities than we have. Competition in the mining business could adversely affect our ability to attract requisite capital funding or acquire suitable producing properties or prospects for mineral exploration in the future. We may encounter increasing competition from other mining companies in our efforts to acquire mineral properties and to hire experienced mining professionals.

Holding Company Structure Risks--our ability to obtain dividends or other distributions from our subsidiaries may be subject to restrictions imposed by law and foreign currency exchange regulations.

We conduct, and will continue to conduct, all of our operations through subsidiaries. Our ability to obtain dividends or other distributions from our subsidiaries may be subject to restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which the subsidiaries operate. Our subsidiaries' ability to pay dividends or make other distributions to our company is also subject to their having sufficient funds to do so. If our subsidiaries are unable to pay dividends or make other distributions, our growth may be inhibited unless we are able to obtain additional debt or equity financing on acceptable terms. In the event of a subsidiary's liquidation, we may lose all or a portion of our investment in such subsidiary.

Requirement of External Financing--we may not be able to raise the funds necessary to explore and develop our mineral properties.

We will need external financing to develop and construct the San Cristobal project and to fund the exploration and development of our other mineral properties. Sources of such external financing may include bank borrowings and future debt and equity offerings. There can be no assurance that financing will be available on acceptable terms, or at all. The failure to obtain such financing could have a material adverse effect on our growth strategy and our results of operations and financial condition. The mineral properties that we are likely to develop are expected to require significant capital expenditures. There can be no assurance that we will be able to secure the financing necessary to retain our rights to, or to begin or sustain, production at our mineral properties.

Dependence on Key Personnel

We are dependent on the services of certain key executives including our chairman and our chief operating officer. The loss of these persons, other key executives or personnel, or our inability to attract and retain additional highly skilled employees required for expanding our activities, may have a material adverse effect on our business or future operations. In addition, we do not intend to maintain "key-man" life insurance on any of our executive officers or other personnel.

Substantial Control By Directors and Officers, and Certain Shareholders--the substantial control of our company by the directors and officers, and certain shareholders may have a significant effect in delaying, deferring or preventing a change in control of our company or other events which could be of benefit to our other shareholders.

As of December 31, 1998, Thomas S. Kaplan and the other directors of our company and officers of Apex Silver Mines Corporation, together with members of their families and entities that may be deemed to be affiliates of or related to such persons or entities, beneficially owned approximately 33% of the outstanding shares of our company (including approximately 1.3% owned by Paul Soros and his affiliates and approximately 6.7% owned by Eduardo Elsztain and his affiliates). In addition, as of December 31, 1998, Quantum Industrial Partners LDC and Geosor Corporation collectively owned approximately 17% of the outstanding shares of our company. George Soros, by virtue of his ownership of Geosor Corporation and his position with Soros Fund Management LLC, an investment advisor to Quantum Industrial Partners LDC, may have the power to direct the way that these shares are voted. Such a high level of ownership by such persons may have a significant effect in delaying, deferring or preventing a change in control of our company or other events which could be of benefit to our other shareholders.

METALS MARKET OVERVIEW

Silver Market

Silver has traditionally served as a medium of exchange, much like gold. While silver continues to be used for currency, the principal uses of silver can be divided into three main categories: (i) industrial uses, primarily electrical and electronic components; (ii) photography; and (iii) jewelry and silverware. According to publications of the CPM Group ("CPM"), in 1998 approximately 822.2 million ounces of silver were consumed for these and other industrial purposes, an increase of 2.4 percent from 1997. An additional 25 million ounces of silver was used to satisfy the coinage demand in 1998, an increase of 32.6 percent from 18.9 million ounces in 1997.

Silver's strength, malleability, ductility, thermal and electrical conductivity, sensitivity to light and ability to endure extreme changes in temperature combine to make silver a widely used industrial metal. Specifically, it is used in photography, batteries, computer chips, electrical contacts, and high technology printing. Silver's anti-bacterial properties also make it valuable for use in medicine and in water purification.

Most silver production is obtained from mining operations in which silver is not the principal or primary product. Approximately 76 percent of mined silver is produced as a by-product of mining of lead, zinc, gold, nickel or copper deposits. CPM estimates that in 1998 recycled or secondary supply of silver increased at its fastest rate since 1995, rising 10.2 percent to 176 million ounces, in response to higher silver prices. CPM further estimates that total silver supply (from mine production, recycling and estimated dishoarding and government stockpile sales) has been insufficient to meet industrial demand since 1990, and stockpiles have been diminishing. CPM studies indicate that approximately 630 million ounces of silver were supplied from all sources in 1998, an increase of 7.7 percent from 1997. Mine production of silver rose 6.7 percent to 448 million ounces.

The following table sets forth the London Silver Market's annual average, high and low spot price of silver in U.S. dollars per troy ounce since 1978.

<TABLE>
<CAPTION>

Year	Average	High	Low
	(U.S. dollars per troy ounce)		
<S>	<C>	<C>	<C>
1978	5.42	6.26	4.82
1979	11.06	32.20	5.94
1980	20.98	49.45	10.89
1981	10.49	16.30	8.03
1982	7.92	11.11	4.90
1983	11.43	14.67	8.37
1984	8.14	10.11	6.22
1985	6.13	6.75	5.45
1986	5.46	6.31	4.85
1987	7.01	10.93	5.36
1988	6.53	7.82	6.05
1989	5.50	6.21	5.04
1990	4.83	5.36	3.95
1991	4.06	4.57	3.55
1992	3.95	4.34	3.65
1993	4.31	5.42	3.56
1994	5.28	5.75	4.64
1995	5.19	6.04	4.41
1996	5.19	5.83	4.71
1997	5.17	6.27	4.22
1998	5.54	6.83	4.88

</TABLE>

Source: Silver Institute and Kitco

Zinc and Lead Markets

The Company anticipates that the San Cristobal project will, and that other future projects may, involve the production of economically significant quantities of metals other than silver. The Company expects that production from the San Cristobal project will include the extraction, processing and sale of significant quantities of zinc and lead contained in sulfide concentrates.

Due to the corrosion resisting property of zinc, zinc is used primarily as the coating in galvanized steel, which is widely used in construction of infrastructure, housing and office buildings. In the automotive industry, zinc is used for galvanizing and die-casting, and in the vulcanization of tires. Smaller quantities of various forms of zinc are used in the chemical and pharmaceutical industries, including fertilizers, food supplements and cosmetics, and in specialty electronic applications such as satellite receivers. Industrial consumption of zinc in 1998 was estimated in publications of the International Lead Zinc Study Group (the "ILZSG") at 6.47 million tonnes. Recycled zinc accounts for about eight percent of the zinc consumed on an annual basis. According to the ILZSG, 5.60 million tonnes of zinc were produced in 1998.

The primary use of lead is in motor vehicle batteries, but it is also used in cable sheathing, shot for ammunition and alloying, and in chemical form is used in alloys, glass and plastics. Western world industrial consumption of lead in 1998 is estimated by the ILZSG at 5.23 million tonnes. Lead is widely recycled with secondary production, accounting in recent years for approximately 55 to 60 percent of total supply. According to the ILZSG, 4.95 million tonnes of lead were produced in 1998.

The following table sets forth the annual average spot prices for zinc and lead on the London Metals Exchange since 1978.

<TABLE>
<CAPTION>

Year	Zinc	Lead
	(U.S. cents per pound)	
<S>	<C>	<C>
1978	31.0	33.7
1979	33.5	52.6
1980	34.4	41.4
1981	38.3	33.5
1982	33.7	24.7
1983	34.6	19.3
1984	41.7	20.1
1985	35.5	17.7
1986	34.1	18.4
1987	36.2	27.0
1988	56.3	29.7
1989	77.6	30.5
1990	68.9	36.7
1991	50.7	25.3
1992	56.2	24.6

1993	43.6	18.4
1994	45.3	24.9
1995	46.8	28.6
1996	46.5	35.1
1997	59.7	28.3
1998	46.4	24.0

</TABLE>

Source: Fleming Global Mining Group and ILZSG

MANAGEMENT

Executive Officers and Certain Personnel

Apex Limited has no executive officers. Under the Companies Law (1995 Revision) of the Cayman Islands, directors are authorized to bind the corporation that they represent. Apex Limited has entered into a Management Services Agreement pursuant to which it has engaged Apex Silver Mines Corporation ("Apex Corporation") to provide a broad range of corporate management and advisory services. Set forth below are certain personnel of the Company and its subsidiaries.

<TABLE>
<CAPTION>

Name	Age	Position
Thomas S. Kaplan	36	Chairman of Apex Limited, and Chief Executive Officer of Apex Corporation
Keith R. Hulley	59	President and Chief Operating Officer, Apex Corporation
Marcel F. DeGuire	49	Vice President of Corporate Development, Apex Corporation
Mark A. Lettes	49	Vice President Finance and Chief Financial Officer, Apex Corporation
Larry J. Buchanan	54	Chief Geologist, Apex Corporation
Douglas M. Smith, Jr.	55	Vice President Exploration, Apex Corporation
Linda Good Wilson	41	Vice President Investor Relations, Apex Corporation
Johnny Delgado Achaval	59	President and Chief Executive Officer, Andean Silver Corporation LDC

</TABLE>

Thomas S. Kaplan. Mr. Kaplan has been the Chairman of the board of directors of the Company since its inception in March 1996 and is a director and was the founder of Apex LDC and its predecessor, Apex Silver Mines Ltd., which contributed substantially all of its assets to Apex LDC in December 1994. Mr. Kaplan is a director of Litani Capital Management LDC ("Litani LDC"). In 1998, Litani LDC exchanged all its shares of Apex LDC for Ordinary Shares of the Company. At Litani's request, such shares were issued directly to Litani's shareholders. Mr. Kaplan is a principal shareholder in Consolidated Commodities Ltd., a shareholder of Apex Limited. For the past ten years, Mr. Kaplan has served as an advisor to private clients, trusts and fund managers in the field of strategic forecasting, an analytical method which seeks to identify and assess global trends in politics and economics and the way in which such trends relate to international financial markets, particularly in the developing markets of Asia, Latin America, the Middle East and Africa. Mr. Kaplan has managed numerous venture capital investments and portfolio investment accounts, and is a principal of several entities specializing in direct and portfolio investments, including Feder Information Services Corporation, Tigris Financial Group Ltd., FMS Partners L.P. and Bridge Capital Group L.P. Mr. Kaplan also serves as a director of African Plantations Corporation LDC, a Cayman Islands limited duration company which owns and operates coffee and tea plantations in eastern and southern Africa. Mr. Kaplan was educated in Switzerland and England and holds B.A., M.A., and D. Phil. degrees in History from the University of Oxford.

Keith R. Hulley. Mr. Hulley has been a director of the Company since April 1997. A mining engineer with more than 30 years experience, Mr. Hulley serves as the President and Chief Operating Officer of Apex Corporation and has served as an executive officer of Apex Corporation since its formation in October 1996. From early 1991 until he joined the Company, he served as a member of the board of directors and the Director of Operations at Western Mining Holdings Limited Corporation, a publicly traded international nickel, gold and copper producer. At Western Mining, Mr. Hulley's responsibilities included supervising on a global basis strategic planning, mine production, concentrating, smelting, refining and sales. During this period, Western Mining produced on an annual basis approximately 90,000 tonnes of nickel, 700,000 ounces of gold, 80,000 tonnes of refined copper and 1,500 tonnes of uranium oxide. Mr. Hulley also supervised the development and operation of Western Mining's Mount Keith open-pit nickel mine, an A$450 million mining project. Prior to joining Western Mining, Mr. Hulley was the President, Chief Executive Officer and Chairman of the board of directors of USMX Inc., a publicly traded precious-metals exploration company. Mr. Hulley has also served as the President of the minerals division and Senior Vice President for Operations of Atlas Corporation, where he was in charge of mining exploration, development and production. Previously he was Vice President of Mining and Development of the U.S. division of BP Minerals, Inc. Over the course of his career, Mr. Hulley has worked

as a miner and shift supervisor in the gold mines of South Africa, Mine Operation Superintendent of Kennecott Corporation's Bingham Canyon mine which processed 100,000 tonnes of ore per day, and project manager of the early phase of the Ok Tedi exploration and development projects in Papua New Guinea. A member of the American Institute of Mining and Metallurgical Engineers and a Fellow of the Australian Institute of Mining and Metallurgy, Mr. Hulley holds a B.S. in Mining Engineering from the University of Witwatersrand and an M.S. in Mineral Economics from Stanford University.

Marcel F. DeGuire. Mr. DeGuire serves as Vice President of Development of Apex Corporation. Prior to joining Apex Corporation in August 1996, he served as Vice President of Project Development and Regional Director for those jurisdictions which were formerly part of the Soviet Union for Newmont Gold Company, a subsidiary of Newmont Mining Corporation. During this period, Mr. DeGuire acted as Project Leader of Newmont's Muruntau large scale open pit heap leach gold project in Uzbekistan. This facility processes 37,800 tonnes of ore per day and was built at a cost of $225 million. Mr. DeGuire was directly involved in the joint venture negotiations leading up to the project, the subsequent feasibility studies, completion of construction and the commencement of mining operations. In addition to his work in Central Asia, Mr. DeGuire has been responsible for various feasibility analyses, including Newmont's Yanacocha gold project in Peru. During his almost 20 years with Newmont, Mr. DeGuire worked as resident manager of a uranium mine and rose to President of several of Newmont's subsidiaries and became a leading expert in environmental management and mine reclamation, serving as Newmont's Vice President of Environmental Affairs and Research and Development as well as in other senior executive positions. Mr. DeGuire is a member of the American Institute of Mining, Metallurgical and Petroleum Engineers, the Canadian Institute of Metallurgy, the Mining and Metallurgical Society of America and has published various articles on mineral processing and environmental matters. Mr. DeGuire holds a B.S. in Metallurgical Engineering from Michigan Technological University and an M.S. in Metallurgical Engineering from the University of Nevada, Reno.

Mark A. Lettes. Mr. Lettes has served as Vice President Finance and Chief Financial Officer of Apex Corporation since June 1998. Prior to joining Apex Corporation, Mr. Lettes served from late 1996 to 1998 as Vice President Trading for Amax Gold Inc. and Director of Treasury for Cyprus Amax Minerals Company, where he was responsible for all Amax Gold hedging activities. A financial professional with 25 years experience, Mr. Lettes served as Vice President and Chief Financial Officer for Amax Gold from 1994 until 1996 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 and a convertible preferred issue. Mr. Lettes started the gold hedging program at Amax Gold and was responsible for all hedging activities of Amax Gold from 1987 through June 1998, when Amax Gold merged with Kinross Gold Corporation. From 1979 through 1986, Mr. Lettes held several positions at AMAX Inc. including Manager of Corporate Development, Manager Futures Analysis and Group Planning Administration. In those positions, Mr. Lettes was responsible for planning and economic analysis activities for AMAX and for business development and acquisition functions. Transactions on which Mr. Lettes worked at AMAX included the acquisition of the remaining 50 percent of Alumax, AMAX's aluminum subsidiary. Prior to his service at AMAX and Amax Gold, Mr. Lettes held professional positions in the financial departments of United Technologies and Rockwell International from 1974 until 1979. Mr. Lettes holds a B.S. in Marketing from the University of Connecticut and an M.B.A. from Ohio State University.

Dr. Larry J. Buchanan. Dr. Buchanan serves as Chief Geologist to Apex Corporation and is a principal advisor to the Company's international operations. He joined Apex Corporation in 1995, following five years as an independent consultant from 1990 through 1994. Dr. Buchanan is a noted exploration geologist with a reputation as one of the industry's leading experts on epithermal deposits, on which he has written several definitive texts. His analysis of such deposits has given rise to the industry paradigm known as "The Buchanan Model". Dr. Buchanan has published eight geological texts, played a key role in identifying several multi-million ounce gold deposits, and developed implementation programs for numerous currently producing mines. His consulting clients have included Cyprus Minerals Company, FMC Corporation, Total Resources, Inc. and Fischer-Watt Gold Co. Inc. Dr. Buchanan is a shareholder and director of Begeyge Minera Ltda. Dr. Buchanan

holds a B.Sc. and an M.Sc. in Geological Engineering and a Ph.D in Economic Geology from the Colorado School of Mines.

Douglas M. Smith, Jr. Mr. Smith has served as Vice President of Exploration for Apex Corporation since early 1997. Mr. Smith began his career with Minas de San Luis, S.A., where he was District Geologist at the Taylotita mine in Mexico, one of the largest epithermal silver-gold deposits in the world, and subsequently became Chief Geologist. Prior to joining Apex Corporation, Mr. Smith was employed for almost 20 years by ASARCO Incorporated, which he joined in 1977. During his tenure at ASARCO, he held numerous positions including Manager of the Rocky Mountain Exploration Division and, most recently, Chief Geologist of the Latin American Exploration Division, where he was responsible for overseeing all aspects of exploration and project evaluation in Spanish-speaking countries of the Americas, including Bolivia, Peru, Chile and Mexico. Mr. Smith holds a B.S. in Geology from the University of New Mexico.

Linda Good Wilson. Ms. Wilson joined Apex Corporation as Vice President of Investor Relations in October 1997. Prior to joining Apex Corporation, Ms. Wilson served from March through October 1997 as Director of Investor Relations for Addwest Minerals, a newly listed Canadian junior gold producer. With 14 years of mining experience, Ms. Wilson spent the 10 years prior to March 1997 at Cyprus Amax in numerous positions, including Director in the Investor Relations and Treasury Department. Ms. Wilson began her career as a Geologist at AMAX Inc.'s Mount Tolman Project, a large copper-molybdenum deposit in eastern Washington. Ms. Wilson holds a B.A. in Geology from Colby College and a M.S. in Mineral Economics from the Colorado School of Mines.

Johnny Delgado Achaval. Mr. Delgado serves as the Chief Executive Officer of Andean Silver Corporation LDC. Mr. Delgado has over 30 years experience in the South American mining industry, including 15 years as President and principal shareholder of Mineria Tecnica Consultores Asociados S.A. ("Mintec"), which was one of Bolivia's leading mining consulting firms and the agent for Andean Silver Corporation LDC from the formation of its Bolivian branch in 1994 until Mintec's acquisition by the Company in 1998. Mr. Delgado founded Mintec in 1981. Prior to the formation of Mintec, Mr. Delgado worked with International Mining Company from 1966 to 1981, where he served initially as Chief of Exploration and Project Manager and then as Technical Vice President of its tungsten mining holding company, Estalsa Boliviana S.A. Both before and during his tenure at Mintec, Mr. Delgado was involved in all aspects of international mining, including the direction of major exploration efforts in Bolivia, Peru, Brazil, Ecuador, Argentina and Chile, as well as management of mining operations in Bolivia. Mr. Delgado has taught mining engineering, mining finance and mine geology. He is a member of the Geological Society of Bolivia, the Society of Bolivian Engineers and the Mining Club.

As of December 31, 1998, the Company had approximately 90 full-time employees.

Apex Corporation provides management, advisory and administrative services for the Company pursuant to a Management Services Agreement dated October 22, 1996. The services provided by Apex Corporation include identifying and evaluating investment opportunities; making recommendations to the Company's board of directors with respect to the Company's exploration and development activities; providing staffing, employees and the necessary expertise to manage the Company's affairs and monitor its exploration and development activities; and advising the Company with respect to investments, contractual and financing activities and providing financial services. The Company pays Apex Corporation a service fee in an amount equal to the direct and indirect costs incurred by Apex Corporation in providing its services, plus 10 percent of such costs.

GLOSSARY

Adit--a horizontal or nearly horizontal passage driven from the surface for the working of a mine.

Andesite--a porphyritic igneous rock with low quartz content.

Back--a mining term indicating the rock volume which is above a level in a mine; the term may also refer to the roof of a mine working.

Brecciation or Breccia--fracturing of preexisting rocks by natural forces; a rock type formed in this manner.

Bulk Mining--surface or underground mining methods applied to large bodies of ore which involve large-scale, automated excavation techniques.

Concentrate--a mineral processing product that generally describes the material that is produced after crushing and grinding ore and then effecting significant separation of gangue (waste) minerals from the metal and/or metal minerals, discarding the waste and minor amounts of metal and/or metal minerals leaving a "concentrate" of metal and/or metal minerals with a consequent order of magnitude higher content of metal and/or metal minerals than the beginning ore material.

Conceptual Study--an initial technical financial study of a project at a sufficient level of accuracy and detail to allow a decision as to whether to undertake a feasibility study with respect to a given property.

Conglomerate--a course-grained clastic sedimentary rock, composed of rounded to subangular fragments larger than two millimeters in diameter set in a fine-grained matrix of sand or silt.

Core--a sample of rock produced by diamond drilling.

Cut-off Grade--the minimum grade of mineralization or ore used to establish quantitative estimates of total mineralized ore.

Development--work carried out for the purpose of opening up a mineral deposit and making the actual ore extraction possible.

Diamond Drill--a type of rotary drill in which the cutting is done by abrasion rather than by percussion. The hollow bit of the drill cuts a core of rock which is recovered in long cylindrical sections.

Drift--a horizontal passage underground that follows along the length of a vein or mineralized rock formation.

Epithermal--said of a hydrothermal mineral deposit formed within about 1 kilometer of the earth's surface and in the temperature range of 100 to 250 degrees Celsius, occurring mainly as veins; a term applied to deposits formed at shallow depths from ascending solutions of moderate temperatures.

Exploration--work involved in searching for ore by geological mapping, geochemistry, geophysics, drilling and other methods.

Fault--a fracture in a rock where there has been displacement of the two sides.

Feasibility Study--a technical financial study of a project at sufficient level of accuracy and detail to allow a decision as to whether a given project should proceed.

Fracture--breaks in a rock, usually due to intensive folding or faulting.

Gangue--metallic or non-metallic minerals of little or no value that form the matrix of an ore.

Grade--the average assay of a ton of ore, reflecting metal content.

Heap Leaching--a process involving the percolation of a cyanide solution through crushed ore heaped on an impervious pad or base to dissolve minerals or metals out of the ore.

Hydrothermal alteration--alteration of rocks or minerals by the reaction of hydrothermal water (hot water) with preexisting solid phases.

Intrusion--in geology, a mass of igneous rock that while molten was forced into or between other rocks.

Kriging--a geostatistical estimation method for calculating a geological three dimensional model for the estimation of mineralized material and proven and probable reserves. This method was developed to provide the "best linear, unbiased estimate" for grade based on a least squares minimization of the error estimation, or Kriging errors.

Leached--the separation, selective removal or dissolving out of soluble constituents from a rock or orebody by the natural action of percolating water.

Lens--a geological deposit bounded by converging surfaces, at least one of which is curved, thick in the middle and thinning out to the edges, resembling a convex lens.

Level--a sub-horizontal working in a mine, like a drift or a tunnel, often given a number which relates its depth below an arbitrarily chosen reference point, e.g., the -300 Level usually means the working is 300 meters below some chosen reference point.

Massive--said of mineral deposits characterized by a great concentration of ore in one place, as opposed to disseminated or vein deposits.

Massive sulfides--said of massive mineral deposits in which valuable sulfide and other metallic minerals are more abundant than metallic and non-metallic gangue minerals.

Mill--a processing plant that produces a concentrate of the valuable minerals or metals contained in an ore. The concentrate must then be treated in some other type of plant, such as a smelter, to effect recovery of the pure metal.

Mineable--the portion of a resource for which extraction is technically and economically feasible.

Mineralization--the concentration of metals and their compounds in rocks, and the processes involved therein.

Mineralized Material--that part of mineral deposits (i) for which tonnage and grade are computed (a) partly from specific measurements, samples or production data compiled from appropriately spaced assays of outcrops, trenches, underground workings or drill holes and (b) partly from projections based on geological evidence, and (ii) that have not been measured and sampled with sufficient confidence to determine that the identified deposit can be economically and legally extracted at the time of such determination.

Net Smelter Return or NSR--a return based on the actual proceeds from sale of metal or mineral products received less the cost of refining or smelting at an off-site refinery.

Open Pit--a surface working open to daylight, such as a quarry.

Ore--material that can be economically mined and processed.

Ounce--a unit of measurement of weight. In the precious metals industry, one troy ounce, the equivalent of 31.103 grams.

Outcrop--the part of a rock formation that appears at the earth's surface, often protruding above the surrounding ground.

Porphyry--an igneous rock of any composition that contains conspicuous phenocrysts (large crystals) in a fine-grained rock mass.

Probable Reserves--that part of a mineral deposit which may be economically and legally extracted or produced at the time of the reserve determination for which quantity and grade and/or quality are computed from information similar to that used for proven reserves (see below), but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Proven Reserves--that part of a mineral deposit which may be economically and legally extracted or produced at the time of the reserve determination for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings and drill holes and grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and grade measurement are spaced so closely and the geological character is so well defined that size, shape, depth and mineral content of reserves are well established.

Recovery--the percentage of contained metal extracted from ore in the course of processing such ore.

Refining--the final stage of metal production in which residual impurities are removed from the metal.

Reserves--that part of a mineral deposit which may be economically and legally extracted or produced at the time of the reserve determination.

Reverse Circulation Drill--a rotary drill or rotary percussion drill in which the drilling fluid and cuttings return to the surface through the drill pipe, minimizing contamination.

Secondary enrichment/Supergene enrichment--a mineral deposition process in which near surface oxidation produces acidic solutions that leach (dissolve) minerals or metals, carry them downward, and precipitate them, thus enriching sulfide minerals already present.

Sedimentary rocks/sediments--rocks resulting from the consolidation of loose sediments that have accumulated in layers consisting of mechanically formed fragments of older rock transported from its source and deposited in water, or from air or ice.

Shaft--a vertical or steeply inclined excavation for the purposes of opening and servicing an underground mine. It is usually equipped with a hoist at the top which lowers and raises a conveyance for handling personnel and materials.

Sill--a near horizontal flat-bedded strata of intrusive rock.

Smelting--heating ore or concentrate material with suitable flux materials at high temperatures creating a fusion of these materials to produce a melt consisting of two layers on top, a slag of the flux and gangue (waste) minerals, and below molten impure metals. This generally produces an unfinished product requiring refining.

Stockwork--a mineral deposit in the form of a three dimensional network of anastomosing veinlets diffused in the host rock.

Strata-bound--a mineral deposit confined to a single stratigraphic unit.

Strike--the course or bearing of a vein or a layer of rock.

Tailings--the finely-ground waste product from ore processing.

Ton--a dry short ton (2,000 pounds).

Tonne--a metric ton (1,000 kilograms, or 2,205 pounds).

Vein--a mineralized zone having a more or less regular development in length, width and depth which clearly separates it from neighboring rock.

Waste--barren rock in a mine, or mineralization that is too low in grade to be mined and milled at a profit.

CONVERSION TABLE

In this report, figures are presented in both United States standard and metric measurements. Conversion rates from United States standard to metric and metric to United States standard measurement systems are provided in the table below.

<TABLE>
<CAPTION>

U.S. Measure	Metric Unit
<S>	<C>
2.47 acres..............	1 hectare
3.28 feet...............	1 meter
0.62 miles..............	1 kilometer
0.032 ounces (troy).....	1 gram
1.102 tons..............	1 tonne

</TABLE>
<TABLE>
<CAPTION>

Metric Measure	U.S. Unit
<S>	<C>
0.4047 hectares.........	1 acre
0.3048 meters...........	1 foot
1.609 kilometer.........	1 mile
31.103 grams............	1 ounce (troy)
0.907 tonnes............	1 ton

</TABLE>

ITEM 3: LEGAL PROCEEDINGS

None.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders in the fourth quarter of 1998.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's Ordinary Shares are listed on the American Stock Exchange under the symbol "SIL". As of March 19, 1999, the Company had approximately 90 shareholders of record and an estimated 1,800 additional beneficial holders whose Ordinary Shares were held in street name by brokerage houses.

The 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 the Company's board of directors and will depend upon the Company's earnings, receipt of dividends from its subsidiaries, financial position, capital requirements, plans for expansion and such other factors as the board of directors deems relevant.

The following table sets forth for the periods indicated the high and the low sale prices per share of the Company's Ordinary Shares for the periods indicated. The closing price of the Ordinary Shares on March 23, 1999 was $9 1/2.

<TABLE>
<CAPTION>

Period	Ordinary Shares 1998 High	1998 Low	1997 High	1997 Low
1st Quarter...............................	$14 1/8	$10 5/8	--	--
2nd Quarter...............................	$12 3/4	$ 9 3/8	--	--
3rd Quarter...............................	$10 5/16	$ 6 3/4	--	--
4th Quarter...............................	$ 9 5/8	$ 7 1/2	$13 1/16*	$11*

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* The Company's Ordinary Shares began trading on November 25, 1997; accordingly, prices are shown for a partial period.

Pursuant to a Registration Statement on Form S-1 (Registration No. 333-34685) filed in connection with the initial public offering (the "Offering") and a concurrent offering to a shareholder, which became effective on November 25, 1997, the Company sold a total 5,532,000 of its Ordinary Shares.

Since the date of the Offering, the Company estimates that of the $54.6 million net proceeds from the Offering, the following approximate amounts have been used: (1) $1,545,000 for construction of plant, building and facilities; (2) $1,300,000 for the acquisition of the business of Mintec; (3) $465,000 for the repayment of indebtedness; (4) $6,126,000 for working capital; and (5) $25,444,000 for exploration and development activities primarily related to the San Cristobal project, including land acquisition and option payments. The remaining net proceeds of the Offering were invested in cash equivalents and investments with various maturity dates. The Company believes that the above amounts are reasonable estimates of the amount of the net proceeds of the Offering applied.

Other than compensation paid, and expenses reimbursed, to directors of the Company and officers of subsidiaries of the Company, and certain payments made in connection with the Company's acquisition of Mintec to then existing shareholders of Mintec (who are currently employees of the Company), none of the net proceeds of the Offering have been paid, directly or indirectly, to directors, officers, general partners of the Company or their associates, to persons owning 10 percent or more of any class of equity securities of the Company or to affiliates of the Company.

ITEM 6: SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data for the Company for the years ended December 31, 1998, 1997, 1996 and 1995, and the periods from December 22, 1994 (inception) through December 31, 1994, and from December 22, 1994 (inception) through December 31, 1998, are derived from the audited consolidated financial statements of the Company. This table should be read in conjunction with the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

<TABLE>
<CAPTION>

	Year ended December 31,				December 22, 1994 (inception) through December 31,	
	1998	1997	1996	1995	1994	1998
	(dollars in thousands, except per share amounts)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations:						
Interest income.........	$ 2,444	$ 962	$ 575	$ 462	$ 15	$ 4,458
Total income............	2,444	962	575	462	15	4,458
Expenses						
Exploration............	5,148	9,754	9,591	1,560	105	26,158
Administrative.........	5,067	4,130	1,924	982	148	12,251
Consulting.............	2,258	1,523	2,506	560	145	6,992
Professional fees......	832	391	1,096	657	20	2,996
Amortization and depreciation...........	169	149	57	57	--	432
Total expenses..........	13,474	15,947	15,174	3,816	418	48,829
Loss before minority interest...............	(11,030)	(14,985)	(14,599)	(3,354)	(403)	(44,371)
Minority interest.......	--	--	2,876	1,493	190	4,559
Net loss for the period.................	$(11,030)	$(14,985)	$(11,723)	$(1,861)	$ (213)	$ (39,812)
Net loss per Ordinary Share..................	$ (0.42)	$ (0.72)	$ (0.66)	$ (0.12)	$ (0.01)	$ (1.96)
Weighted average number of Ordinary Shares outstanding	26,212	20,930	17,672	15,900	15,900	20,349
Cash Flow Data:						
Net cash provided by (used in) financing activities.............	$ (267)	$ 55,008	$ 35,269	$ 6,430	$ 686	$ 97,126
Net cash used in operating activities...	(10,641)	(17,776)	(12,092)	(3,491)	(329)	(44,329)
Net cash used in investing activities...	(19,908)	(6,148)	(524)	--	--	(26,580)
Net increase (decrease) in cash................	$(30,816)	$ 31,084	$ 22,653	$ 2,939	$ 357	$ 26,217

</TABLE>

<TABLE>
<CAPTION>

December 31,

<S>	1998 <C>	1997 <C>	1996 <C>	1995 <C>	1994 <C>
	(dollars in thousands)				
Balance Sheet Data:					
Total assets.............................	$62,347	$73,329	$26,797	$6,820	$9,929
Total liabilities........................	3,950	4,100	2,486	359	114
Minority interest........................	--	--	--	2,876	4,369
Shareholders' equity.....................	58,397	69,229	24,311	3,585	5,446

</TABLE>

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements of the Company and the Selected Financial Data and related notes thereto included elsewhere in this Form 10-K.

Apex Silver Mines Limited (the "Company") is a mining exploration and development company that holds a portfolio of silver exploration and development properties in South America and Central America. None of these properties are in production and, consequently, the Company has no current operating income or cash flow.

Background

In mid-1993, Apex Silver Mines Ltd. ("Apex Bermuda") was established to acquire and develop silver exploration properties throughout the world.

On December 22, 1994, Apex Bermuda contributed substantially all of its assets to Apex Silver Mines LDC ("Apex LDC"), a limited duration company formed under the laws of the Cayman Islands.

In March of 1996, Apex Silver Mines Limited ("Apex Limited"), a limited liability company formed under the laws of the Cayman Islands, was incorporated in order to facilitate the 1996 Private Placement. In connection with the 1996 Private Placement, Apex Limited issued Ordinary Shares to certain of the non-U.S. investors in Apex LDC in exchange for their interests in Apex LDC. These transactions and the 1996 Private Placement were completed effective August 6, 1996. In addition, certain minority shareholders of Apex LDC were entitled to exchange their shares of Apex LDC for Ordinary Shares of Apex Limited on a one for one basis. During 1998, Apex Limited exchanged 7,079,006 of its Ordinary Shares for an equal number of Apex LDC shares. Such shares are included in the 26,250,761 Apex Limited Ordinary Shares outstanding at December 31, 1998. At December 31, 1998, Apex Limited owned 100 percent of Apex LDC.

The Initial Public Offering

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". 3,720,000 Ordinary Shares were offered initially in the United States and Canada by the U.S. Underwriters, 450,000 Ordinary Shares were offered initially outside the United States by the International Underwriters and 830,000 Ordinary Shares were offered in a concurrent offering by the Company directly to a shareholder. In addition, on December 23, 1997, the underwriters exercised their 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.

The San Cristobal Project

From 1994 to 1998, the properties comprising the San Cristobal project were acquired in a series of transactions. In 1996 the Company began exploring these properties, and discovered the presence of a significant silver, zinc and lead deposit with the potential to be developed as a large-scale open-pit mining project. In the fall of 1996, an in-fill drilling program using reverse circulation and diamond core drilling was continued in order to delineate the deposit and to provide information to be used in a reserve determination. In addition, an expanded exploration effort at the San Cristobal project resulted in the discovery of additional silver and base metal anomalies. On August 15, 1997, the Company acquired the 2.5 percent minority interest in ASC Bolivia for 268,496 Ordinary Shares of the Company valued at $11 per share. The primary asset of ASC Bolivia is the San Cristobal project. Accordingly, the total consideration of $2,953,456 was capitalized as mining properties.

Drilling on the San Cristobal property during 1998 more than doubled the proven and probable reserves. Based on the results of a pre-feasibility study on the San Cristobal project and drill results through 1998, the proven and probable reserves at San Cristobal contain 509 million ounces of silver, 4.1 million tonnes of zinc and 1.4 million tonnes of lead. Since the 1998 drilling program indicated that the San Cristobal deposit is still open in many directions, including at depth, the Company conducted a drilling program during early 1999 to demonstrate the lateral continuation of mineralization.

The Company is targeting the completion of a bankable feasibility study of the San Cristobal project by mid-year 1999 with a goal of securing committed financing by the end of 1999. As part of this study, proposals for power supply, transportation, and smelting and refining of metal concentrates are being evaluated. Construction is expected to begin soon thereafter and commercial production should commence in 2002. The San Cristobal project is expected to consist of a large scale, open pit mining operations using conventional mining and processing technologies capable of producing and processing an aggregate 40,000 tonnes per day ("tpd") of ore.

During January 1999, the Company completed an engagement letter appointing Barclays Capital ("Barclays") and Deutsche Bank Securities Inc. ("Deutsche Bank") as Co-Lead Arrangers to provide exclusive financial arranging services in regard to development of the San Cristobal project. Under the terms of the engagement letter, Barclays and Deutsche Bank will help develop an optimal capital structure for San Cristobal by reviewing debt financing options through banks and debt capital markets as well as support from development agencies. In addition, Barclays and Deutsche Bank will provide independent technical and legal reviews of the project as well as providing advice in the areas of insurance coverage and risk management stratagies. Barclays' and Deutsche Bank are under no obligation to provide financing for the San Cristobal project.

Other Projects

The Company is also evaluating the economic viability of the Cobrizos property in Bolivia and the Platosa property in Mexico.

The Cobrizos property is located approximately 12 kilometers north of the San Cristobal project. Recent drilling by the Company suggests the presence of approximately 10.8 million tonnes of mineralized material containing 3.4 ounces of silver per tonne. This mineralized material estimate has been calculated by Mine Reserves Associates, Inc., an independent mine geology consulting firm. The mineralized body is amenable to open pit mining and is being considered as a satellite mining operation to the San Cristobal project.

The Platosa property is located in the Durango State in northern Mexico. A first stage drill program intersected high grade massive sulfides in one of five drill holes. A geophysical program is being conducted to assist in the design of a follow-up drilling program. This property is in a mining district with well-established massive sulfide deposits that have been profitably mined.

Results of Operations

Interest Income. The Company does not yet produce silver or any other mineral products and has no revenues from product sales. The only source of revenue is interest income. The Company's policy is to invest all excess cash in liquid, high credit quality, short-term financial instruments. Interest income for the year ended December 31, 1998 was $2,444,357 compared to $961,810 and $574,470 for the years ended December 31, 1997 and 1996, respectively. The increase in interest income for the comparative periods was due to the additional cash raised in the 1996 Private Placement and the 1997 Offering.

Exploration. Mineral exploration expenditures are expensed as incurred prior to the determination of the feasibility of mining operations. Once it has been determined that a mineral property has proven and probable ore reserves, subsequent development and exploration expenses are capitalized. Through December 31, 1998, all acquisition and exploration costs have been expensed as incurred, except those pertaining to the San Cristobal project. As of September 1, 1997, the Company has capitalized exploration and development costs associated with the San Cristobal project and will continue to do so in the future.

Exploration expenses were $5,147,935 for the year ended December 31, 1998 compared to $9,754,231 and $9,590,632 for the years ended December 31, 1997 and 1996, respectively. The decrease in exploration expenses for 1998 compared to 1997 is primarily the result of the capitalization of exploration costs associated with the San Cristobal project beginning September 1, 1997.

Administrative. Administrative expenses were $5,066,652 for the year ended December 31, 1998, compared to $4,129,623 and $1,923,165 for the years ended December 31, 1997 and 1996, respectively. The increase in administrative expenses for 1998 compared to 1997 is primarily the result of increased salaries and benefits, insurance costs, and rents related to the increased activity and personnel associated with the development and financing of the

San Cristobal project. The increase in 1997 as compared to 1996 is primarily the result of increased expenditures related to the hiring of key management personnel, the opening of the Apex Silver Mines Corporation ("Apex Corporation") Denver office and employee and director stock option compensation expense incurred in 1997.

Consulting. Consulting fees were $2,257,647 for the year ended December 31, 1998 compared to $1,523,116 and $2,506,250 for the years ended December 31, 1997 and 1996, respectively. The increase in consulting fees for 1998 compared to 1997 is the result of increased fees associated with the financing arrangements for San Cristobal. The decrease in consulting fees for 1997 versus 1996 is primarily due to the capitalization of technical consulting fees associated with the San Cristobal project beginning September 1, 1997.

Professional Fees. Professional fees were $832,577 for the year ended December 31, 1998, compared to $390,369 and $1,096,271 for the years ended December 31, 1997 and 1996, respectively. The increase in 1998 professional fees compared to 1997 was primarily due to higher legal and accounting fees associated with being a public company. The decrease from 1996 to 1997 was primarily due to the capitalization of costs associated with the Offering.

Income Taxes. Apex Corporation, the Company's U.S. management services company, is subject to U.S. income taxes. Otherwise the Company pays no income tax in the U.S. since the Company is incorporated in the Cayman Islands and conducts no business that currently generates U.S. taxable income. There is currently no corporate taxation imposed by the Cayman Islands. If any form of taxation were to be enacted in the Cayman Islands, the Company has been granted exemption until January 16, 2015.

Employee Benefits

The Company does not provide any post-retirement or post-employment benefits to its employees and therefore does not accrue for such expenses. In 1997, Apex Corporation instituted a 401(k) Plan for its U.S. employees. Apex Corporation makes monthly contributions to this 401(k) Plan, and currently matches 50 percent of each employee's contribution up to an employee contribution of six percent of base salary. Employees vest in the Company's contribution at 50 percent after one year of service and 100 percent after two years of service.

Under the Company's approved Bonus Plan, bonuses in the amount of $253,400 were awarded to employees during 1998 for services performed during the year. The awards were paid in the form of cash of $67,775 and 21,838 Ordinary Shares of restricted stock valued at $185,625 using an award date market value of $8.50. Such shares are restricted for two years from the date of issuance and may not be traded or pledged during that period. Should the employee terminate during the restricted period the shares are forfeited to the Company. These shares are included in the outstanding shares at December 31, 1998.

Liquidity and Capital Resources

As of December 31, 1998, the Company had cash and cash equivalents of $26,217,241 compared to $57,033,193 at December 31, 1997. The December 31, 1997, cash and cash equivalents balance was primarily the proceeds from the December 1997 Offering. The decrease in cash and cash equivalents during 1998 is the result of the Company's investment of $18,486,098 in the development of the San Cristobal project, $1,421,467 to purchase plant, buildings and equipment and expenditures related to operations of $10,641,471. In addition the Company paid down $464,639 of its long-term debt.

The Company is subject to a series of obligations with respect to its mineral properties; the failure to meet any of these commitments could result in the loss or forfeiture of one or more of the Company's properties. These obligations consist of government mineral patent fees and commissions, work commitments, lease payments and advance royalties. Also, a number of the Company's property interests derive from contractual purchase options. In order to acquire such properties, the Company will be obliged to make certain payments to the registered concession holders and others who have interests in the properties. In addition, it is anticipated that significant expenditures will be made for other continuing exploration, property acquisition, property evaluation and general corporate expenses. All such obligations and anticipated expenditures will be funded from existing cash balances for the next twelve months.

The Company does not currently have a line of credit with any financial institution.

The Company's future revenues and earnings will be influenced by world market prices for silver, zinc, lead, copper and gold, and by currency exchange and interest rates that fluctuate and over which the Company has no control. The Company may from time to time choose to hedge its metal, interest rate and/or currency exposure in order to decrease fluctuations in earnings and revenues. The Company is currently developing policies, procedures and guidelines for the hedging of metal prices, interest rates and foreign currency exposure.

The Company does not know of any trends, demands, commitments, events or incidents that may result in the Company's liquidity either materially increasing or decreasing at present or in the foreseeable future.

The development program at the San Cristobal project will require significant external financing. Sources of financing may include bank borrowings and future additional debt or equity financing. In January 1999, the Company completed an engagement letter appointing Barclays and Deutsche Bank as Co-Lead Arrangers for the project financing of the San Cristobal project. There can be no assurance that the required financing will be obtainable on terms that are attractive to the Company, or at all.

As of the date hereof, the Company does not plan to declare or pay a dividend.

Environmental Compliance

The Company's current and future mining and processing operations and exploration activities will be subject to various federal, state and local laws and regulations in the countries in which it conducts its activities, which govern the protection of the environment, prospecting, development, production, taxes, labor standards, occupational health, mine safety, toxic substances and other matters. Management does not believe that compliance with such laws and regulations will have a material adverse effect on its competitive position. The Company intends to obtain all licenses and permits required by all applicable regulatory agencies in connection with its mining operations and exploration activities. The Company intends to maintain standards of environmental compliance consistent with best contemporary industry practice.

The Company's preliminary analysis of the mining activities conducted by the previous owners and operators of the Toldos mine at the San Cristobal project indicates that some low level effluents from the site may be draining into a seasonal stream which flows into the Rio Grande, which flows into the Salar de Uyuni, a salt lake to the north of the San Cristobal project. Pursuant to the recently enacted Bolivian Mining Code, mining companies are not liable for identified pre-existing conditions Nonetheless, during construction and operations the Company expects to improve the environmental situation which may currently exist at the Toldos property. The Company does not expect any such efforts to have a material adverse effect on the Company's proposed construction or operations at the San Cristobal project.

Year 2000 Date Conversion

The inability of certain computer programs to interpret "00" as the year 2000 does not appear to be a significant problem for the Company. As of December 31, 1998, the Company does not maintain a mainframe

computer or central database, and the accounting system is supported by personal computers and their related software. The Company believes that its computer systems are year 2000 compliant. Notwithstanding this fact, the Company, for reasons independent of year 2000 issues, expects to complete installation of upgraded accounting software at its major locations by mid 1999. All such software is year 2000 compliant. To further mitigate the risk of data loss or corruption, the Company performs regular tape backups of all files, stays in contact with software manufacturers regarding updates to their products and keeps informed of the latest developments concerning year 2000 issues. The Company's costs with respect to the year 2000 issue have been minimal.

The Company is in a development stage and as such does not expect to have any customers until after the year 2000. The Company has not evaluated whether its suppliers and other service providers are year 2000 compliant. However, the Company does not believe that the failure of its suppliers and service providers to timely achieve year 2000 compliance would have a material adverse affect on earnings. Accordingly the Company has not developed a contingency plan at this time. The Company will continue to monitor the need for a contingency plan as additional information is acquired.

Forward-Looking Statements

This filing contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements, other than statements of historical facts, included in this filing which address activities, events or developments that the Company expects, believes, intends or anticipates will or may occur in the future, including such matters as future investments in existing development projects and the acquisition of new mineral properties (including the amount and nature thereof), business strategies, mine development and construction plans, costs, grade production and recovery rates, permitting, financing needs from external sources, the availability of financing on acceptable terms, the timing of engineering studies and environmental permitting, and the markets for silver, zinc and lead, are forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not even be anticipated. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify uncertainties. The Company believes the expectations reflected in those forward looking statements are reasonable. However, the Company cannot assure that such expectations will prove to be correct. Future events and actual results, financial and otherwise, could differ materially from those set forth in or contemplated by the forward-looking statements herein.

Factors that could cause actual results to differ materially include, among others: worldwide economic and political events affecting the supply of and demand for silver, zinc, and lead; volatility in market prices of silver, zinc and lead; financial market conditions, and availability of financing on terms acceptable to the Company; uncertainties associated with the development of a new mine, including potential cost overruns and the unreliability of estimates in early stages of mine development; variations in ore grade and other characteristics affecting mining, crushing, milling and smelting operations and mineral recoveries; geological, technical, permitting, mining and processing problems; the availability of and timing of acceptable arrangements for power, transportation, water and smelting; the availability of experienced employees; and variations in smelting operations and capacity. Many such factors are beyond the Company's ability to control or predict. The reader is cautioned not to put undue reliance on forward looking statements. The Company disclaims any intent or obligation to update publicly the forward looking statements, whether as a result of new information, future events or otherwise.

Item 7A: Quantitative and Qualitative Disclosures About Market Risk

Currently, the Company's major principal cash balances are held in U.S. dollars. Subsidiary cash balances in foreign currencies are held to minimum balances and therefore have a minimum risk to currency fluctuations. As a result of its operations in several foreign countries the Company may in the future engage in hedging activities to minimize the risk of exposure to currency and interest rate fluctuations.

To complete the financing necessary to develop its mineral properties, including San Cristobal, the Company anticipates that it will be required to hedge some portion of its planned production in advance. In addition, as its mineral properties are brought into production and the Company begins to derive revenue from the production, sale and exchange of metals, the Company may utilize various price-hedging techniques to lock in forward delivery prices on a portion of its production. Such price-hedging techniques would be balanced to mitigate some of the risks associated with fluctuations in the prices of the metals the Company produces while allowing the Company to take advantage of rising metal prices should they occur.

The Company is currently developing policies, procedures and guidelines for the hedging of metal prices, interest rates and foreign currency exposure. There can be no assurance that the use of hedging techniques will always benefit the Company.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements and supplementary information filed as part of this Item 8 are listed under Part IV, Item 14, "Exhibits, Financial Statement Schedules and Reports on Form 8-K" and contained in this Form 10-K at page F-1.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10: DIRECTORS OF THE REGISTRANT AND CERTAIN EXECUTIVE OFFICERS OF APEX CORPORATION

Information regarding directors of Apex Limited and certain executive officers of Apex Corporation is incorporated by reference to the section entitled "Election of Directors" in the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 1999 Annual Meeting of Shareholders (the "Proxy Statement").

ITEM 11: EXECUTIVE COMPENSATION

Reference is made to the information set forth under the caption "Executive Compensation and Other Information" in the Company's Proxy Statement, which information (except for the Report of the Board of Directors on Executive Compensation and the Performance Graph) is incorporated herein by reference.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Reference is made to the information set forth under the caption "Security Ownership of Principal Shareholders and Management" in the Company's Proxy Statement, which information is incorporated herein by reference.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Reference is made to the information contained under the caption "Certain Transactions" contained in the Company's Proxy Statement, which information is incorporated herein by reference.

PART IV

ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Form 10-K or incorporated by reference.

1. The consolidated financial statements of the Company are listed on the "Index to Financial Statements", on Page F-1 to this report.

2. Financial Statement Schedules (omitted because not material or not applicable).

(b) Reports on Form 8-K (none).

(c) Exhibits.

EXHIBITS

<TABLE>
<CAPTION>

Exhibit Number	Description of Exhibits
<C>	<S>
3.1	Amended and restated Memorandum of Association of the Company.*
3.2	Amended and restated Articles of Association of the Company.*
4.1	Specimen of certificates representing the Company's Ordinary Shares, par value U.S. $0.01 each.**
10.1	Summary of the Company's 401(k) Plan.**
10.2	Management Services Agreement among the Company and its subsidiaries.**
10.3	Non-Employee Directors' Share Plan, as amended.
10.4	Employees' Share Option Plan.
10.5	Form of Option Grant to Non-Employee Directors dated April 10, 1997.***
10.6	Employment contract between the Company and Marcel F. DeGuire, dated July 23, 1996.**
10.7	Employment contract between the Company and Mark A. Lettes, dated May 19, 1998.
10.8	Employment contract between the Company and Keith R. Hulley, dated August 4, 1996.**
10.9	Employment contract between the Company and Douglas M. Smith Jr., dated January 21, 1997.**
10.10	English translation of Deed of Lease and Purchase Option Contract between Monica de Prudencio and Mineria Tecnia Consultores Asociados, S.A. ("Mintec"), dated November 7, 1994, regarding the Tesorera concession, with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.11	English translation of Assignment Agreement between ASC Bolivia LDC and Mintec regarding the rights to the above agreement, with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.12	English translation of the Lease and Purchase Option Contract between Empresa Minera Yana Mallcu S.A. and Mintec, dated February 7, 1996, regarding the Toldos concession, with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.13	English translation of the Assignment of Lease and Purchase Option Agreement among Banco Industrial S.A., Mintec and ASC Bolivia LDC, with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.14	English translation of the Purchase Option Agreement between Mintec and Litoral Mining Cooperative Ltd., dated August 17, 1995, regarding the Animas concession, with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.15	English translation of the Assignment and Assumption Agreement between Mintec and ASC Bolivia LDC, dated May 22, 1996, regarding the Animas concession, with an attached note from Keith Hulley, a director of the

Company, as required by Rule 306 of Regulation S-T.**

10.16	English translation of the Purchase Agreement between ASC Bolivia LDC and Litoral Mining Cooperative Ltd., regarding the Animas concessions with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.17	English translation of the Joint Venture Agreement between Corporacion Minera Boliviano S.A.("Comibol") and ASC Bolivia LDC, regarding the Cobrizos Concession, with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.18	English translation of the Joint Venture Agreement between Comibol and ASC Bolivia LDC regarding the Choroma Concession, with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.19	Mining Agreement between Compania Minera Ocote and Kerry A. McDonald, dated June 24, 1994, regarding the El Ocote concession.**

</TABLE>

<TABLE>
<CAPTION>

Exhibit Number	Description of Exhibits
<C>	<S>
10.20	Assignment and Assumption Agreement between Kerry A. McDonald and Cordilleras Silver Mines Ltd., dated September 27, 1994, regarding the assignment of the above Mining Agreement.**
10.21	Acknowledgment from Bruce Wallis in his capacity as President of Compania Minera Ocote S. deR. L. that Cordilleras Silver Mines (Cayman) LDC has been assigned Kerry A. McDonald's rights under the above Mining Agreement, dated July 10, 1995.**
10.22	English translation of the agreement between Andean Silver Corporation LDC and 190 of the co-owners of the assets which previously belonged to Empressa Minera San Juan de Lucanas, S.A. ("EMSJ"), regarding the San Juan de Lucanas concession, dated January 12, 1995, with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.23	English translation of the agreement between Andean Silver Corporation LDC and 133 of the co-owners of the assets which previously belonged to EMSJ, regarding the San Juan de Lucanas concession, dated January 12, 1995, with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.24	English translation of the form of agreement between 16 individuals who are some of the co-owners of the assets which previously belonged to EMSJ, regarding the San Juan de Lucanas concession, with an attached note from Keith Hulley, a director of the Company, as required by Rule 306 of Regulation S-T.**
10.25	Board Designation Agreement, dated October 28, 1997, by and between the Company and Silver Holdings.**
10.26	Registration Rights and Voting Agreement, dated October 28, 1997, by and among the Company, Silver Holdings, Consolidated, Argentum, Aurum LLC and Thomas S. Kaplan.**
10.27	Amended and Restated Voting Trust Agreement, dated October 29, 1997, between Thomas Kaplan and Consolidated.**
10.28	Amended and Restated Voting Trust Agreement, dated October 29, 1997, between Thomas Kaplan and Argentum LLC.**

10.29	English translation of the Purchase Agreement between Monica de Prundencio and ASC Bolivia, regarding the Tesorera and Jayula concessions, dated September 3, 1997, with an attached note from Keith Hulley as required by Rule 306 of Regulation S-T.**
21	List of Subsidiaries.
23	Consent of PricewaterhouseCoopers LLP.
27	Financial Data Schedule.

</TABLE>

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* Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

** Incorporated by reference to the Company's Registration Statement on Form S-1 (File No. 333-34685).

*** Incorporated by reference to Exhibit 4.3 in the Company's Registration Statement on Form S-8 (File No. 333-53185)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed March 26, 1999 on its behalf by the undersigned, thereunto duly authorized.

Apex Silver Mines Limited
Registrant

By: /s/ Thomas S. Kaplan
____
Thomas S. Kaplan
Chairman, Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant, in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ Thomas S. Kaplan ________________________________ Thomas S. Kaplan	Director	March 26, 1999
/s/ Michael Comninos ________________________________ Michael Comninos	Director	March 26, 1999
/s/ Harry M. Conger ________________________________ Harry M. Conger	Director	March 26, 1999
/s/ Eduardo S. Elsztain ________________________________ Eduardo S. Elsztain	Director	March 26, 1999

	Director	March 26, 1999
David Sean Hanna		
/s/ Ove Hoegh	Director	March 26, 1999
Ove Hoegh		
/s/ Keith R. Hulley	Director	March 26, 1999
Keith R. Hulley		
/s/ Richard Katz	Director	March 26, 1999
Richard Katz		
/s/ Paul Soros	Director	March 26, 1999
Paul Soros		

</TABLE>

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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<TABLE>
<CAPTION>

</TABLE>

REPORT OF MANAGEMENT

Management is responsible for the preparation of the accompanying financial statements and for other financial and operating information appearing in the annual report. It believes that its accounting systems and internal accounting controls, together with other controls, provide assurance that all accounts and records are maintained by qualified personnel in requisite detail, and accurately and fairly reflect transactions of Apex Silver Mines Limited and its subsidiaries in accordance with established policies and procedures.

The Board of Directors has an Audit Committee, all of whose members are neither officers nor employees of the Company or its affiliates. The Audit Committee recommends independent public accountants to act as auditors for the Company for consideration by the Board of Directors; reviews the Company's financial statements; confers with the independent accountants with respect to the scope and results of their audit of the Company's financial statements and their reports thereon; reviews the Company's accounting policies, tax matters and internal controls; and oversees compliance by the Company with the requirements of federal regulatory agencies. Access to the Audit Committee is given to the Company's financial and accounting officers and independent accountants.

<TABLE>

<S>	<C>
/s/ Thomas S. Kaplan	/s/ Mark A. Lettes
Thomas S. Kaplan	Mark A. Lettes
Chairman	Vice President and Chief Financial Officer
Apex Silver Mines Limited	Apex Silver Mines Corporation

</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of Apex Silver Mines Limited

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Apex Silver Mines Limited (successor to Apex Silver Mines LDC) and its subsidiaries at December 31, 1998 and 1997 and the results of their operations and their cash flows for the years ended December 31, 1998, 1997 and 1996 and the period from December 22, 1994 (inception) through December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Denver, Colorado
March 24, 1999

APEX SILVER MINES LIMITED

A Development Stage Company

CONSOLIDATED BALANCE SHEET
(Expressed in United States dollars)

<TABLE>
<CAPTION>

<S>	December 31, 1998 <C>	December 31, 1997 <C>
ASSETS		
Current assets		
Cash and cash equivalents	$ 26,217,241	$ 57,033,193
Accrued interest receivable	126,332	102,412
Amounts due from affiliates	--	722,717
Prepaid expenses and other assets	1,197,622	968,050
Current assets	27,541,195	58,826,372
Mining properties and development costs	29,777,360	11,888,258
Plant, buildings and equipment (net)	2,229,584	1,149,842
Value added tax recoverable	2,725,803	1,351,004
Deferred organizational costs (net)	56,592	113,183
Other	16,500	--
Total assets	$ 62,347,034	$ 73,328,659
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accrued salaries, wages and benefits	$ 154,800	$ 40,736
Accounts payable and other accrued liabilities	1,580,123	553,130
Current portion of long-term debt	248,773	412,408
Current liabilities	1,983,696	1,006,274
Long-term debt	1,966,588	3,093,788
Commitments and contingencies (Note 12)	--	--
Shareholders' equity		
Ordinary Shares, $.01 par value, 75,000,000 shares authorized; 26,250,761 and 19,124,916, shares issued and outstanding, respectively (See Note 1e)	262,507	191,249
Contributed surplus	97,946,434	97,819,969
Accumulated deficit	(39,812,191)	(28,782,621)
Total shareholders' equity	58,396,750	69,228,597
Total liabilities and shareholders' equity	$ 62,347,034	$ 73,328,659

</TABLE>

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

A Development Stage Company

CONSOLIDATED STATEMENT OF OPERATIONS
(Expressed in United States dollars)

<TABLE>
<CAPTION>

	Year ended December 31, 1998	Year ended December 31, 1997	Year ended December 31, 1996	For the period December 22, 1994 (inception) through December 31, 1998
<S>	<C>	<C>	<C>	<C>
Income				
Interest income.......	$ 2,444,357	$ 961,810	$ 574,470	$ 4,458,140
Total income........	2,444,357	961,810	574,470	4,458,140
Expenses				
Exploration...........	5,147,935	9,754,231	9,590,632	26,157,857
Administrative........	5,066,652	4,129,623	1,923,165	12,249,481
Consulting............	2,257,647	1,523,116	2,506,250	6,991,913
Professional fees.....	832,577	390,369	1,096,271	2,997,438
Amortization and depreciation.........	169,116	149,429	57,392	432,528
Total Expense.......	13,473,927	15,946,768	15,173,710	48,829,217
Loss before minority interest..............	(11,029,570)	(14,984,958)	(14,599,240)	(44,371,077)
Minority interest in loss of Consolidated subsidiary............	--	--	2,875,927	4,558,886
Net loss for the period............	$(11,029,570)	$(14,984,958)	$(11,723,313)	$(39,812,191)
Net loss per Ordinary Share--Basic and diluted(1)............	$ (0.42)	$ (0.72)	$ (0.66)	$ (1.96)
Weighted average Ordinary Shares outstanding (See Note 1e)....................	26,212,009	20,929,882	17,672,206	20,348,742

</TABLE>

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(1) Diluted earnings per share were antidilutive for all periods presented

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

APEX SILVER MINES LIMITED
A Development Stage Company

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in United States dollars)

<TABLE>
<CAPTION>

<S>	Shares Outstanding <C>	Amount <C>	Contributed Surplus <C>	Accumulated Deficit & Comprehensive Deficit <C>	Total Shareholders' Equity <C>
Issuance of shares upon incorporation December 22, 1994...............	8,822,546	$ 88,225	$ 5,571,398	$ --	$ 5,659,623
Net loss and comprehensive 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......	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................	268,496	2,685	2,950,771	--	2,953,456
Issuance of shares to associates............	138,595	1,386	1,523,159	--	1,524,545
Issuance of shares for services...............	115,207	1,152	231,566	--	232,718
Stock option compensation expense...	--	--	416,562	--	416,562
Issuance of shares upon Initial Public Offering...............	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	25,001	250	197,473	--	197,723
Restricted stock awards	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

</TABLE>

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

APEX SILVER MINES LIMITED
A Development Stage Company

CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in United States dollars)

<TABLE>
<CAPTION>

<S>	Year ended December 31, 1998 <C>	Year ended December 31, 1997 <C>	Year ended December 31, 1996 <C>	For the period December 22, 1994 (inception) through December 31, 1998 <C>
Cash flows from operating activities:				
Net cash used in operating activities (See Note 11)	$(10,641,471)	$(17,776,508)	$(12,091,580)	$(44,328,776)
Cash flows from investing activities:				
Mining properties and development costs	(18,486,098)	(5,428,606)	--	(23,914,704)
Purchase of plant, buildings and equipment	(1,421,467)	(719,146)	(524,335)	(2,664,948)
Net cash used in investing activities	(19,907,565)	(6,147,752)	(524,335)	(26,579,652)
Cash flows from financing activities:				

Net proceeds from issuance of Ordinary Shares...............	--	55,007,682	35,269,068	97,675,541
Payment of debt.......	(464,639)	--	--	(464,639)
Proceeds from exercise of stock options	197,723	--	--	197,723
Deferred organizational and financing costs......	--	--	--	(282,956)
Net cash provided by (used in) financing activities.........	(266,916)	55,007,682	35,269,068	97,125,669
Net increase (decrease) in cash and cash equivalents............	(30,815,952)	31,083,422	22,653,153	26,217,241
Cash and cash equivalents beginning of period.............	57,033,193	25,949,771	3,296,618	--
End of period...........	$ 26,217,241	$ 57,033,193	$ 25,949,771	$ 26,217,241
Supplemental non-cash transactions:				
Acquisition of minority interest in ASC Bolivia for Ordinary Shares at $11 per share........	$ --	$ 2,953,456	$ --	
Acquisition of mining properties for assumption of debt...	$ --	$ 3,506,196	$ --	
Non-cash debt extinguished by one-time early cash payment (See Note 7)..................	$ 826,196	$ --	$ --	

</TABLE>

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

APEX SILVER MINES LIMITED
A Development Stage Company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)

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

a. Apex Silver Mines Limited ("Apex Limited" or the "Company") was formed under the laws of the Cayman Islands in March of 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 of 1996, Apex Limited issued 4,256,700 Ordinary Shares in a private placement transaction (the "Private Placement") for net proceeds of $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. Apex LDC was incorporated under the laws of the Cayman Islands on November 23, 1994 as a 30-year limited duration company on the contribution of all the assets of its predecessor entity, Apex Silver Mines Ltd., a Bermuda corporation. (Actual contribution occurred on December 22, 1994.) The Company's principal activity is the exploration of mineral properties. The Company participates in the acquisition and exploration of mineral properties for possible future development directly and indirectly through Apex LDC's principal subsidiaries, Andean Silver Corporation LDC ("Andean"), ASC Bolivia LDC ("ASC Bolivia"), Apex Asia LDC ("Apex Asia"), Minera de Cordilleras (Honduras), S. de R.L. ("Cordilleras Honduras"), Cordilleras Silver Mines Ltd. ("Cordilleras Bahamas"), Cordilleras Silver Mines (Cayman) LDC ("Cordilleras Cayman"), Compania Minerales de Zacatecas, S. de R.L. de C.V. ("CMZ"), Apex Silver Mines Corporation, ("Apex Corporation") and ASC Peru LDC ("ASC Peru").

e. In conjunction with the Recapitalization and the Private Placement, Apex Limited and the shareholders of Apex LDC entered into a Buy-Sell Agreement (the "Buy-Sell Agreement") which is 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 26,250,761 Apex Limited Ordinary Shares outstanding at December 31, 1998. At December 31, 1998, Apex Silver Mines 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.

f. The Company, through indirect subsidiaries, is active in Central America and South America and currently holds interests in, or is the beneficial owner of, non-producing silver resource properties in Chile, Bolivia, Honduras, Mexico and Peru. The Company is in the process of evaluating certain of its 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 joint ventures are proportionately consolidated consistent with generally accepted accounting practices in the mining industry.

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, further exploration costs and development costs are capitalized. When 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 year 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, 1998, capitalized property and development costs related to the San Cristobal project amounted to $29,777,360. No other amounts related to mineral properties have been capitalized.

e. Fixed assets

Buildings and equipment are carried at cost and are depreciated on a straight-line basis over estimated useful lives of three to thirty years.

f. Deferred organizational costs

Costs incurred in the organization of the Company have been capitalized and are being amortized on a straight-line basis over five years.

g. 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.

h. Stock compensation

As permitted under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," 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.

i. Net loss per ordinary share

In 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share, which requires the presentation of basic and diluted earnings per share. All prior period earnings per share data have been restated to conform with the provisions of this Statement.

Basic earnings per share excludes dilution and is computed by dividing net earnings available to ordinary shareholders by the weighted average number of Ordinary 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 626,571, 455,625 and 281,250 Ordinary Shares were not included in the computation of diluted earnings per share at December 31, 1998, 1997, and 1996 respectively, because to do so would have been antidilutive.

j. New accounting pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"). FAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999 (January 1, 2000 for the Company). 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 an asset's, liability's, or firm commitment's fair value, 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.

The Company has not yet determined the future impact that the adoption of FAS 133 will have on its earnings or statement of financial position.

Other pronouncements issued by authoritative bodies with future effective dates are either not applicable or not material to the consolidated financial statements of the Company.

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.

(Expressed in United States dollars)

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, 1998 and 1997, operating loss carryforwards generated by ASC Bolivia amounted to approximately $13.1 and $9.6 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.

No net deferred tax assets related to operating losses generated through December 31, 1998 by the Company's other foreign subsidiaries have been included in the accompanying financial statements, as all such assets have been entirely offset by a valuation allowance.

4. Value Added Tax Recoverable

The Company has recorded value added tax ("VAT") paid by ASC Bolivia and Cordilleras Honduras as recoverable assets. The VAT paid by ASC Bolivia is expected to be recovered through the sale of mine production. The VAT paid by Cordilleras Honduras is related to exploration activities and is recoverable upon application to the tax authorities. During 1998, Cordilleras Honduras received VAT refunds totaling $68,946. The refunds were related to VAT paid in 1996. At December 31, 1998, the recoverable VAT recorded by ASC Bolivia and Cordilleras Honduras is $2,539,586 and $186,217 respectively.

Because of the uncertainty of the recoverability of VAT paid by ASC Peru, during 1998 the Company recorded a one-time charge of $202,560 related to the ASC Peru VAT receivable. All future VAT costs incurred by ASC Peru will be charged to expense as incurred.

5. Plant, Buildings and Equipment

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

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997

	December 31, 1998	December 31, 1997
Buildings	$ 828,077	$ 410,639
Mining equipment and machinery	1,513,757	728,313
Other furniture and equipment	229,475	104,529
	2,571,309	1,243,481
Less: Accumulated depreciation	(341,725)	(93,693)
	$2,229,584	$1,149,842

Depreciation expense for the period ended December 31, 1998, 1997 and 1996 totaled $112,471, $92,838 and $801, respectively. During 1998, $135,561 of depreciation associated with the San Cristobal development was capitalized. No amounts were capitalized during 1997 and 1996.

6. Deferred Organizational Costs

	December 31, 1998	December 31, 1997
Organizational costs	$ 282,956	$ 282,956
Less: Accumulated amortization	(226,364)	(169,773)
	$ 56,592	$ 113,183

Amortization expense was $56,591 for each of the years ended December 31, 1998, 1997 and 1996.

7. Long-term Debt

The Company's long-term debt consists of the following:

	December 31, 1998	December 31, 1997
Banco de Santa Cruz	$ 515,361	$ 536,000
Barex	900,000	900,000
Banco Industrial	--	1,126,196
Monica de Prudencio	800,000	944,000
Sub-total	2,215,361	3,506,196
Less Current Portion	(248,773)	(412,408)
Total	$1,966,588	$3,093,788

The following debt was assumed as a result of the Company's decision to exercise its option to purchase the Toldos property, a portion of San Cristobal, in December 1997:

Banco de Santa Cruz--The Company made an initial payment of $53,600 on March 31, 1998. Beginning in 1999, the Company will pay $68,914 for each of the next seven years, plus interest at Banco de Santa Cruz' preferential rate of interest. As of December 31, 1998, the preferential interest rate was approximately 14%. Although the principal payments of $68,914 are due annually, the Company is required to make interest payments on a quarterly basis.

Barex--The Company will make one payment of $900,000 on December 1, 2001. No interest is due on this debt.

Banco Industrial--Originally this debt was to be paid through a 5% net smelter return royalty during the first year of production. However, on March 31, 1998, Banco Industrial agreed to extinguish the debt for a one-time payment of $300,000. The $826,196 gain on the extinguishment of this debt has been credited to mining properties and development costs.

Monica de Prudencio--This debt was acquired in September 1997, when the Company exercised its option to purchase various properties in the San Cristobal area. The total option price was $2,000,000 of which $1,020,000 was paid in cash. The remainder is being paid in 78 monthly installments of $12,000 due the fifteenth of every month until June, 2004 and a final payment of $8,000 due July 15, 2004. No interest is due on this debt.

8. Stock Option Plans

The Company has established a plan to issue share options and other awards to be valued in whole or part by reference to the Company's Ordinary 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 (the "Committee"). Options 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)

The following table summarizes stock option information:

<TABLE>
<CAPTION>

<S>	Year ended December 31, 1998 <C>	Year ended December 31, 1997 <C>	Year ended December 31, 1996 <C>
Options outstanding at beginning of period	455,625	281,250	--
Options granted during period	195,947	174,375	281,250
Options exercised during period	(25,001)	--	--
Options outstanding at end of period	626,571	455,625	281,250
Options exercisable at end of period	391,222	241,727	73,438
Weighted average grant-date fair value of options granted during period	$ 1.98	$ 1.08	$ 1.30
Weighted average remaining Contractual life	8.3 years	8.9 years	9.7 years

</TABLE>

Options granted during the period were at an average exercise price of $10.69, $8.00 and $8.00 for the years 1998, 1997 and 1996 respectively. Options granted during 1998 ranged in price from $8.25 to $12.75.

Pro forma information regarding net income is required by SFAS No. 123, and has been determined as if the Company has accounted for its stock options under the fair value method of SFAS No. 123. For purposes of calculating the fair value of options, volatility was not considered for the years ended December 31, 1997 and 1996, as the Company was non-public at the date of those grants. The volatility for 1998 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:

	Year ended December 31, 1998	Year ended December 31, 1997	Year ended December 31, 1996
Weighted average risk-free interest rate	5.55%	6.27%	6.45%
Volatility	48.10%	0.00%	0.00%
Expected dividend yield	--	--	--
Weighted average expected life (in years)	2.53	2.33	2.78

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:

	Year ended December 31, 1998	Year ended December 31, 1997	Year ended December 31, 1996
As reported			
Net loss	$(11,029,570)	$(14,984,958)	$(11,723,313)
Net loss per Ordinary Share	(.42)	(.72)	(.66)
Pro forma			
Net loss	$(11,548,400)	$(15,199,421)	$(11,852,522)
Net loss per Ordinary Share	(.44)	(.73)	(.67)

In addition, on December 15, 1998, the Company issued 21,838 of its Ordinary Shares to employees as a portion of performance bonuses paid during the year. Such shares are restricted for two years from the date of issuance and may not be traded or pledged during that period. Should the employee terminate during the restricted period the shares are forfeited to the Company. These shares are included in the outstanding shares at December 31, 1998.

9. Events Subsequent to December 31, 1998

During January 1999, the Company completed an engagement letter appointing Barclays Capital ("Barclays") and Deutsche Bank Securities Inc. ("Deutsche Bank") as Co-Lead Arrangers to provide exclusive financial arranging services in regard to development of the Company's San Crisobal project. Under the terms of the engagement letter, Barclays and Deutsche Bank will assist in the develop of an optimal capital structure for the San Cristobal project by reviewing debt financing options through banks and debt capital markets as well as support from development agencies. In addition, Barclays and Deutsche Bank will provide independent technical and legal reviews of the project as well as providing advice in the areas of insurance coverage and risk management strategies. Barclays' and Deutsche Bank are under no obligation to provide financing for the San Cristobal project. Consistent with these financing measures, the Company plans on filing a Universal Shelf Registration with the Securities and Exchange Commission by the end of the first quarter of 1999.

10. Related Party Transactions

Apex LDC engaged Tigris Financial Group Ltd. ("Tigris") and LCM Holdings LDC ("LCM") 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. LCM is wholly owned by a shareholder of the Company. The LCM consulting arrangement was terminated at the end of the first quarter of 1997, following the formation of Apex Corporation. During the years ended December 31, 1998, 1997 and 1996 fees and reimbursed expenses paid to Tigris and LCM for such services amounted to $39,637, $93,964, and $423,684, respectively. Apex Corporation has provided management, advisory and administrative services for the Company pursuant to a Management Services Agreement dated October 22, 1996, for a fee equal to 110% of certain costs incurred as provided by the agreement.

During the years ended December 31, 1997 and 1996, Apex LDC hired both individuals and companies ("associates") to perform services on its behalf in countries in which Apex LDC has mineral interests. These services include property acquisitions on Apex LDC's behalf, consulting services and administrative costs. In certain cases persons affiliated with such associates served as officers or directors of certain Apex LDC's subsidiaries. During the years ended December 31, 1997 and 1996, the total amounts charged to Apex LDC by such related associates were $7,395,441 and $5,695,193 respectively, and are included in the statement of operations under the applicable captions. Prior to 1998 all of these associates became employees or subsidiaries of Apex LDC and are no longer considered related parties.

During the year ended December 31, 1996, Apex LDC paid an associate who, until August 6, 1996, was a shareholder of certain subsidiaries of Apex LDC, $485,179 in consideration for geology services provided and disbursements made on Apex LDC's behalf. During 1997, this associate became an employee of Apex Corporation and thus, is not considered a related party.

Two individuals, one of whom is an officer of a subsidiary and a shareholder of the Company, the second of whom is an officer of certain of the Company's subsidiaries, are shareholders and directors of Begeyge Minera Ltda. ("Begeyge"), from whom the Company has the right to purchase the Suyatal Project in Honduras for an aggregate purchase price of $3,000,000 (see Note 12). Begeyge also served as an associate during the years ended December 31, 1997 and 1996. During 1996, the Company paid Begeyge $106,691 for consulting services.

APEX SILVER MINES LIMITED
A Development Stage Company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(Expressed in United States dollars)

11. Cash Flow Information

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

<TABLE>
<CAPTION>

<S>	Year ended December 31, 1998 <C>	Year ended December 31, 1997 <C>	Year ended December 31, 1996 <C>	For the period December 22, 1994 (inception) through December 31, 1998 <C>
Cash flows from operating activities:				
Net loss...............	$(11,029,570)	$(14,984,958)	$(11,723,313)	$(39,812,191)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization and depreciation.........	169,116	149,429	57,392	432,528
Minority interest in loss of consolidated subsidiary...........	--	--	(2,875,927)	(4,558,886)
Stock option compensation expense..............	--	416,562	--	416,562
Shares issued in consideration for services.............	--	1,524,545	--	1,524,545
Changes in operating assets and liabilities:				
(Increase) decrease in accrued interest receivable...........	(23,920)	(102,412)	66,112	(126,332)
(Increase) in prepaid expenses.............	(229,572)	(813,825)	(154,225)	(1,197,622)
(Increase) in Value Added Tax recoverable..........	(1,374,799)	(1,351,004)	--	(2,725,803)
(Increase) decrease in amounts due to/from affiliates...........	722,717	(1,254,800)	411,246	--
Increase (decrease) in other current assets				

(Expressed in United States dollars)

& liabilities........	1,124,557	(1,360,045)	2,127,135	1,718,423
Net cash used in operating activities...	$(10,641,471)	$(17,776,508)	$(12,091,580)	$(44,328,776)

</TABLE>

12. Commitments and Contingencies

The Company has outstanding options and other optional payments relating to certain mineral properties at December 31, 1998, as follows:

<TABLE>
<CAPTION>

Property	1999	2000	2001	2002	2003	Thereafter
Honduras						
El Coloal District(1)..........	$ 200,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ --
Suyatal(2)............	25,000	40,000	40,000	40,000	40,000	2,745,000
Bolivia						
San Cristobal.........	464,480	256,116	245,712	1,137,829	229,945	--
Choroma...............	56,357	--	--	--	--	--
Ximena Group(3).......	133,582	122,345	122,345	2,345	2,345	--
General...............	33,521	33,521	33,521	33,521	33,521	--
Pulacayo(4)...........	18,000	18,000	18,000	18,000	18,000	--
Peru						
Otuzco(5).............	54,798	54,798	54,798	54,798	54,798	--
Aventura(6)...........	15,689	15,689	15,689	15,689	15,689	--
San Juan de Lucanas(7)...........	1,292,852	42,852	42,852	42,852	42,852	--
General...............	19,600	19,600	19,600	19,600	19,600	--
Chile...................	24,080	24,080	24,080	24,080	24,080	--
Mexico						
General...............	34,900	34,900	34,900	34,900	34,900	--
San Juan Cordero(8)...	36,000	137,000	218,000	390,000	1,560,000	148,000
Saltillera & Platosa(9)..........	370,000	700,000	1,100,000	1,200,000	975,000	--
Total..............	$2,778,859	$1,573,901	$2,044,497	$3,088,614	$3,125,730	$2,893,000

</TABLE>

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(1) This district is comprised of five separate properties. Upon production, the Company would also pay a 5% net smelter return ("NSR") royalty on one of these properties.

(Expressed in United States dollars)

(2) Annual installments are not to exceed the greater of $40,000, or a 2% NSR.
(3) These payments include purchase payments of $120,000 per year plus property payments of $2,345.
(4) These payments will be applied toward a joint venture with Cooperativa Minera Pulacayo.
(5) Otuzco is comprised of five properties, two of which are leased with an option to buy. Should the Company elect to exercise these options, payments would total $550,000.
(6) Aventura is comprised of five properties, two of which are leased with an option to buy. Should the Company elect to exercise these options, payments would total $90,000.
(7) The Company has an option to purchase this property for $2.1 million payable in 15 installments. This table reflects the payments to be made after the Company made an initial payment in June 1998.
(8) San Juan Cordero is comprised of three properties. In addition to the lease payments scheduled in this table, the Company has an option to purchase two of the properties for a $462,000 payment in February 2004. In lieu of the purchase payment the Company may elect to pay $1,250,000 to the owners of the two properties through a 2.5% net smelter return royalty ("NSR"). In addition to the lease payments in this schedule the third property also carries a 2% NSR capped at $2,000,000. Also included in the lease payment schedule is $75,000 in finder's fees payable to a third party. As part of the finder's fee agreement the third party is also entitled to a 0.35% NSR capped at $425,000.

(9) With the final payment in 2003 the Company would own 65% of Saltillera and Platosa. Included in the payment schedule are $1,775,000 in lease payments and $2,570,000 of work commitments. In addition to these scheduled payments, the owners would retain a 3%, 1.5 year NSR capped at $2,000,000.

13. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, VAT recoverable, accounts payable, other current liabilities and long-term debt. Except for the VAT 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, 1998 and 1997, are as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>	<C>
VAT Recoverable..................	$2,725,803	$2,145,645	$1,351,004	$ 995,314
Long-term Debt...................	1,966,588	1,449,227	3,093,788	2,046,358

</TABLE>

The fair values of the VAT recoverable and the long-term debt are estimated based on expected discounted future cash flows.

14. Segment Information

In 1998, the Company adopted SFAS 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.

EXHIBIT 10.3

APEX SILVER MINES LIMITED
NON-EMPLOYEE DIRECTORS' SHARE PLAN

1. PURPOSE. The purpose of this Non-Employee Directors' Share Plan (the "Director Plan") of APEX SILVER MINES LIMITED (the "Company"), is to advance the interests of the Company and its shareholders by providing a means to attract and retain highly qualified persons to serve as non-employee directors of the Company and to enable such persons to acquire or increase a proprietary interest in the Company, thereby promoting a closer identity of interests between such persons and the Company's shareholders.

2. DEFINITIONS. In addition to terms defined elsewhere in the Director Plan, the following are defined terms under the Director Plan:

(a) "Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include regulations thereunder and successor provisions and regulations thereto.

(b) "Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act shall be deemed to include rules thereunder and successor provisions and rules thereto.

(c) "Fair Market Value" of a Share on a given date means the last sales price or, if last sales information is generally unavailable, the average of the closing bid and asked prices per Share on such date (or, if there was no trading or quotation in the stock on such date, on the next preceding date on which there was trading or quotation) as reported in the WALL STREET JOURNAL; PROVIDED, HOWEVER, that the "Fair Market Value" of a Share subject to Options granted effective on the date on which the Company commences an Initial Public Offering shall be the price of the shares so issued and sold, as set forth in the first final prospectus used in such Initial Public Offering.

(d) "Initial Public Offering" means an initial public offering of Shares in a firm commitment underwriting register with the U.S. Securities and Exchange Commission in compliance with the provisions of the U.S. Securities Act of 1933, as amended.

(e) "Option" means the right, granted to a director under Section 6, to purchase a specified number of Shares at the specified exercise price for a specified period of time under the Director Plan. All Options will be non-qualified Share Options.

(f) "Participant" means a person who, as a non-employee director of the Company, has been granted an Option which remains outstanding.

(g) "Share" means a share of the share capital, $.01 par value, of the Company and such other securities as may be substituted for such share or such other securities pursuant to Section 7.

3. SHARES AVAILABLE UNDER THE DIRECTOR PLAN. Subject to adjustment as provided in Section 7, the total number of Shares reserved and available for issuance under the Director Plan shall not exceed 5 percent of the Company's share capital. Such Shares may be authorized but unissued Shares, treasury Shares, or Shares acquired in the market for the account of the Participant. For purposes of the Director Plan, Shares that may be purchased upon exercise of an Option will not be considered to be available after such Option has been granted, except for purposes of issuance in connection with such Option; PROVIDED, HOWEVER, that, if an Option expires for any reason without having been exercised in full, the Shares subject to the unexercised portion of such Option will again be available for issuance under the Director Plan.

4. ADMINISTRATION OF THE DIRECTOR PLAN. The Director Plan will be administered by the board of directors (the "Board") of the Company; PROVIDED, HOWEVER, that any action by the Board relating to the Director Plan will be taken only if, in addition to any other required vote, such action is approved by the affirmative vote of a majority of the directors who are not then eligible to participate in the Director Plan.

5. ELIGIBILITY. Each director of the Company who, on any date on which an Option is to be granted under Section 6, is not an employee of the Company or any subsidiary of the Company will be eligible, at such date, to be granted an Option under Section 6. No person other than those specified in this Section 5 will be eligible to participate in the Director Plan.

6. OPTIONS. An Option to purchase the number of Shares equal to $50,000 divided by the Fair Market Value of the Shares on the date of the grant, subject to adjustment as provided in Section 7, will be automatically granted, (i) at the effective date of initial election to the Board, to each person so elected or appointed who is eligible under Section 5 at that date (the "Initial Grant"). In addition, an Option to purchase the number of Shares equal to $50,000 divided by the Fair Market Value of the Shares on the date of the grant, subject to adjustment as provided in Section 7, will be automatically granted, at the close of business of each annual meeting of shareholders of the Company, to each member of the Board who is eligible under Section 5 at the close of business of such annual meeting (the "Annual Grant"). Notwithstanding the foregoing, any person who received an Initial Grant shall not automatically receive an Annual Grant at the first annual meeting of shareholders if such annual meeting takes place within three months of the effective date of such person's receipt of an Initial Grant.

(a) EXERCISE PRICE. The exercise price per Share purchasable upon exercise of an Option will be equal to 100% of the Fair Market Value of a Share on the date of grant of the Option.

(b) OPTION EXPIRATION. A Participant's Option will expire at the earlier of (i) 10 years after the date of grant or (ii) one year after the date the Participant ceases to serve as a director of the Company for any reason.

(c) EXERCISABILITY. Each Option may be exercised commencing immediately upon its grant.

(d) METHOD OF EXERCISE. A Participant may exercise an Option, in whole or in part, at such time as it is exercisable and prior to its expiration, by giving written notice of exercise to the Secretary of the Company, specifying the Option to be exercised and the number of Shares to be purchased, and paying in full the exercise price in cash (including by check) or by surrender of Shares already owned by the Participant having a Fair Market Value at the time of exercise equal to the exercise price, or by a combination of cash and Shares.

7. ADJUSTMENT PROVISIONS.

(a) RECAPITALIZATION. The aggregate number of Shares as to which Options may be granted to Participants, the number of Shares thereof covered by each outstanding Option granted or to be granted in accordance with the formula set forth in Section 6 hereof, and the price per Share thereof in each such Option, shall all be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a subdivision or consolidation of Shares or other capital adjustment, or the payment of a Share dividend or other increase or decrease in such Shares, effected without receipt of consideration by the Company, or other change in corporate or capital structure; provided, however, that any fractional shares resulting from any such adjustment shall be eliminated. The Board may also make the foregoing changes and any other changes, including changes in the classes of securities available, to the extent it is deemed necessary or desirable to preserve the intended benefits of the Director Plan for the Company and the Participants in the event of any other reorganization, recapitalization, merger, consolidation, spin-off, extraordinary dividend or other distribution or similar transaction. Notwithstanding any other provision of the Director Plan, the Board may cause any Option granted hereunder to be canceled in consideration of a cash payment or alternative award made to the holder of such canceled Option equal in value to the Fair Market Value of such canceled Option. Notwithstanding anything to the contrary in this Section 7, no issuance of Shares effected pursuant to the terms of the Buy-Sell Agreement dated as of August 6, 1996 by and among, inter alia, the Company, Consolidated Commodities Ltd., Argentum LLC and Silver Holdings LDC or certain entities affiliated therewith, that does not constitute

a change in control shall result in any adjustment to the number or value of any Shares to be issued pursuant to any Option hereunder.

(b) INSUFFICIENT NUMBER OF SHARES. If at any date an insufficient number of Shares are available under the Director Plan for the automatic grant of Options, Options will be automatically granted proportionately to each eligible director, to the extent Shares are then available (provided that no fractional Shares will be issued upon exercise of any Option) and otherwise as provided under Section 6.

8. CHANGES TO THE DIRECTOR PLAN. The Board may amend, alter, suspend, discontinue, or terminate the Director Plan or authority to grant Options under the Director Plan without the consent of shareholders or Participants, except that any amendment or alteration will be subject to the approval of the Company's shareholders at or before the next annual meeting of shareholders for which the record date is after the date of such Board action if such shareholder approval is required by any U.S. federal or state law or regulation or the rules of any stock exchange or automated quotation system as then in effect, and the Board may otherwise determine to submit other such amendments or alterations to shareholders for approval; PROVIDED, HOWEVER, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant with respect to any previously granted Option or any previous payment of fees in the form of Shares.

9. GENERAL PROVISIONS.

(a) AGREEMENTS. Options may be evidenced by agreements or other documents executed by the Company and the Participant incorporating the terms and conditions set forth in the Director Plan, together with such other terms and conditions not inconsistent with the Director Plan, as the Board may from time to time approve.

(b) COMPLIANCE WITH LAWS AND OBLIGATIONS. The Company will not be obligated to issue or deliver Shares in connection with any Option in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any other U.S. federal or state securities law, any requirement under any listing agreement between the Company and any stock exchange or automated quotation system, or any other law, regulation, or contractual obligation of the Company, until the Company is satisfied that such laws, regulations, and other obligations of the Company have been complied with in full. Certificates representing Shares issued under the Director Plan will be subject to such stop-transfer orders and other restrictions as may be applicable under such laws, regulations, and other obligations of the Company, including any requirement that a legend or legends be placed thereon.

(c) LIMITATIONS ON TRANSFERABILITY. Options will not be transferable by a Participant except by will or the laws of descent and distribution or to a Beneficiary in the event of the Participant's death, and, if exercisable, shall be

exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative. Notwithstanding the foregoing, the Committee may, in its discretion, authorize all or a portion of the Options granted to a Participant to be on terms which permit transfer by such Participant to (i) the spouse, children or grandchildren of such Participant ("Immediate Family Members"), (ii) a trust or trusts for exclusive benefit of such Immediate Family Members, or (iii) a partnership in which such Immediate Family Members are the only partners, provided that (x) there may be no consideration for any such transfer, (y) the Option must be approved by the Committee and must expressly provide for transferability in a manner consistent with this Section, and (z) subsequent transfers of transferred Options shall be prohibited except those occurring by laws of descent and distribution. Following transfer, any such awards shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of the Director Plan, the term Participant shall be deemed to refer to the transferee. Options may not be pledged, mortgaged, hypothecated or otherwise encumbered, and shall not be subject to the claims of creditors.

(d) NO RIGHT TO CONTINUE AS A DIRECTOR. Nothing contained in the Director Plan or any agreement hereunder will confer upon any Participant any right to continue to serve as a director or advisory director of the Company.

(e) NO SHAREHOLDER RIGHTS CONFERRED. Nothing contained in the Director Plan or any agreement hereunder will confer upon any Participant (or any person or entity claiming rights by or through a Participant) any rights of a shareholder of the Company unless and until Shares are in fact issued to such Participant (or person) or, in the case an Option, such Option is validly exercised in accordance with Section 6.

(f) NONEXCLUSIVITY OF THE DIRECTOR PLAN. Neither the adoption of the Director Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements for directors as it may deem desirable.

(g) GOVERNING LAW. The validity, construction, and effect of the Director Plan and any agreement hereunder will be determined in accordance with the laws of the Cayman Islands.

10. SHAREHOLDER APPROVAL, EFFECTIVE DATE, AND DIRECTOR PLAN TERMINATION. The Director Plan will be effective as of the date of its adoption by the Board, subject to shareholder approval prior to the commencement of the Initial Public Offering, and, unless earlier terminated by action of the Board, shall terminate at such time as no Shares remain available for issuance

under the Director Plan and the Company and Participants have no further rights or obligations under the Director Plan.

AMENDMENT NO. 1 TO THE
APEX SILVER MINES LIMITED
NON-EMPLOYEE DIRECTORS' SHARE PLAN

(Effective October 15, 1998)

Pursuant to a resolution duly adopted at the meeting of the Board of Directors held on October 15, 1998, the Apex Silver Mines Limited Non-Employee Directors' Share Plan (the "Director Plan") is amended, effective as of October 15, 1998, as follows:

The first paragraph of Section 6 of the Director Plan shall be designated as Subsection A of Section 6 and a new Subsection B of Section 6 is hereby inserted after Subsection A as follows:

"B. An Option valued at $3,000 calculated using the Black-Scholes option pricing model to purchase Shares with an exercise price per share equal to that of the Fair Market Value of a Share on the date of the grant of the Option, subject to adjustment as provided in Section 7, will be automatically granted at the close of business of each meeting of the Board to each member of the Board who is eligible under Section 5, regardless of whether the member attends the meeting. The grant of an Option pursuant to this Subsection B is distinct and separate from any Option granted pursuant to Subsection A above."

The second paragraph of Section 6 of the Director Plan shall be designated as Subsection C of Section 6 and the Subsections (a), (b), (c) and (d) shall be subsections of Subsection C of Section 6 of the Director Plan.

Exhibit 10.4

APEX SILVER MINES LIMITED

EMPLOYEES' SHARE OPTION PLAN

I. Purpose.

The purpose of the Apex Silver Mines Limited (the "Company") Employees' Share Option Plan (the "Employee Plan") is to attract and retain and provide incentives to employees, officers, consultants and agents of the Company, and to thereby increase overall shareholder value. The Employee Plan generally provides for the granting of Shares options, Shares appreciation rights, restricted shares or any combination of the foregoing to the eligible participants.

II. Definitions.

(a) "Award" includes, without limitation, Share options (including incentive Share options within the meaning of Section 422(b) of the Code) with or without stock appreciation rights, dividend equivalent rights, Share awards, restricted Share awards, or other awards that are valued in whole or in part by reference to, or are otherwise based on, Shares ("other Share-based Awards"), all on a stand alone, combination or tandem basis, as described in or granted under this Employee Plan.

(b) "Award Agreement" means a written agreement setting forth the terms and conditions of each Award made under this Employee Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means (i) the commission of a felony or a crime involving moral turpitude or the commission of any other act involving dishonesty, disloyalty or fraud with respect to the Company, (ii) conduct tending to bring the Company into substantial public disgrace or disrepute, (iii) substantial and repeated failure to perform duties as reasonably directed by the Board, (iv) gross negligence or willful misconduct with respect to the Company or any of its Subsidiaries, or (v) any other material breach of any agreement between the Participant and the Company or its Subsidiaries which is not cured within 15 days after written notice thereof to the Participant.

(e) "Change of Control" shall be deemed to have occurred if, at any time following the Effective Date, (i) two of the three Founders sell or dispose of 50 percent or more of the Underlying Shares held by such

Founders on the Effective Date to any Person who was not an affiliate of the Company or such Founder on the Effective Date, (ii) at least two of the three Founders, or their respective designees, do not continue as senior managers or members of

the Board other than as a result of death or Disability, or (iii) all or substantially all of the Company's assets are sold.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(g) "Committee" means the Compensation Committee of the Board or such other committee of the Board as may be designated by the Board from time to time to administer this Employee Plan, provided however, that the Committee shall consist of at least two (2) nonemployee directors within the meaning of Rule 16b-3(b)(3).

(h) "Shares" means the Company's ordinary shares, par value US$0.01 and other rights with respect to such shares.

(i) "Company" means Apex Silver Mines Limited, an exempted limited liability company organized and existing under the laws of the Cayman Islands.

(j) "Disability" means the Participant's inability, due to illness, accident, injury, physical or mental incapacity or other disability, to carry out effectively his duties and obligations to the Company and its Subsidiaries or to participate effectively and actively in the management of the Company and its Subsidiaries for a period anticipated to last at least six (6) months, as determined in the good faith judgment of the Board. In the event the Company adopts a plan which provides for long-term disability insurance, "Disability" shall have the meaning set forth in such plan.

(k) "Employee" means an employee of the Company or a Subsidiary.

(l) "Fair Market Value" means the closing price for the Shares as officially reported on the relevant date (or if there were no sales on such date, on the next preceding date on which such closing price was recorded) by the principal national securities exchange on which the Shares are listed or admitted to trading, or, if the Shares are not listed or admitted to trading on any such national securities exchange, the closing price as furnished by the National Association of Securities Dealers through NASDAQ or a similar organization, or if NASDAQ is no longer reporting such information, or, if the Shares are not quoted on NASDAQ, as determined in good faith by resolution of the Committee (whose determination shall be conclusive), based on the best information available to it.

(m) "Founders" means Consolidated Commodities Ltd., Argentum LLC and Silver Holdings LDC and their respective shareholders or affiliates as of the date hereof.

(n) "Participant" means an employee, officer, consultant or agent who has been granted an Award under the Plan.

(o) "Plan Year" means a twelve-month period beginning with January 1 of each year.

(p) "Qualified Public Offering" means the sale in a firm commitment underwritten public offering registered under the Securities Act of Shares.

(q) "Retirement" means (i) a Participant's retirement from the Company or a Subsidiary, as applicable (other than for Cause), or (ii) as otherwise defined by the Committee.

(r) "Subsidiary" means any corporation or other entity, whether organized under the laws of the Cayman Islands or any other jurisdiction, in which the Company has or obtains, directly or indirectly, a proprietary interest of more than 50 percent by reason of Shares ownership or otherwise.

(s) "Underlying Shares" means (i) the Shares (including any Shares received by a Founder after the Effective Date pursuant to the purchase of the shares of Apex Silver Mines LDC owned by such Founder pursuant to the terms of the Buy-Sell Agreement between the Founders, the Company and Apex Silver Mines LDC and (ii) the shares of Apex Silver Mines LDC owned by any Founder.

III. Eligibility.

Any person selected by the Committee who is an employee, officer, consultant or agent of the Company or any Subsidiary, selected by the Committee is eligible to receive an Award. Notwithstanding the foregoing, only employees of the Company and any present or future corporation which is or may be a "subsidiary corporation" of the Company (as such term is defined in Section 424(q) of the Code) shall be eligible to receive incentive Share options.

IV. Employee Plan Administration.

(a) Except as otherwise determined by the Board, the Employee

Plan shall be administered by the Committee. The Board, or the Committee to the extent determined by the Board, shall periodically make determinations with respect to the participation of employees, officers, consultants and agents in the Employee Plan and, except as otherwise required by law or this Employee Plan, the grant terms of Awards, including vesting schedules, exercise, awards price, restriction or option period, dividend rights, post-retirement and termination rights, payment alternatives such as cash, Shares, contingent awards or other means of payment consistent with the

purposes of this Employee Plan, and such other terms and conditions as the Board or the Committee deems appropriate which shall be contained in an Award Agreement with respect to a Participant.

(b) The Committee may delegate to one or more of its members or to any other persons such ministerial duties as it may deem advisable. The Committee may also employ attorneys, consultants, accountants, or other professional advisors and shall be entitled to rely upon the advice, opinions or valuations of any such advisors.

(c) The Committee shall have authority to interpret and construe the provisions of the Employee Plan and any Award Agreement and make determinations pursuant to any Employee Plan provision or Award Agreement which shall be final and binding on all persons. No member of the Committee shall be liable for any action or determination made in good faith, and the members shall be entitled to indemnification and reimbursement in the manner provided in the Company's Memorandum and Articles of Association, as the same may be amended from time to time, or as otherwise provided in any agreement between any such member and the Company.

(d) No member of the Committee, nor any person to whom ministerial duties have been delegated, shall be personally liable for any action, interpretation or determination made with respect to the Employee Plan or awards made thereunder and each member of the Committee shall be fully indemnified and protected by the Company with respect to any liability he or she may incur with respect to any such action, interpretation or determination, to the extent permitted by applicable law and to the extent provided in the Company's Memorandum and Articles of Association, as amended from time to time, or under any agreement between any such member and the Company.

(e) The Committee shall have the authority at any time to provide for the conditions and circumstances under which Awards shall be forfeited. The Committee shall have the authority to accelerate the vesting of any Award and the times at which any Award becomes exercisable.

V. Shares Subject to the Provisions of this Plan.

(a) The shares of the Company's share capital subject to the provisions of this Employee Plan shall be authorized but unissued Shares. Subject to adjustment in accordance with the provisions of Section X, and subject to Section V(c) below, the total number of Shares available for grants of Awards shall not exceed 10 percent of the Company's share capital.

(b) The grant of a restricted Share Award shall be deemed to be equal to the maximum number of Shares which may be issued under the Award. Awards payable only in cash will not reduce the number of Shares available for Awards granted under the Employee Plan.

(c) There shall be carried forward and be available for Awards under the Employee Plan, in addition to Shares available for grant under paragraph (a) of this Section V, all of the following: (i) any unused portion of the limit set forth in paragraph (a) of this Section V; (ii) Shares represented by Awards which are canceled, forfeited, surrendered, terminated, paid in cash or expire unexercised; and (iii) the excess amount of variable Awards which become fixed at less than their maximum limitations.

VI. Awards Under This Employee Plan.

As the Board or Committee may determine, the following types of Awards and other Share-based Awards may be granted under this Employee Plan on a stand alone, combination or tandem basis:

(i) Share Options. A right to buy a specified number of Shares at a fixed exercise price during a specified time, all as the Committee may determine. The exercise price of options granted prior to a Qualified Public Offering shall be $8.00 per Share. The exercise price of options granted after a Qualified Public Offering shall not be less than 100 percent of the Fair Market Value of the Shares on the date of grant of the Award unless the Committee determines that an exercise price lower than Fair Market Value is warranted. In the case of incentive Share options granted to an employee owning (actually or constructively under Section 422(d) of the Code), more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or of a Subsidiary (a "10% Shareholder"), the price of any such option shall not be less than 110 percent of the Fair Market Value of the Shares on the date of grant.

(A) <u>Limitation on Time of Grant.</u> No grant of a Share Options shall be made after August 1, 2006.

(B) Term. The term of each Share option granted hereunder shall be determined by the Committee; provided that notwithstanding any other provision of the Employee Plan, in no event shall a Share option be exercisable after 10 years from the date it is granted.

(ii) Incentive Share Options. An Award in the form of a share options which shall comply with the requirements of Section 422 of the Code or any successor section as it may be amended from time to time.

(A) Limitation on Amount of Incentive Share Options. In the case of incentive Share options, the aggregate Fair Market Value (determined at the time the incentive Share options are granted) of the Shares with respect to which incentive Share options are exercisable for the first time by any

optionee during any calendar year (under all plans of the Company and any Subsidiary) shall not exceed $100,000.

(B) Limitation on Time of Grant. No grant of incentive Share options shall be made under the Employee Plan more than ten (10) years after the date the Employee Plan is approved by shareholders of the Company.

(C) Term. Notwithstanding any other provision of the Employee Plan, in no event shall incentive Share options be exercisable after ten (10) years from the date they are granted, or in the case of incentive Share options granted to a 10% shareholder, five (5) years from the date they are granted.

(iii) Share Appreciation Rights. Rights, which may or may not be contained in the grant of share options or incentive Share options, to receive in cash (or its equivalent value in Shares) the excess of the Fair Market Value of the Shares on the date the rights are surrendered over the options exercise price or other price specified in the Award Agreement.

(iv) Restricted Shares. The issuance of Shares to a Participant subject to forfeiture until such restrictions, terms and conditions as the Committee may determine are fulfilled.

(v) Dividend or Equivalent. A right to receive dividends or their equivalent in value in Shares, cash or in a combination of both with respect to any new or previously existing Award.

(vi) Share Awards. The issuance of Shares, which may be on a contingent basis, to a Participant.

(vii) Other Share-Based Awards. Other Share-based Awards which are related to or serve a similar function to those Awards set forth in this Section VI.

VII. Award Agreements.

Each Award under the Employee Plan shall be evidenced by an Award Agreement setting forth the terms and conditions of the Award and executed by the Company and Participant.

VIII. Other Terms and Conditions.

(a) Assignability. Unless provided to the contrary in any Award, no Award shall be assignable or transferable except by will or by the

laws of descent and distribution and, during the lifetime of a Participant, the Award shall be exercisable only by such Participant.

(b) Termination of Employment or Other Relationship. The Committee shall determine the disposition of the grant of each Award in the event of the retirement, disability, death or other termination of a Participant's employment or other relationship with the Company or a Subsidiary.

(c) Rights as a Shareholder. A Participant shall have no rights as a shareholder with respect to Shares covered by an Award until the date the Participant is the holder of record. No adjustment will be made for dividends or other rights for which the record date is prior to such date.

(d) No Obligation to Exercise. The grant of an Award shall impose no obligation upon the Participant to exercise the Award.

(e) Payments by Participants. The Committee may determine that Awards for which a payment is due from a Participant may be payable: (i) in U.S. dollars by personal check, bank draft or money order payable to the order of the Company, by money transfers or direct account debits; (ii) through the delivery of Shares with a Fair Market Value equal to the total payment due from the Participant; (iii) pursuant to a broker-assisted "cashless exercise" program if established by the Company; (iv) by a combination of the methods described in (i) through (iii) above; or (v) by such other methods as the Committee may deem appropriate.

(f) Exercise of Awards. Awards shall be exercisable at such times, or upon the occurrence of such event or events as the Committee shall determine at or subsequent to grant. Awards may be exercised in whole or in part. Shares purchased upon the exercise of an Award shall be paid for in full at the time of such purchase. Such payment may be made (i) the deduction of withholding and any other taxes required by law will be made from all amounts paid in cash and (ii) in the case of payments of Awards in Shares, the Participant shall be required to pay the amount of any taxes required to be withheld prior to receipt of such Shares, or alternatively, a number of Shares the Fair Market Value of which equals the amount required to be withheld may be deducted from the payment.

(g) Share Certificates. All Share certificates representing Shares acquired pursuant to the exercise of an option or any other award issued by the Company shall contain, until such time as their has been a Qualified Public Offering of Shares, a legend substantially in the following form:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED FOR HYPOTHECATED

UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES. THE SALE IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE ACT OR THE COMPANY RECEIVES AN OPINION OF COUNSEL TO THE HOLDER OF THESE SECURITIES REASONABLY SASTISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH.

IN ADDITION, THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN TRANSFERS AND VOTING RESTRICTIONS PURSUANT TO A SHAREHOLDERS' AGREEMENT AMONG THE COMPANY AND CERTAIN OF THE COMPANY'S MEMBERS. A COPY OF SUCH SHAREHOLDERS' AGREEEMENT WILL BE FURNISHED WITHOUT CHARGE BY THE COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST."

(h) Listing and Qualification of Shares. The Employee Plan and grant and exercise of options or other awards hereunder, and the obligation of the Company to sell and deliver Shares under such awards, shall be subject to all applicable United States federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. The Company, in its discretion, may postpone the issuance or delivery of Shares upon any exercise of an Award until completion of any stock exchange listing, or other qualification of such Shares under any United States federal or state law rule or regulation as the Company may consider appropriate, and may require any individual to whom an Award is granted, such individual's beneficiary or legal representative, as applicable, to make such representations and furnish such information as the Committee may consider necessary, desirable or advisable in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations.

(i) Non-Uniform Determinations. The Committee's determinations under the Employee Plan (including, without limitation, determinations of the persons to receive Awards, the form, term, provisions, amount and timing of the grant of such Awards and of the Agreements evidencing the same) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Employee Plan, whether or not such persons are similarly situated.

IX. Termination, Modification and Amendments.

(a) The Board may at any time terminate the Employee Plan or from time to time make such modifications or amendments of the Employee

Plan as it may deem advisable; provided, however, that the Board shall not make any material amendments to the Employee Plan without the approval of at least the affirmative vote of the holders of a majority of the outstanding Shares of the Company present or represented and entitled to vote at a duly held Shareholders meeting.

(b) No termination, modification or amendment of the Employee Plan may adversely affect the rights conferred by an Award without the consent of the recipient thereof.

X. Recapitalization.

The aggregate number of Shares as to which Awards may be granted to Participants, the number of Shares thereof covered by each outstanding Award and by each option Award granted or to be granted in accordance with the formula set forth in paragraph (ii) of Section VI hereof, and the price per Share thereof in each such Award, shall all be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a subdivision or consolidation of Shares or other capital adjustment, or the payment of a Share dividend or other increase or decrease in such Shares, effected without receipt of consideration by the Company, or other change in corporate or capital structure; provided, however, that any fractional shares resulting from any such adjustment shall be eliminated. The Committee may also make the foregoing changes and any other changes, including changes in the classes of securities available, to the extent it is deemed necessary or desirable to preserve the intended benefits of the Employee Plan for the Company and the Participants in the event of any other reorganization, recapitalization, merger, consolidation, spin-off, extraordinary dividend or other distribution or similar transaction. Notwithstanding any other provision of the Employee Plan or the Award Agreement, the Committee may cause any Award granted hereunder to be canceled in consideration of a cash payment or alternative Award made to the holder of such canceled Award equal in value to the Fair Market Value of such canceled Award. Notwithstanding anything to the contrary in this Section X, no issuance of Shares effected pursuant to the terms of the Buy-Sell Agreement dated as of August 6, 1996 by and among, inter alia, the Company and the Founders, or certain entities affiliated therewith, that does not constitute a change in control shall result in any adjustment to the number or value of any shares to be issued pursuant to any Award hereunder.

XI. No Right to Employment.

No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of, or in any other relationship with, the Company or any Subsidiary. Further, the Company and each Subsidiary expressly reserve the right at any time to dismiss a Participant free from any liability, or any claim under the Employee Plan, except as provided herein or in any Award Agreement issued hereunder.

XII. Governing Law.

To the extent that United States federal laws do not otherwise control, the Employee Plan shall be construed in accordance with and governed by the laws of the Cayman Islands.

XIII. Savings Clause.

This Employee Plan is intended to comply in all aspects with applicable laws and regulations. In case any one more of the provisions of this Employee Plan shall be held invalid, illegal or unenforceable in any respect under applicable law or regulation, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provision shall be deemed null and void; however, to the extent permissible by law, any provision which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Employee Plan to be construed in compliance with all applicable laws so as to foster the intent of this Plan.

XIV. Effective Date and Term.

The effective date of this Employee Plan is August 1, 1996. The Employee Plan shall terminate on the tenth anniversary of the date of the adoption of this Employee Plan. No awards shall be granted after the termination of the Employee Plan.

Exhibit 10.7

[LOGO OF APEX SILVER MINES CORPORATION APPEARS HERE]

May 19, 1998

Mr. Mark Lettes
6194 S. Macon Way
Englewood, CO 80111

Dear Mark,

We are pleased that you have accepted our offer to become Vice President Finance and Chief Financial Officer of Apex Silver Mines Corporation reporting to the Chairman and Chief Executive Officer. The following confirms responsibilities and terms and conditions for this position.

RESPONSIBILITIES

A FINANCING

- Develop business plans in consultation with the senior management team leading to projections of funding requirements to sustain the business and its growth plans.

- Develop and recommend funding plans to the CEO, and manage the endeavors required to achieve these funding requirements.

- Develop/review contractual documents required to effect all funding requirements, recommend to the CFO final documents, with approval and as necessary execute such documents, and manage these contractual commitments.

- Develop the necessary relationships with funding sources and service these relationships.

- Optimize and manage the banking and transferring of funds. Initiate, design, recommend and manage risk management hedging activities (Treasury function).

APEX SILVER MINES CORPORATION - A SERVICES COMPANY
1700 LINCOLN STREET - SUITE 3050 - DENVER, COLORADO 80203
TELEPHONE (303) 839-5060 - FAX (303) 839-5907

B. Accounting

- Ensure and if necessary, install appropriate accounting systems in the geographic operating locations as well as at the corporate level. Generate and deliver timely periodic expenditure versus budget progress reporting, at least monthly.

- Manage the preparation of accounting and financial input for corporate statutory reporting, and review and ensure that subsidiaries comply with all national statutory accounting and financial reporting.

- Ensure that efficient and adequate project and operations cost accounting systems are in place and functioning, which accurately report progress of commitments, expenditures, and payments including trends with early warning systems and comparisons to plans and budgets.

C. General

- Prepare for and participate in investor relations' activities with focus on the financing aspects of the corporations' activities.

- Manage the human resources' function in the corporate office.

- Review requests for major capital expenditures.

START DATE

We expect you will commence working for the Company on June 8, 1998 at which time your compensation and benefits will commence.

COMPENSATION

You will be paid an annual base compensation of $178,000. Your first review of base compensation will be 18 months from the date you join the Company. You will be paid twice a month - middle and end of the month. Direct deposit is available.

SIGN-ON BONUS

You will be paid a one time sign-on bonus of $15,000.

BONUS

We plan to install a Performance Bonus Plan at Apex to include the calendar year 1998 to be paid out according to the provisions of the Performance Bonus Plan when it is adopted.

BENEFITS

- Principal Financial Group is Apex's medical, dental, life, and disability insurance carrier. A summary of these benefits is attached.

- 401(k) savings plan - employee can contribute up to 15% of individual salary, on a pre-tax basis. Company will make employer-matching contributions to the plan on your behalf equal to 50% of your salary deferral contributions, up to 6% of your eligible compensation. A summary of this plan is attached.

- Holiday - 10 holidays a year are observed.

- Vacation - 4 weeks vacation per year.

- Paid Parking.

- Corporate American Express Card - mileage belongs to the employee.

STOCK OPTIONS

You will be eligible for participation in the Company's Employee Stock Option Plan. You will be granted 60,000 share options with the exercise price to be determined by the share price on the day you accept this offer. You will vest in these options over a four-year period at 25 percent of the options on each of your first four employment anniversary dates. You will be subject to the same exercise conditions as all other Apex employees holdings stock options.

REIMBURSABLE EXPENSES

- You will be reimbursed in accordance with Company policy and guidelines for all reasonable expenses incurred in connection with travel on Company business.

- The Company provides corporate credit cards to cover travel, hotel, etc.

- As to class of travel, domestic travel will be coach and all international travel will be business class.

- Frequent flyer miles will be the property of the user.

SEVERANCE AGREEMENT

In the event the Company should desire to terminate your employment, except for cause, within two years after your employment starting date, you will be entitled to severance pay for a twelve-month period at your existing salary if severed in the first year, and six months if severed in the second year, as well as a continuation of your benefits as permitted by the Company plans and policies for similar periods.

You agree that in the event you leave Apex that for a period of two years you will not join any company whose primary business is the acquisition and development of silver mines.

As a result of getting to know you, I believe that you can make a major contribution to our business and that you will find the work interesting and challenging. We welcome you as a member of Apex's key executive staff.

Please sign in the space indicated below and return the designated copy to us.

Sincerely,

/s/ Keith R. Hulley

Keith R. Hulley
President and
Chief Operating Officer

AGREED TO AND ACCEPTED:

/s/ Mark A. Lettes

6/2/98

Date

cc: T. Kaplan

Exhibit 21

APEX SILVER MINES LIMITED'S SUSBSIDIARIES

<TABLE>
<CAPTION>

	Name	Jurisdiction
<C>	<S>	<C>
1.	Andean Silver Corporation	Cayman Islands
2.	Apex Asia LDC	Cayman Islands
3.	Apex Metals Ltd.	Cayman Islands
4.	Apex Partners LDC	Cayman Islands
5.	Apex Silver Mines Corporation	Delaware, USA
6.	Apex Silver Mines	Cayman Islands
7.	ASC Boliva LDC	Cayman Islands
8.	ASC Partners LDC	Cayman Islands
9.	ASC Peru LDC	Cayman Islands
10	`Asgadmongu' Company Ltd.	Mongolia
11.	ASM Holdings Limited	Cayman Islands
12.	Compania Minerales de Zacatecas, S. de R.L. de C.V.	Mexico
13.	Cordilleras Silver Mines (Cayman) LDC	Cayman Islands
14.	Cordilleras Silver Mines Ltd.	Bahamas
15.	`JSC' Kumushtak	Kyrgyzstan
16.	Kumushtak Management Company	Kyrgyzstan
17.	Metalurgica Barones, S. de R.L. de C.V.	Mexico
18.	Minera Largo, S. de R.L. de C.V.	Mexico
19.	Minera de Cordilleras (Honduras), S. de R.L.	Honduras
20.	Minera de Cordilleras, S. de R.L. de C.V.	Mexico

</TABLE>

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-53185) of Apex Silver Mines Limited to our report dated March 24, 1999 appearing on page F-2 of this Form 10-K.

PRICEWATERHOUSECOOPERS LLP

Denver, Colorado
March 26, 1999

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