APEX SILVER MINES LTD
Form DEF 14A
May 18, 2005

QuickLinks -- Click here to rapidly navigate through this document

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Apex Silver Mines Limited

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

APEX SILVER MINES LIMITED
Walker House
Mary Street
George Town, Grand Cayman
Cayman Islands, British West Indies

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held June 24, 2005

To Our Shareholders:

Notice is hereby given that the annual meeting of shareholders of Apex Silver Mines Limited will be held in the Onyx Room at The Brown Palace Hotel, 321 17th Street, Denver, Colorado, 80202 on Friday, June 24, 2005 at 9:00 a.m., Denver Time, for the following purposes:

1. To elect three (3) directors to hold office until the 2008 annual meeting of shareholders or until their successors are elected;
2. To consider and vote upon an ordinary resolution to increase our authorized capital from U.S.$750,000 divided into 75,000,000 shares to U.S.$1,750,000 divided into 175,000,000 ordinary shares, par value $0.01;
3. To consider and vote upon an ordinary resolution to increase our authorized capital by U.S.$250,000 divided into 25,000,000 preference shares, par value $0.01, with such rights and preferences as may be determined from time to time by the Board of Directors;
4. To consider and vote upon a special resolution to approve an amendment to Article 18 of the Articles of Association;
5. To consider and vote upon a special resolution to approve the amended and restated Memorandum and Articles of Association;
6. To ratify the selection of PricewaterhouseCoopers LLP as independent accountants for the current fiscal year; and
7. To transact such other business as may properly come before the meeting or any postponements or adjournments thereof.

Our board of directors has fixed the close of business on May 18, 2005 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting or any adjournments or postponements thereof.

Our annual report to shareholders for the fiscal year ended December 31, 2004, including financial statements, is being mailed with this proxy statement to all of our shareholders, and your board of directors urges you to read it.

By order of the Board of Directors

May 20, 2005

TO ASSURE YOUR REPRESENTATION AT THE ANNUAL MEETING OF SHAREHOLDERS, PLEASE SIGN, DATE AND RETURN YOUR PROXY IN THE ENCLOSED ENVELOPE, WHETHER OR NOT YOU EXPECT TO ATTEND IN PERSON.

SHAREHOLDERS WHO ATTEND THE MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON IF THEY SO DESIRE.

APEX SILVER MINES LIMITED
Walker House
Mary Street
George Town, Grand Cayman
Cayman Islands, British West Indies

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

June 24, 2005

This Proxy Statement is furnished to the shareholders of Apex Silver Mines Limited ("Apex Silver" or "we") in connection with the solicitation of proxies by the board of directors of Apex Silver to be voted at the annual meeting of shareholders on June 24, 2005, or at any postponements or adjournments of the annual meeting. Our annual meeting is being held for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. This Proxy Statement, the accompanying proxy card and the Notice of Annual Meeting are first being mailed to our shareholders on or about May 20, 2005.

Only holders of our ordinary shares, par value $0.01 per share, at the close of business on May 18, 2005, the record date, are entitled to notice of and to vote at the annual meeting. On the record date, 48,065,297 ordinary shares were issued, outstanding and entitled to vote. Each ordinary share outstanding on the record date is entitled to one vote. The holders of a majority of our ordinary shares issued and outstanding and entitled to vote at the annual meeting, present in person or by proxy, constitute a quorum.

If a shareholder abstains from voting on any matter, we intend to count the abstention as present for purposes of determining whether a quorum is present at the annual meeting for the transaction of business. Additionally, we intend to count broker "non-votes" as present for purposes of determining the presence or absence of a quorum for the transaction of business. A non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner.

Abstentions will be treated as a vote against that proposal, but non-votes will not be tabulated for purposes of determining whether a proposal has been approved. Except in the case of non-votes, if a proxy is submitted without designating "For," "Against," or "Abstain" for any proposal, the ordinary shares represented by such proxy will be voted **FOR** such proposal.

Any proxy may be revoked at any time before it is voted by written notice to the Chairman, by receipt of a proxy properly signed and dated subsequent to an earlier proxy, or by revocation of a written proxy by request in person at the annual meeting.

The cost of this proxy solicitation will be borne by Apex Silver. In addition to solicitation by mail, our officers, directors and employees may solicit proxies by telephone, telegraph or in person. We will also request banks and brokers to solicit their customers who have a beneficial interest in our ordinary shares registered in the names of nominees, and we will reimburse banks and brokers for their reasonable out-of-pocket expenses in doing so. In addition, we have engaged D.F. King & Co., Inc. to assist in our proxy solicitation. We anticipate the cost of these services will be approximately $10,000, plus out-of-pocket expenses.

SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS AND MANAGEMENT

The following table includes information as of April 7, 2005, except as otherwise indicated, concerning the beneficial ownership of the ordinary shares by:

each person known by us to beneficially hold five percent or more of our outstanding ordinary shares,

each of our directors,

each of our executive officers, and

all of our executive officers and directors as a group.

We have three executive officers, a chief executive officer, a chief operating officer and a chief financial officer. We have also entered into a management services agreement pursuant to which we have engaged Apex Silver Mines Corporation ("Apex Corporation"), our wholly owned subsidiary, to provide a broad range of corporate management and advisory services. All information is taken from or based upon ownership filings made by such persons with the Securities and Exchange Commission or upon information provided by such persons to us. Except as otherwise noted, we believe that all of the persons and groups shown below have sole voting and investment power with respect to the ordinary shares indicated. As of April 7, 2005, 47,704,747 of our ordinary shares were issued and outstanding.

	Beneficial Ownership	
Directors, Executive Officers and 5% Shareholders of our Company(1)	**Number**	**Percentage**
FMR Corp.(2)	6,832,781	14.3%
Moore Macro Fund, L.P./Moore Emerging Markets Fund Ltd.(3)	5,734,266	12.0%
Wellington Management Company LLP(4)	5,444,000	11.4%
Strong Capital Management, Inc.(5)	3,503,505	7.3%
George Soros(6)	3,457,823	7.3%
Royce & Associates(7)	2,517,000	5.3%
Jeffrey G. Clevenger(8)	40,000	*
Harry M. Conger(9)	56,065	*
Charles L. Hansard(9)	25,186	*
Ove Hoegh(9)	57,190	*
Keith R. Hulley(8)(9)	159,737	*
Kevin R. Morano(9)	44,793	*
Terry M. Palmer(9)	3,838	*
Charles B. Smith(9)	38,549	*
Paul Soros(9)(10)	491,079	1.0%
Alan R. Edwards(8)	28,000	*
Mark A. Lettes(8)(9)	57,451	*
Directors and executive officers as a group (11 persons)(11)	1,001,888	2.1%

*
The percentage of ordinary shares beneficially owned is less than 1%.

(1)
The address of these persons, unless otherwise noted, is c/o Apex Silver Mines Corporation, 1700 Lincoln Street, Suite 3050, Denver, CO 80203.

(2)

The address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109. Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp. and a registered investment adviser, is the beneficial owner of 5,962,081 of our shares, including 69,881 ordinary shares which may be issued upon conversion of $2,000,000 principal amount of our 2.875% Convertible Senior Subordinated Notes due 2024. Fidelity Management Trust Company, a wholly-owned subsidiary of FMR Corp. and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 870,700 of our shares.

(3)

The address of Moore Macro Fund, L.P. and Moore Emerging Markets Fund Ltd. is c/o Moore Capital Management, LLC, 1251 Avenue of the Americas, 53rd Floor, New York, New York 10020. Moore Capital Management, LLC, a New York limited liability company, serves as the discretionary investment manger of each of Moore Macro Fund, L.P., a Bahamian limited partnership, and Moore Emerging Markets Fund Ltd., a Bahamian corporation, and, in such capacity, may be deemed the beneficial owner of the portfolio assets held for the accounts of each of Moore Macro Fund, L.P. and Moore Emerging Markets Fund Ltd. Mr. Louis M. Bacon serves as Chairman, Chief Executive Officer and director of Moore Capital Management, LLC As a result, Mr. Bacon may be deemed to be the indirect beneficial owner of the aggregate 5,734,266 of our shares held for the accounts of Moore Macro Fund, L.P. and Moore Emerging Markets Fund Ltd.

(4)

The address of Wellington Capital Management Company LLP ("WMC") is 75 State St., Boston, Massachusetts 02109. WMC is a registered investment advisor and all of the shares are owned of record by clients of WMC, including 2,490,100 shares beneficially owned by The Hartford Capital Appreciation HLS Fund.

(5)

The address of Strong Capital Management, Inc. is 100 Heritage Reserve, Menomonee Falls, Wisconsin 53051. Strong Capital Management, Inc. is a registered investment advisor. Strong Advisor Small Cap Value Fund owns 2,477,000 ordinary shares and 1,026,505 ordinary shares are held by other accounts for which Strong Capital Management, Inc. acts as the investment advisor. A wholly owned subsidiary of Wells Fargo & Company acquired Strong Capital Management, Inc. in a merger effective January 2005.

(6)

The business address of Mr. George Soros is 888 7th Avenue, 33rd Floor, New York, New York 10106. Mr. George Soros may be deemed the beneficial owner of 3,457,823 ordinary shares. This number includes (i) 2,358,221 ordinary shares held for the account of Quantum Industrial Partners LDC ("QIP"), an exempted limited duration company formed under the laws of the Cayman Islands, (ii) 707,466 of ordinary shares held for the account of Geosor Corporation, a corporation formed under the laws of the State of New York ("Geosor") and (iii) 392,136 ordinary shares held for the account of EMOF LLC, a limited liability company formed under the laws of the State of Delaware ("EMOF"). QIH Management Investor, L.P. ("QIHMI"), an investment advisory firm organized as a Delaware limited partnership, is a minority shareholder of, and is vested with investment discretion with respect to, portfolio assets held for the account of QIP. The sole general partner of QIHMI is QIH Management LLC ("QIH Management"), a limited liability company formed under the laws of the State of Delaware. Soros Fund Management LLC ("SFM LLC"), a limited liability company formed under the laws of the State of Delaware, is the sole managing member of QIH Management. Mr. George Soros is the chairman of SFM LLC, and in this capacity may be deemed the beneficial owner of shares held for the account of QIP. Geosor is wholly owned by Mr. George Soros. EMOF Manager LLC ("EMOF Manager"), a Delaware limited liability company, is the manager of EMOF and is vested with investment discretion with respect to portfolio assets held for the account of EMOF. Mr. George Soros is the Principal Executive Officer of EMOF Manager, and in this capacity may be deemed the beneficial owner of shares held for the account of EMOF.

(7)

The address of Royce & Associates, LLC is 1414 Avenue of the Americas, New York, New York 10019. Royce & Associates, LLC is a registered investment advisor.

(8)

Amounts shown include restricted ordinary shares issued pursuant to our 2004 Equity Incentive Plan or our previous Employees' Share Option Plan: 40,000 shares for Mr. Clevenger; 38,737 shares for Mr. Hulley; 28,000 shares for Mr. Edwards; and 6,151 shares for Mr. Lettes.

(9)
Amounts shown include ordinary shares subject to options exercisable within 60 days: 54,065 ordinary shares for Mr. Conger; 25,186 ordinary shares for Mr. Hansard; 57,190 ordinary shares for Mr. Hoegh; 121,000 ordinary shares for Mr. Hulley; 41,793 ordinary shares for Mr. Morano; 3,838 shares for Mr. Palmer; 38,549 ordinary shares for Mr. Smith; 57,190 ordinary shares for Mr. Soros; and 51,300 ordinary shares for Mr. Lettes.

(10)
Mr. Paul Soros is the registered owner of 239,119 ordinary shares. Mr. Paul Soros owns 100 percent of VDM, Inc., which is the registered owner of 194,700 ordinary shares.

(11)
Includes options to purchase 450,111 shares exercisable within 60 days.

CORPORATE GOVERNANCE

Meetings and Committees of the Board of Directors

The board of directors met seven times during fiscal year 2004.

Audit Committee. We have a standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee held seven meetings during 2004, and is currently comprised of Messrs. Hoegh, Palmer and Smith. Each of the members of the Audit Committee is independent and financially sophisticated as defined by American Stock Exchange listing standards. The Audit Committee reviews our financial reporting process, system of internal controls, audit process, process for monitoring compliance with applicable law and our code of conduct. The Audit Committee also is responsible for the engagement of, and evaluates the performance of, our independent accountants.

The board of directors has adopted a written charter for the Audit Committee. The charter may be viewed on Apex Silver's website at *www.apexsilver.com*. To view the charter, click on "About Apex Silver" on the left side of the page and then click on "Corporate Governance."

The board of directors has determined that Mr. Palmer qualifies as an "Audit Committee Financial Expert" as that term is defined in rules promulgated by the Securities and Exchange Commission.

Compensation Committee. The Compensation Committee held two meetings during 2004, and is currently comprised of Messrs. Conger and Soros. Each member of the Compensation Committee is independent as defined by American Stock Exchange listing standards. The principal responsibilities of the Compensation Committee are to establish policies and periodically determine matters involving executive compensation, recommend changes in employee benefit programs, grant or recommend the grant of stock options and stock awards under our 2004 Equity Incentive Plan, administer the Non-Employee Directors' Share Plan and provide counsel regarding key personnel selection.

The board of directors has adopted a charter for the Compensation Committee, a copy of which is available on Apex Silver's website at *www.apexsilver.com*. To view the charter, click on "About Apex Silver" on the left side of the page and then click on "Corporate Governance."

Finance Committee. The Finance Committee, which met once during 2004, is currently comprised of Messrs. Hansard, Morano and Soros. The Finance Committee is authorized to identify and evaluate various opportunities and alternatives for financing our operations.

Project Development Committee. The Project Development Committee, which met two times during 2004, is currently comprised of Messrs. Conger, Hulley, Morano, Smith and Soros. The Project Development Committee reviews and approves major development plans and progress and provides guidance to management on these matters.

Nominating Committee. The Nominating Committee, which met two times during 2004, is currently comprised of Messrs. Conger, Hoegh, Morano, Palmer and Smith. Each member of the nominating committee is independent as defined by the American Stock Exchange listing standards. The Nominating Committee is responsible for selecting and evaluating prospective board of director nominees and reviewing all matters pertaining to fees and retainers paid to directors for service on the board of directors or a board committee.

The board of directors has adopted a charter for the Nominating Committee, a copy of which is available on Apex Silver's website at *www.apexsilver.com*. To view the charter, click on "About Apex Silver" on the left side of the page and then click on "Corporate Governance."

The Nominating Committee will receive, review and evaluate director candidates recommended by shareholders. The Committee has adopted written procedures to be followed by shareholders in submitting such recommendations. Candidates proposed by shareholders will be evaluated by the Committee in the same manner as candidates which are not proposed by shareholders. While shareholders may propose director nominees at any time, we must receive the required notice (described below) on or before the date set forth in the prior year's annual proxy statement under the heading "Shareholder Proposals" in order to be considered by the Committee in connection with our next annual meeting of shareholders (typically held in May or June of each year).

Shareholders wishing to recommend a director candidate to serve on the board may do so by providing advance written notice to the Chairman of the Nominating Committee which identifies the candidate and includes certain information regarding the nominating shareholder and the candidate. A description of the required notice is available on our website at *www.apexsilver.com*. To view the procedures regarding shareholder nomination of directors, click on "About Apex Silver" on the left side of the page and then click on "Corporate Governance."

A nominee for director should be a person of integrity and be committed to devoting the time and attention necessary to fulfill his or her duties to Apex Silver. The Nominating Committee will evaluate the independence of directors and potential directors, as well as his or her business experience, or specialized skills or experience. Diversity of background and experience, including diversity of race, ethnicity, international background, gender and age, are also important factors in evaluating candidates for board membership. The Committee will also consider issues involving possible conflicts of interest of directors or potential directors.

Communication with Security Holders

We have established a process for security holders to communicate with the board of directors. Security holders wishing to communicate with the board of directors of Apex should send an email, write or telephone Igor Levental, Vice President of Investor Relations and Corporate Development, at:

Igor Levental
Apex Silver Mines Corporation
1700 Lincoln Street
Suite 3050
Denver, CO 80203
Telephone: (303) 839-5060
Facsimile: (303) 839-5907
igor.levental@apexsilver.com

All such communication must state the type and amount of Company securities held by the security holder and must clearly state that the communication is intended to be shared with the board of directors, or if applicable, with a specific committee of the board. Mr. Levental will forward all such communication to the members of the board or specific board committee.

Director Attendance at the Annual Meeting

All members of the board of directors are encouraged, but not required, to attend the annual meeting of shareholders. Seven directors attended last year's annual meeting of shareholders.

Code of Ethics

Apex Silver has adopted a code of ethics that applies to the principal executive officer, principal financial officer, principal accounting officer or controller or those performing similar functions. We have also adopted a code of business conduct which applies to all directors and employees. A copy of the code of ethics and the code of business conduct are available on Apex Silver's website at *www.apexsilver.com*. To view, click on "About Apex Silver" on the left side of the page and then click on "Corporate Governance."

Director Compensation

Our non-employee director compensation program consists of two principal components: share options and cash payments. The Non-Employee Directors' Share Plan provides for the automatic grant of (i) a fully vested and exercisable option to purchase a number of ordinary shares equal to $50,000 divided by the closing price of the ordinary shares on the American Stock Exchange on the date of the grant to each non-employee director at the effective date of his or her initial election to the board of directors, (ii) a fully vested and exercisable 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 on the date of the grant at the close of business of each annual meeting of the shareholders, and (iii) at the close of business of each meeting of the board of directors, a fully vested and exercisable option valued at $3,000 calculated using the Black-Scholes option-pricing model to purchase ordinary shares with an exercise price equal to the closing price of the ordinary shares on the American Stock Exchange on such date, without regard to whether the non-employee director attends the meeting. During 2004, pursuant to the Non-Employee Directors' Share Plan, non-employee directors received as standard compensation the following options to purchase our ordinary shares:

Date of 2004 Grant	Number of Shares	Exercise Price
January 23	411	$ 21.41
February 27	400	$ 21.83
March 11	406	$ 21.50
May 27	3,251	$ 18.65
September 30	466	$ 21.70
October 7	472	$ 21.00
December 9	595	$ 16.68

In addition, non-employee directors are paid $600 for attendance at board meetings and $500 for attendance at board committee meetings. We also reimburse our directors for all reasonable out-of-pocket costs incurred by them in connection with their services to us.

Mr. Hansard performs consulting services for Moore Capital Management, LLC. One or more investment portfolios managed by Moore Capital or its affiliates are shareholders of Apex Silver. For these consulting services and for time spent attending meetings of our board of directors, Moore Capital compensates Kingsfort Ltd., of which Mr. Hansard is an employee, 45,000 Great British Pounds per annum, and directly compensates Mr. Hansard 20,000 Great British Pounds per annum. Amounts paid by Moore Capital directly or indirectly to Mr. Hansard for attending our board meetings totaled approximately $121,000 for 2004. Mr. Hansard may assign to Moore Capital's clients, who are shareholders of Apex Silver, ordinary shares he receives on the exercise of options granted to him as director compensation.

Executive Compensation and Other Information

The following table sets forth certain information for the years indicated with respect to the compensation of those individuals who served as our executive officers during 2004. As of December 31, 2004, we had three executive officers: our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation		
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Restricted Security Awards ($)(1)**	**Awards Securities Underlying Options(#)**	**All Other Compensation ($)(2)**
Thomas S. Kaplan	2004			2,502,000	139,543	
Chairman(3)(4)	2003			138,394	235,000	
	2002			177,686	252,000	
Keith R. Hulley	2004	353,053	299,520		100,000	10,162
Chief Executive Officer/Executive	2003	309,989		161,194	100,000	9,662
Chairman(5)	2002	279,989		139,995	50,000	6,310
Jeffrey G. Clevenger	2004	93,271	123,800	842,000	100,000	23,434
Chief Executive Officer(6)						
Alan R. Edwards	2004	159,195	174,800	474,320	50,000	114,202
Chief Operating Officer(7)						
Mark A. Lettes	2004	213,796	111,100	41,700	10,000	5,338
Chief Financial Officer(8)	2003	196,477	6,882	61,885	25,000	5,867
	2002	191,685	7,667	69,007	25,000	5,500

(1) Other than the 2004 awards to Messrs. Kaplan, Clevenger and Edwards described in footnotes (4), (6) and (7), respectively, restricted ordinary shares vest on the second anniversary of the grant date. All restricted share awards are eligible to receive dividends. We have never paid any dividends on our ordinary shares and do not expect to do so in the foreseeable future.

(2) Amounts shown as all other compensation include $23,156 and $105,287 of moving costs reimbursed to Mr. Clevenger and Mr. Edwards, respectively. The remaining amounts shown as all other compensation primarily represent employer contributions to the Apex Corporation 401(k) plan.

(3) Mr. Kaplan served as an employee and Chairman of the Board until September 30, 2004. The number of shares underlying options granted to Mr. Kaplan as 2004 compensation includes (i) options to acquire 138,476 ordinary shares granted on December 10, 2003, which were granted in lieu of Mr. Kaplan's 2004 salary, and (ii) options to acquire 595 and 472 ordinary shares granted on December 9, 2004 and October 7, 2004, respectively, under the Non-Employee Directors' Share Plan.

(4) On December 9, 2004, Mr. Kaplan was awarded 150,000 restricted ordinary shares under the 2004 Equity Incentive Plan, which vested on January 3, 2005.

(5) Mr. Hulley served as the President and Chief Executive Officer until October 11, 2004. Since September 30, 2004, Mr. Hulley has served as the Executive Chairman of the Board. Mr. Hulley's bonuses for 2004, 2003, and 2002 included 0, 9,510, and 9,915 restricted ordinary shares, respectively. As of December 31, 2004, Mr. Hulley held 38,737 restricted ordinary shares valued at $665,501 based on the closing price of our ordinary shares on December 31, 2004 of $17.18.

(6)
Since October 11, 2004, Mr. Clevenger has served as President and Chief Executive Officer of Apex Silver. On October 11, 2004, Mr. Clevenger was awarded 40,000 restricted ordinary shares under the 2004 Equity Incentive Plan. The award vests as follows: 10% on the first anniversary of the grant, 15% on the second anniversary, 25% on the third anniversary, and 50% on the fourth anniversary. As of December 31, 2004, Mr. Clevenger held 40,000 restricted ordinary shares valued at $687,200. Mr. Clevenger's cash bonus for 2004 included $50,000 which was paid for a signing bonus.

(7)
Since June 14, 2004, Mr. Edwards has served as Chief Operating Officer of Apex Silver. On June 21, 2004, Mr. Edwards was awarded 28,000 restricted ordinary shares under the 2004 Equity Incentive Plan. The award vests as follows: 10% on the first anniversary of the grant, 15% on the second anniversary, 25% on the third anniversary, and 50% on the fourth anniversary. As of December 31, 2004, Mr. Edwards held 28,000 restricted ordinary shares valued at $481,040. Mr. Edwards' cash bonus for 2004 included $50,000 which was paid for a signing bonus.

(8)
Mr. Lettes' bonuses for 2004, 2003, and 2002 included 2,500, 3,651 and 4,887 restricted ordinary shares. As of December 31, 2004, Mr. Lettes held 6,151 restricted ordinary shares valued at $105,674.

Share Option Grants

The following table contains further information concerning the share option grants made to our executive officers during the fiscal year ended December 31, 2004. In the event of a change of control (as defined in the 2004 Equity Incentive Plan), all unexercised options are immediately exercisable in full. The percentage of total options granted to employees is based on 399,000 options granted to employees in 2004 pursuant to the 2004 Equity Incentive Plan.

Amounts shown as potential realizable values are based on compounded annual rates of share price appreciation of five and ten percent over the 10-year term of the options, as mandated by rules of the Securities and Exchange Commission, and are not indicative of expected share price performance. Actual gains, if any, on share option exercises are dependent on future performance of the overall market conditions, as well as the option holders' continued employment through the vesting period. The amounts reflected in this table may not necessarily be achieved or may be exceeded. The indicated amounts are net of the option exercise price but before taxes that may be payable upon exercise.

Option Grants in the Last Fiscal Year

			Individual Grants		Potential Realizable Value at Assumed Annual Rates of Share Price Appreciation for Option Term	
Name	**Number of Securities Underlying Options Granted (#)**	**Percent of Total Options Granted to Employees In Fiscal Year**	**Exercise or Base Price ($/Sh)**	**Expiration Date**	**5%($)**	**10%($)**
Thomas S. Kaplan(1)						
Keith R. Hulley(2)	100,000	25.1%	16.94	6/21/14	1,065,300	2,699,800
Jeffrey G. Clevenger(2)	100,000	25.1%	21.05	10/11/14	1,323,800	3,354,800
Alan Edwards(2)	50,000	12.5%	16.94	6/21/14	532,700	1,349,900
Mark A. Lettes(3)	10,000	2.5%	16.68	12/9/14	104,900	265,800

(1)
No amounts were granted to Mr. Kaplan during 2004 pursuant to the 2004 Equity Incentive Plan. Mr. Kaplan was awarded options to acquire 595 and 472 ordinary shares on December 9, 2004 and October 7, 2004, respectively, under the Non-Employee Directors' Share Plan.

(2)
Options vest ratably over three years, with the first tranche vesting one year from the date of grant.

(3)
Options vest ratably over four years, with the first tranche vesting one year from the date of grant.

Option Exercises and Holdings

The following table sets forth information with respect to our executive officers concerning options exercised during the last fiscal year and the value of unexercised options as of December 31, 2004.

Option Exercises During 2004 and Value of Unexercised Options

			Number of Securities Underlying Unexercised Options At Fiscal Year-End(#)		Value of Unexercised In-the-Money Options at Fiscal Year-End($)	
Name	**Shares Acquired on Exercise(#)**	**Value Realized($)**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Thomas S. Kaplan			797,343	150,000	3,297,000	368,000
Keith R. Hulley	29,000	303,848	121,000	212,500	588,770	216,625
Jeffrey G. Clevenger				100,000		
Alan Edwards				50,000		12,000
Mark A. Lettes	8,450	102,651	61,250	47,500	301,788	97,000

The value of unexercised in the money options at fiscal year-end is computed based upon a price of $17.18 per ordinary share, the closing price on December 31, 2004 as quoted by the American Stock Exchange.

Report of the Compensation Committee of the Board of Directors

Governance and Policy

The Compensation Committee is appointed by the Board to establish, administer and evaluate the compensation philosophy, policies and plans for our non-employee directors and executive officers, to make recommendations to the Board regarding director and executive compensation and to review the performance and determine the compensation of our executive officers, based on criteria including the Company's performance and accomplishment of long-term strategic objectives.

Apex Silver's executive compensation plans are designed to attract, motivate and retain executives critical to the Company's long-term success and the creation of shareholder value. Fundamentally, our philosophy is to link compensation with the achievement of individual and Company annual and long-term performance goals. Our compensation programs include a equity component, which is designed to encourage share ownership and align the interests of our executives with those of our shareholders.

We believe that compensation decisions are complex and best made after a deliberate review of a number of factors, including Company performance, achievement of individual performance goals, the particular challenges faced by each executive, recommendations of management and the standards of our industry.

Our executive compensation program consists of three principal components: base salary, awards under the 2004 Equity Incentive Plan and discretionary bonus awards. These components are described below.

Base Salary. Executive salaries were established initially at levels consistent with the median salaries of mining companies of similar size and growth prospects. The Compensation Committee considered the factors listed above, as well as increases in the cost of living as reported in various indices, in making the salary adjustments implemented in 2004.

2004 Equity Incentive Plan. In 2004, our shareholders approved the 2004 Equity Incentive Plan, under which we may grant incentive share options to employees. The Compensation Committee made share option grants in 2004 to executives that were consistent with our compensation philosophy of aligning the interests of executives with those of our shareholders and encouraging share ownership by executives. Specific grants in 2004 were determined in consideration of the factors listed above.

Discretionary Bonus Awards. For 2004, the Compensation Committee focused primarily on the Company's successful capital raising efforts, management's success in completion of the development plan and achieving other objectives for the development of the San Cristobal Project, successful additions to management and the contributions of specific executives in granting discretionary bonus awards. The same factors were considered in the decision to pay bonus awards in cash, rather than in restricted stock as in 2003.

Compensation of the Chief Executive Officers

Mr. Hulley, who had served as our Chief Executive Officer since 2002, resigned from that position effective October 11, 2004 and was replaced by Mr. Clevenger. Mr. Hulley's base salary for 2004 was $353,053. In increasing Mr. Hulley's salary from 2003, the Compensation Committee considered Mr. Hulley's contribution to the advancement of our development goals for the San Cristobal Project, and overall Company performance and reviewed the salaries of executives in similarly sized mining companies. In determining the cash bonus and options awarded to Mr. Hulley, the Committee considered the successful capital raising efforts in 2004, completion of the updated Development Plan for the Company's San Cristobal Project and the commencement of development, and his success in recruiting an exceptionally well-qualified Chief Executive Officer, Chief Operating Officer, and other operating management to build and operate San Cristobal and continue to grow the company.

Mr. Clevenger's base salary for 2004 was $410,000, of which he received $93,271 after joining the Company on October 11. He received 40,000 shares of restricted stock and 100,000 options to acquire ordinary shares under the 2004 Equity Incentive Plan on the commencement of his service as our Chief Executive Officer. In determining Mr. Clevenger's base salary, the Compensation Committee reviewed Mr. Clevenger's extensive and varied experience in the mining industry, including his experience in South America with large mining investments and the construction and operations of large mines, the salaries of executives in similarly sized mining companies, and the various elements of Mr. Clevenger's total compensation package.

Submitted by the Members of the Compensation Committee:

Harry M. Conger, Chairman
Paul Soros

Report of the Audit Committee of the Board of Directors

In accordance with its written charter adopted by the board of directors, a copy of which has been filed with the Securities and Exchange Commission, the Audit Committee assists the board of directors in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting practices. Each of the members of the Audit Committee is independent as defined by the American Stock Exchange listing standards.

In discharging its oversight responsibility as to the audit process, the Audit Committee obtained from the independent auditors a formal written statement describing all relationships between the auditors and us that might bear on the auditors' independence, consistent with Independence Standards Board Statement No. 1, "Independence Discussions with Audit Committees," discussed with the auditors any relationships that may impact their objectivity and independence and satisfied itself as to the auditors' independence. The Audit Committee also discussed with management and the auditors the quality and adequacy of our internal controls, responsibilities, budget and staffing. The Audit Committee reviewed with the auditors their audit plan, audit scope and identification of audit risks. The Audit Committee discussed with the auditors the matters required to be discussed by Statement of Auditing Standards No. 61.

The Audit Committee reviewed and discussed the Company's interim financial statements filed on Form 10-Q and the Company's audited financial statements for the fiscal year ended December 31, 2004 with management and the auditors. Management has the responsibility for the preparation of the Company's financial statements and the auditors have the responsibility for the examination of those statements.

Based on the above-mentioned review and discussions with management and the auditors, the Audit Committee recommended to the board that the Company's audited financial statements for the period ended December 31, 2004 be included in its Annual Report on Form 10-K for filing with the Securities and Exchange Commission. The Audit Committee reappointed the auditors and the board concurred in their recommendation.

Submitted by the Members of the Audit Committee:

Terry M. Palmer, Chairman
Ove Hoegh
Charles B. Smith

Performance Graph

The graph below compares the cumulative total shareholder return as of December 31, 2004 on $100 invested in our ordinary shares as of January 1, 2000, in the stocks comprising the Media General Silver Index, which includes only companies with silver mining investments, and in the stocks comprising the S&P 500 Index, assuming the reinvestment of all dividends.

Compensation Committee Interlocks and Insider Participation

Neither Mr. Conger nor Mr. Soros, the members of the Compensation Committee in 2004, has ever been an officer or employee of Apex Silver or its subsidiaries. All relationships between these directors and Apex Silver and its subsidiaries required to be disclosed have been disclosed elsewhere in this proxy statement.

Employment Agreements and Change-in-Control Arrangements

At the time we offered employment to Messrs. Hulley, Clevenger, Edwards and Lettes, we provided each executive officer with a letter indicating the terms of his employment with Apex Silver. All executives are employed on an at-will basis and may be terminated at any time. Under the terms of their offer letters, Messrs. Hulley, Clevenger, Edwards and Lettes each have agreed not to join a company whose primary business is the acquisition and development of silver mines for two years after termination of employment with us.

We have also entered into change of control agreements with Messrs. Hulley, Clevenger, Edwards and Lettes. The agreements become effective upon a change of control as defined in the agreements. If we terminate an executive other than for cause, disability or death or the executive terminates his employment for good reason (as such terms are defined in the agreements), the executive will become entitled to a specific severance payment equal to three times, for Messrs. Hulley, Clevenger and Edwards, and two times, for Mr. Lettes, the sum of the executive's base salary plus 100 percent of the executive's target bonus amount (as defined in our incentive bonus plan) multiplied by the executive's annual base salary. The agreements provide that if any payments under the agreements would cause us to have paid an "excess parachute payment" as defined in Section 280G(b)(1) of the Internal Revenue Code, the payment will be reduced to the highest amount that will not cause us to have paid an excess parachute payment. In addition, if we terminate the executive other than for cause, disability or death or the executive terminates his employment for good reason, the executive shall be entitled, for a 36 month period for Messrs. Hulley, Clevenger and Edwards, and for a 24 month period for Mr. Lettes, to certain life, disability, accident, medical and dental insurance benefits.

We have adopted a severance plan which provides benefits to employees who cease to be employed by us due to involuntary termination without cause. As defined in the plan, involuntary termination without cause includes job elimination or consolidation, closure of a work site, reorganization or merger or reduction in work force, and does not include disability, retirement or voluntary resignation. Messrs. Hulley, Clevenger, Edwards and Lettes are eligible to participate in the plan. Under the plan, unless otherwise agreed as described below, each executive would receive severance pay based on his years of continuous employment, with a minimum of 16 weeks of pay and a maximum of 52 weeks of pay, plus medical, dental, life insurance, outplacement and other benefits. If upon termination of an executive's employment he receives benefits under his change of control agreement, he would not receive benefits under the severance plan.

Our 2004 Equity Incentive Plan, pursuant to which Messrs. Hulley, Clevenger, Edwards and Lettes hold options, provides that in the event of a change in control (as defined in the 2004 Equity Incentive Plan), all unvested options become exercisable in full.

Certain Transactions

We made a $300,000 relocation advance to Alan Edwards, our Chief Operating Officer, in August 2004 pursuant to our relocation policy, which provides for a 90 day interest-free advance to an employee who completes the purchase of a residence in the new location prior to completing the sale of the employee's residence in the former location. The advance was fully repaid by Mr. Edwards in November 2004.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10 percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of ordinary shares and other equity securities and to furnish us with copies of such reports.

The Form 4s for stock options granted on January 23, 2004 to each of Messrs. Conger, Hanna, Hansard, Hoegh, Kaplan, Morano, Smith and Soros were not filed until March 2, 2004. The Form 4 for stock and stock option awards to Mr. Edwards on June 21, 2004 was not filed until June 25, 2004 and the Form 4 for stock option awards to Mr. Hanna on September 30, 2004 was not filed until October 22, 2004.

Incorporation by Reference

The reports of the Compensation and Audit Committees and the information under the heading "Performance Graph" shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Exchange Act of 1934, except to the extent we specifically incorporate this information by reference, and shall not otherwise be deemed filed under the Securities Act or the Exchange Act.

Shareholder Proposals

Shareholders may present proposals for shareholder action in our proxy statement where such proposals are consistent with applicable law, pertain to matters appropriate for shareholder action and are not properly omitted by our action in accordance with the proxy rules. Shareholder proposals prepared in accordance with the proxy rules must be received by us on or before January 20, 2006 to be included in our proxy statement for the annual meeting of shareholders in 2006. In addition, in accordance with our Articles of Association, if a shareholder proposal is not received by us on or before April 24, 2006, it will not be considered or voted on at the annual meeting. Our Articles also contain other procedures to be followed for shareholder proposals for shareholder action, including the nomination of directors.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Our Memorandum and Articles of Association establish a classified board of directors with three classes of directors. At each annual meeting of shareholders, the successors to the class of directors whose terms expire at that meeting are elected to serve as directors for a three year term. The board of directors has nominated for election at the annual meeting the three persons named below to serve until the 2008 annual meeting of shareholders or until their successors are elected, and each of the three persons named below has consented to being named as a nominee. Each nominee is currently a director of our company. In the event that any nominee becomes unavailable for reasons now unknown, shares represented by an executed proxy in the form enclosed will be voted for substitute or additional nominees proposed by the board of directors.

The board of directors has determined that the following directors are independent as defined in the American Stock Exchange listing standards: Messrs. Conger, Hansard, Hoegh, Morano, Palmer, Smith, and Soros.

The name and age of each nominee, his principal occupation for at least the past five years and other information is set forth below, based upon information furnished to us by the nominee.

Nominees For Election

Ove Hoegh, age 68, director since April 1997.

A member of the board of directors from July 1966 until July 1997 of Leif Hoegh & Co. ASA, a family owned shipping business with more than $1 billion in assets, Mr. Hoegh has more than 30 years of experience in the international shipping industry. From 1970 to 1982, he served as Chief Operating Officer and Chief Executive Officer of Leif Hoegh & Co. ASA. Since 1982, he has served as the senior partner of Hoegh Invest A/S, a family investment company with a diversified portfolio of technology, oil and gas and real estate holdings. In addition, Mr. Hoegh served for eight years as a member of the board of directors and executive committee of Brown Boveri (Norway), and also has served on the shareholders' councils of Esso Norway, Den Norske Creditbank, and Det Norske Veritas. He also serves as a director of Egypt Gowth Investment Company, Ltd. Mr. Hoegh is a former member of the board of the Energy Policy Foundation of Norway, a former member of the steering committee of the International Maritime Industry Forum, and a former Vice Chairman of the executive committee of the Independent Tanker Owners' Association. He served for five years as a member of the Harvard Business School Visiting Committee. Mr. Hoegh is a graduate of the Royal Norwegian Naval Academy and holds a M.B.A. from Harvard University.

Keith R. Hulley, age 65, director since April 1997.

Mr. Hulley was appointed Executive Chairman of the board of directors in September 2004. He served as our Chief Executive Officer from October 2002 until October 2004. A mining engineer with more than 40 years' experience, Mr. Hulley has served as President of Apex Corporation since 1998 and as an executive officer, including Chief Operating Officer, of Apex Corporation since its formation in October 1996. From early 1991 until he joined us, Mr. Hulley 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, a A$450 million mining project. Prior to joining Western Mining, Mr. Hulley was the President and Chief Executive Officer 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, as Mine Operation Superintendent of Kennecott Corporation's Bingham Canyon mine which processed 100,000 tonnes of ore per day, and as 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, Mr. Hulley holds a B.S. in mining engineering from the University of Witwatersrand and an M.S. in mineral economics from Stanford University

Paul Soros, age 78, director since March 1996.

Principally involved in private investment activities during the past five years, Mr. Soros is a director of VDM, Inc. which is a shareholder of the Company. Mr. Soros is a member of the Investment Advisory Committee of Quantum Industrial which is a shareholder of the Company. Mr. Soros is the founder and former president of Soros Associates, an international engineering firm specializing in port development and offshore terminal and material handling projects for the mining industry and other basic industries. Soros Associates was involved in projects in more than 80 countries, acting on behalf of consortia including USX Corporation, The Broken Hill Proprietary Company Limited, Alcan Aluminum Limited and Aluminum Company of America, and was involved in projects in a majority of the largest mineral ports in the world. Mr. Soros has served on the Review Panel of the President's Office of Science and Technology and the U.S.-Japan Natural Resources Commission. He received the Outstanding Engineering Achievement Award of the National Society of Professional Engineers in 1989. Mr. Soros holds a Masters degree in mechanical engineering from the Polytechnic Institute of Brooklyn and is a licensed professional engineer in New York and numerous other states. In addition, he holds several patents in material handling and offshore technology, and is the author of over 100 technical articles.

Other Directors

Information regarding the remaining members of the Board of Directors appears below.

Jeffrey G. Clevenger, age 55, director since October 2004.

Mr. Clevenger was elected to serve as a director and as our President and Chief Executive Officer effective October 11, 2004. His term will expire in 2006. Mr. Clevenger served as Senior Vice President and Executive Vice President of Cyprus Amax Minerals Company from 1993 to 1998 and 1998 to 1999, respectively, and as President of Cyprus Climax Metals Company and its predecessor, Cyprus Copper Company, a large integrated producer of copper and molybdenum with operations in North and South America, from 1993 to 1999. Mr. Clevenger was retired and principally involved in private investment activities from 1999 to October 2004. He was Senior Vice President of Cyprus Copper Company from August 1992 to January 1993. From 1973 to 1992, Mr. Clevenger held various technical, management and executive positions at Phelps Dodge Corporation, including President and General Manager of Phelps Dodge Morenci, Inc.

Harry M. Conger, age 74, director since April 1997.

Mr. Conger's term will expire in 2007. A leading figure in the international mining community, Mr. Conger has over 40 years of industry experience, rising from shift boss to Chairman and Chief Executive Officer of Homestake Mining Company, a New York Stock Exchange listed company. He served as the Chief Executive Officer of Homestake from 1978 until 1996 and also held the position of Chairman from 1982 until 1998. Over the course of his career, Mr. Conger has been involved in gold, silver, lead, zinc, uranium, sulfur, coal, iron ore and copper mining. He has been extensively involved in numerous major project developments, with both on-site and broader supervisory responsibility, including the $170 million expansion of an iron ore mine to 25 million tons of material mined per year, the $165 million greenfield development of a large 20 million tonne surface coal mine, and the $165 million development of a new gold mine with new technology. Mr. Conger is a former Chairman of the American Mining Congress and the World Gold Council and is a member of the National Academy of Engineering. He currently serves on the board of directors of ASA Bermuda Limited, a closed-end portfolio of gold stocks listed on the New York Stock Exchange. Mr. Conger retired in 2001 from the board of directors of Pacific Gas and Electric Company, a San Francisco based utility company.

Charles L. Hansard, age 56, director since June 2001.

Mr. Hansard's term will expire in 2007. Mr. Hansard has more than 30 years of experience in the financial and investment industry, commencing his career with Anglo American Corporation in South Africa. He has held senior executive positions at Hambros Bank and Orion Royal Bank and co-founded IFM Ltd., one of the earliest hedge fund managers in Europe. Since 1996, Mr. Hansard has been a director of Moore Global Investments, Ltd., Moore Fixed Income Fund and Moore Emerging Markets Ltd. From 1996 to 1998, he served as a consultant to BBV Securities Limited on mineral resource project financing in the Latin America region. He also currently serves on the boards of directors of Deutsche Global Liquidity Fund Ltd., Sthenos Capital Limited and South African Resources plc. Mr. Hansard holds a B.B.S. from Trinity College Dublin.

Kevin R. Morano, age 51, director since February 2000.

Mr. Morano's term will expire in 2006. Since August 2004, Mr. Morano has served as Senior Vice President for Marketing and Business Development of Lumenis Ltd. From March 2002 to August 2004, Mr. Morano served as Chief Financial Officer of Lumenis Ltd. He was Executive Vice President and Chief Financial Officer of Exide Technologies from May 2000 until October 2001. Mr. Morano served as President and Chief Operating Officer of ASARCO, Incorporated from April 1999 until its acquisition by Grupo de Mexico in December 1999. From January 1998 through April 1999, he served as Executive Vice President and Chief Financial Officer of ASARCO. In this capacity he was responsible for all financial functions of ASARCO and for the operations of its specialty chemical and aggregate businesses. From 1993 to January 1998, Mr. Morano served as Vice President and Chief Financial Officer of ASARCO. During this period, he was responsible for all financial functions of the company, including completing an $800 million financing program and initial public offering of ASARCO's Peruvian copper mining subsidiary. Mr. Morano held various positions at ASARCO from 1978 through 1992, including General Manager of the Ray complex, ASARCO's largest copper operation in Arizona, Treasurer and Director of Financial Planning. He was employed by Coopers & Lybrand from 1974 to 1978. Mr. Morano is also a director of Bear Creek Mining Corp. Mr. Morano is a certified public accountant and holds a B.A. in business administration from Drexel University and an M.B.A. from Rider University.

Terry M. Palmer, age 60, director since September 2004.

Mr. Palmer was appointed as a director on September 30, 2004, to fill the vacancy left by the resignation on that date of David S. Hanna. Mr. Palmer's term will expire in 2006. Mr. Palmer spent 36 years at Ernst & Young LLP where he was a partner from 1979 until his retirement in October 2002. Since January 2003, he has been employed with the accounting firm of Marrs, Sevier & Company. Mr. Palmer is a director of Energy West, Incorporated. Mr. Palmer is a certified public accountant and holds a B.S. in Business Administration from Drake University and an MBA from the University of Denver.

Charles B. Smith, age 66, director since March 2000.

Mr. Smith's term will expire in 2007. Mr. Smith is a mining executive with more than 35 years experience. He served as both a director and President of Manhattan Minerals Corp. from April to September 2002. Mr. Smith served as President and Chief Executive Officer of Southern Peru Copper Company, the world's seventh largest copper producer located in southern Peru, from March to December 1999. Mr. Smith left Southern Peru Copper following the acquisition of ASARCO, Incorporated, its principal shareholder, by Grupo Mexico, and was an independent consultant from April 2000 until April 2002. Mr. Smith served as Executive Vice President and Chief Operating Officer of Southern Peru Copper from March 1996 to March 1999, and as Vice President, Operations from November 1992 to March 1996. From 1974 to 1992, Mr. Smith served in various executive positions at Atlantic Richfield Company, including Vice President of U.S. Operations and Marketing of ARCO Coal Company and Vice President of Engineering and Research of Anaconda Minerals Company. Mr. Smith's other positions at Atlantic Richfield included Vice President of General Properties and various positions at Thunder Basin Coal Company, including mine manager and President. Previously, he served as Chief Engineer and General Mine Superintendent at Kaiser Steel Corporation's Eagle Mountain Mine in California and as Mine Supervisor at Inspiration Consolidated Copper's copper mine in Globe, Arizona. Mr. Smith holds a B.S. in mining engineering from the University of Arizona.

Recommendation and Required Vote

The affirmative vote of the holders of a majority of the ordinary shares entitled to vote and represented in person or by proxy at the annual meeting is required for the election of directors. **The Board of Directors unanimously recommends that the Company's shareholders vote FOR the election of Ove Hoegh, Keith R. Hulley and Paul Soros.**

PROPOSAL NO. 2 PROPOSAL TO AMEND THE MEMORANDUM OF ASSOCIATION TO INCREASE AUTHORIZED SHARE CAPITAL

Introduction

Since our inception in 1997, our memorandum of association has provided an authorized share capital of U.S.$750,000 divided into 75,000,000 shares of nominal or par value of U.S.$0.01. At April 7, 2005, on a fully diluted basis, we had 64,261,381 ordinary shares outstanding or reserved for issuance. In addition to the 47,704,747 ordinary shares outstanding, a total of 2,287,285 ordinary shares may be issued upon exercise of existing stock options and an additional 1,940,000 ordinary shares have been reserved for future issuance under our 2004 Equity Incentive Plan and Non-Employee Director Share Plan. In addition, 450,000 ordinary shares have been reserved for issuance upon exercise of outstanding warrants and an additional 11,879,350 ordinary shares have been reserved and may be issued upon conversion of our 2.875% and 4.0% Senior Subordinated Convertible Notes due 2024.

The board has determined that it is in the best interest of the shareholders to increase the authorized share capital to 175,000,000 ordinary shares with a par value of $0.01. The Board believes that it is desirable to have the additional authorized shares available for stock dividends or splits, future financing and acquisition transactions, strategic alliances, stock compensation, and other general corporate purposes. The additional ordinary shares would be available for issuance without further action by the shareholders and without the accompanying delay and expense involved in calling a special meeting of shareholders, except as may otherwise be required by law or the listing rules of the American Stock Exchange or other exchange or system on which all our shares are traded or quoted. The issuance of any additional ordinary shares may result in a dilution of the shareholders' current respective equity interests in the Company as well as a dilution in the voting power of the shareholders.

Although, at present, we have no agreements, commitments or plans for the issuance of any ordinary shares other than as descsribed in the first paragraph above, the Board of Directors believes it is important that we are able to respond quickly to opportunities that may arise without incurring the additional time and expense of a special shareholders' meeting.

Proposed Amendment to the Memorandum of Association

Our board or directors has approved, and proposes and recommends to shareholders that they adopt, the following ordinary resolution to increase authorized share capital:

RESOLVED, that the authorized share capital of Apex Silver be increased:

(a) from U.S.$750,000.00 divided into 75,000,000 shares of a nominal or par value of U.S.$0.01 each,

(b) to U.S.$1,750,000.00 divided into 175,000,000 ordinary shares of a nominal or par value of U.S.$0.01.

Recommendation and Required Vote

The affirmative vote of a majority of our ordinary shares entitled to vote and who do vote (in person or by proxy) at the meeting is required to approve the ordinary resolution. Our Board has unanimously approved the proposed amendment and believes it is in the best interest of the Company and its shareholders. **The Board of Directors unanimously recommends the Company's shareholders vote FOR adoption of the ordinary resolution.**

PROPOSAL NO. 3 PROPOSAL TO AMEND THE MEMORANDUM OF ASSOCIATION TO AUTHORIZE "BLANK CHECK" PREFERENCE SHARES

Introduction

Our memorandum of association currently permits us to issue preference shares with such rights and preferences as may be determined by the board of directors, provided, however, that the rights assigned to the preference shares may not prejudice the holders of the ordinary shares. For example, without specific shareholder approval, we may not issue preference shares with voting rights exceeding those of our ordinary shares. We have never issued any preference shares.

The board has determined that it is the best interest of shareholders to amend our memorandum of association to increase our share capital by U.S.$250,000.00 and to authorize the creation of 25,000,000 preference shares, par value $.01 per share (the "Preference Shares"), with "blank check" authority vested in the board of directors.

If this proposal is approved, the terms of preference shares, if any, will be determined by the board of directors at the time the preference shares are issued. Under Cayman Islands law, the board of directors may lawfully provide for preferred dividends; liquidation preferences; conversion and exchange rights, including the prices or prices and rates of conversion and exchange and adjustments, if any; and other preferences, powers, qualifications, rights and privilieges, but may not provide special voting rights not otherwise afforded to the holders of ordinary shares.

Subject to the limitations of Cayman Islands law, including those described above, and other applicable laws, including the rules and regulations of the Securities and Exchange Commission and the American Stock Exchange or other applicable exchange or quotations system, the Board of Directors would be authorized, without further action from the shareholders, to provide for the issuance of all or any of the preference shares in one or more classes or series, specifying the number of shares to be included therein, the distinguishing designations of each class and the preferences, limitations and relative rights applicable to each class.

The board of directors believes that the authority to issue preference shares will provide us with additional flexibility in our efforts to raise capital and structure acquisitions and other strategic alliances. Although, at present, we have no agreements, commitments or plans for the issuance of any preference shares, the board of directors believes it is important that we are able to respond quickly to opportunities that may arise without incurring the additional time and expense of a special shareholders' meeting.

Proposed Amendment to the Memorandum of Association

Our Board has approved, and proposes and recommends to shareholders that they adopt, the following ordinary resolution to authorize "blank check" preference shares:

RESOLVED, that the authorized share capital of Apex Silver be increased by U.S.$250,000.00, divided into 25,000,000 preference shares of a nominal or par value of U.S.$0.01 each, with such rights and preferences as may be determined from time to time by the Board of Directors.

Recommendation and Required Vote

The affirmative vote of a majority of our ordinary shares entitled to vote and who do vote (in person or by proxy) at the meeting is required to approve the ordinary resolution. Our Board has unanimously approved the proposed amendment and believes it is in the best interest of the Company and its shareholders. **The Board of Directors unanimously recommends the Company's shareholders vote FOR adoption of the ordinary resolution.**

PROPOSAL NO. 4 SPECIAL RESOLUTION AMENDMENT OF ARTICLE 18

Article 18(b) of our current Articles provides that a general meeting of shareholders may be convened by any two shareholders and that the expenses of the meeting must be paid by the Company. While it is not unusual for shareholders to have the right to convene a general shareholders meeting, it is very unusual for that right to be given to such a small number of shareholders. Pursuant to this provision, it may be possible for two shareholders, each holding only one ordinary share, to convene a general shareholders meeting. This provision, if it were exercised successfully, would result in significant expense to the Company for the preparation, printing and distribution of proxy materials to all beneficial owners and for other expenses incurred to hold the meeting. The existing provision could be used to advance the special interests of a tiny minority of our shareholders, which may not be in the interest of the majority of our shareholders.

The board believes it is appropriate for shareholders to be able informally to bring matters to the attention of the board as well as formally to convene shareholder meetings in certain circumstances. The board has established a procedure for any securityholder to communicate with the board or any specific member or committee of the board. We have also adopted procedures for shareholders to nominate individuals to serve on the board. Further, shareholders may prepare and submit specific proposals to the board for inclusion at the annual meeting. All of these are described on this proxy statement.

In addition to the right of two shareholders to convene a general meeting described above, Section 18(b) permits a majority of shareholders to convene a general meeting. The board believes it is in the best interest of all shareholders to permit shareholders who, individually or as a group, hold twenty percent (20%) or more of our then outstanding shares to convene a general meeting of shareholders. By limiting this power to only a significant group of shareholders, but reducing the number of shares permitted to convene a general meeting from a majority to 20%, the board believes we have provided an appropriate balance between our goal of providing shareholders with the ability to directly influence our policies and our need to protect the Company and its shareholders from the unnecessary expense that would be incurred if we could be required to hold shareholders meetings as currently permitted by Ar