

APEX SILVER MINES LTD
Form DEF 14A
April 27, 2004

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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

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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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 May 27, 2004

To Our Shareholders:

Notice is hereby given that the annual meeting of shareholders of Apex Silver Mines Limited will be held in the La Maisonnette I Room at the St. Regis Hotel Two East 55th Street at Fifth Avenue, New York, New York, 10022 on Thursday, May 27, 2004 at 4:00 p.m., New York City Time, for the following purposes:

1. To elect three (3) directors to hold office until the 2007 annual meeting of shareholders or until their successors are elected;
2. To approve the 2004 Equity Incentive Plan;
3. To ratify the selection of PricewaterhouseCoopers LLP as independent accountants for the current fiscal year; and
4. 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 April 16, 2004 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, 2003, 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

April 27, 2004

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

May 27, 2004

This Proxy Statement is furnished to the shareholders of Apex Silver Mines Limited ("Apex Limited" or "we") in connection with the solicitation of proxies by the board of directors of Apex Limited to be voted at the annual meeting of shareholders on May 27, 2004, 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 April 27, 2004.

Only holders of our ordinary shares, par value \$0.01 per share, at the close of business on April 16, 2004, the record date, are entitled to notice of and to vote at the annual meeting. On the record date, 47,402,779 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. Non-votes are not tabulated for purposes of determining whether a proposal has been approved. Unless contrary instructions are indicated on a proxy, the ordinary shares represented by such proxy will be voted **FOR** proposals 1, 2 and 3. Abstention from voting on a proposal is treated as a vote against that 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 Limited. 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 American Stock Transfer & Trust Company to assist in our proxy solicitation as part of its transfer agency services.

SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS AND MANAGEMENT

The following table includes information as of April 16, 2004, 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 two executive officers, a chief executive 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"), a wholly owned subsidiary of ours, 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 16, 2004, 47,402,779 of our ordinary shares were issued and outstanding.

Directors, Executive Officers and 5% Shareholders of our Company(1)	Beneficial Ownership	
	Number	Percentage
Moore Global Investments Ltd./Remington Investment Strategies L.P./Moore Emerging Markets(2)	5,734,266	12.1%
Wellington Capital Management Company LLP(3)	4,765,200	10.1%
FMR Corp.(4)	4,685,400	9.9%
George Soros(5)	3,457,823	7.3%
Strong Capital Management, Inc.(6)	3,327,631	7.0%
Harry M. Conger(7)	51,281	*
David Sean Hanna(7)	52,406	*
Charles L. Hansard(7)	20,402	*
Ove Hoegh(7)	52,406	*
Keith R. Hulley(7)(8)	97,237	*
Thomas S. Kaplan(7)(8)(9)	2,389,649	5.0%
Kevin R. Morano(7)	37,009	*
Charles B. Smith(7)	33,765	*
Paul Soros(7)(10)	522,085	1.1%
Mark A. Lettes(7)(8)	44,788	*
Directors and executive officers as a group (10 persons)(11)	3,301,028	6.8%

*

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 Moore Global Investments Ltd./Remington Investment Strategies L.P./Moore Emerging Markets 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, is vested with investment discretion with respect to portfolio assets held for the account of Moore Global Investments, Ltd. and Moore Emerging Markets. Moore Capital Advisors, L.L.C., a Delaware limited liability company ("Moore Capital Advisors"), is the sole general partner of Remington Investment Strategies, L.P. Mr. Louis M. Bacon is the indirect beneficial owner of Moore Capital Management, LLC and is the majority indirect beneficial owner of Moore Capital Advisors. As a result, Mr. Bacon may be deemed to be the indirect beneficial owner of the

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aggregate 5,734,266 of our shares held by Moore Global Investments Ltd., Moore Emerging Markets and Remington Investment Strategies L.P.

- (3) 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.
- (4) 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 4,569,500 of our shares. 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 96,300 of our shares. Fidelity International Limited, and various foreign-based subsidiaries provide investment advisory and management services to a number of non-U.S. investment companies and certain institutional investors. Fidelity International Limited is the beneficial owner of 19,600 of our shares.
- (5) 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.
- (6) The address of Strong Capital Management, Inc. is 100 Heritage Reserve, Menomonee Falls, Wisconsin 53051. Strong Capital Management, Inc. is a registered investment advisor. Richard S. Strong is the Chairman of the Board of Strong Capital Management, Inc. Strong Advisor Small Cap Value Fund owns 2,115,100 ordinary shares and 1,212,531 ordinary shares are held by other accounts for which Strong Capital Management, Inc. acts as the investment advisor.
- (7) Amounts shown include ordinary shares subject to options exercisable within 60 days: 49,281 ordinary shares for Mr. Conger; 52,406 ordinary shares for Mr. Hanna; 20,402 ordinary shares for Mr. Hansard; 52,406 ordinary shares for Mr. Hoegh; 58,500 ordinary shares for Mr. Hulley; 616,079 ordinary shares for Mr. Kaplan; 37,009 ordinary shares for Mr. Morano; 33,765 ordinary shares for Mr. Smith; 52,406 ordinary shares for Mr. Soros; and 36,250 ordinary shares for Mr. Lettes.
- (8) Amounts shown include restricted ordinary shares issued pursuant to our Employees' Share Option Plan: 39,449 shares for Mr. Kaplan; 38,737 shares for Mr. Hulley; and 8,538 shares for Mr. Lettes.
- (9) Mr. Kaplan, pursuant to a voting trust agreement, has voting and dispositive control with respect to 1,734,121 ordinary shares owned by Consolidated Commodities, Ltd.
- (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 230,560 ordinary shares.
- (11) Includes options to purchase 1,008,504 shares exercisable within 60 days.

CORPORATE GOVERNANCE

Meetings and Committees of the Board of Directors

The board of directors met four times during fiscal year 2003.

Audit Committee. The Audit Committee held seven meetings during 2003, and is currently comprised of Messrs. Morano, Hoegh and Hanna. Each of the members of the Audit Committee is independent 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 which was amended in December 2003 and is attached to this proxy statement as Appendix A.

The board of directors has determined that Mr. Morano 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 one meeting during 2003, and is currently comprised of Messrs. Conger and Soros. Both of the members of the Compensation Committee are 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 Employees' Share Option Plan and Non-Employee Directors' Share Plan and provide counsel regarding key personnel selection.

Finance Committee. The Finance committee, which did meet during 2003, is currently comprised of Messrs. Hansard, Kaplan 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 did not meet during 2003, was established in March 2000 and is currently comprised of Messrs. Conger, Hulley, 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 did not meet during 2003, was established in December 2003 and is currently comprised of Messrs. Conger, Hanna, Hoegh, Morano and Smith. Each of the members 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 Limited's website at www.apexsilver.com. Click on "About Apex Silver" on the left side of the page and then click on "Corporate Governance" to view the charter.

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 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 Apex Limited's 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 Limited. 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 shareholders 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. Two directors attended last year's annual meeting of shareholders.

Code of Ethics

Apex Limited 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 Limited'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 2003, pursuant to the Non-Employee Directors' Share Plan, non-employee directors received as standard compensation options to purchase 611, 3,533, 586, 571 and 584 ordinary shares at exercise prices of \$13.95, \$14.54, \$14.54, \$14.90 and \$16.95, respectively.

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 Limited. 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 \$106,000 for 2003. Mr. Hansard may assign to Moore Capital's clients, who are shareholders of Apex Limited, 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 our Chairman, Chief Executive Officer and Chief Financial Officer, our only executive officers.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation		All Other Compensation (\$)(2)
		Salary (\$)	Bonus (\$)	Restricted Security Awards (\$)(1)	Awards Securities Underlying Options (#)	
Thomas S. Kaplan Chairman(3)	2003			138,394	238,476	
	2002			177,686	252,000	
	2001	288,920		173,349	100,000	
Keith R. Hulley Chief Executive Officer(4)	2003	309,989		161,194	100,000	9,662
	2002	279,989		139,995	50,000	6,310
	2001	273,160		127,018	50,000	5,250
Mark A. Lettes Chief Financial Officer(5)	2003	196,477	6,882	61,885	25,000	5,867
	2002	191,685	7,667	69,007	25,000	5,500
	2001	187,010		74,800	25,000	5,250

- (1) Restricted ordinary shares vest on the second anniversary of the grant date and 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.

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- (2) Amounts shown as all other compensation represent employer contributions to the Apex Corporation 401(k) plan.
- (3) Mr. Kaplan's bonus for 2003 consisted of 12,584 restricted ordinary shares. At the end of fiscal 2003, Mr. Kaplan held 20,749 restricted ordinary shares valued at \$433,654. The number of shares underlying options granted to Mr. Kaplan as 2003 compensation includes options to acquire 135,000 shares granted on December 4, 2002, which were granted in lieu of Mr. Kaplan's 2003 salary. The number of shares underlying options granted to Mr. Kaplan as 2003 compensation does not include options to acquire 138,476 shares granted on December 10, 2003, which were granted in lieu of Mr. Kaplan's 2004 salary.
- (4) Mr. Hulley's bonuses for 2003, 2002, and 2001 included 9,510, 9,915 and 13,702 restricted ordinary shares. At the end of fiscal 2003, Mr. Hulley held 19,425 restricted ordinary shares valued at \$405,982.
- (5) Mr. Lettes' bonuses for 2003, 2002, and 2001 included 3,651, 4,887, and 8,069 restricted ordinary shares. At the end of fiscal 2003, Mr. Lettes held 8,538 restricted ordinary shares valued at \$178,444.

Share Option Grants

The following table contains further information concerning the share option grants made to our named executive officers during the fiscal year ended December 31, 2003. Options for 138,476 shares granted to Mr. Kaplan in lieu of his 2004 salary vest at the rate of 5,789 on January 15, 2004 and 5,769 on January 31 and on the 15th and last day of each month from February through December 2004. All other options granted in 2003 vest ratably over four years, with the first tranche vesting one year from the date of grant. In the event of a change in control (as defined in the Employees' Share Option Plan), all unexercised options are immediately exercisable in full. The percentage of total options granted to employees is based on 592,005 options granted to employees in 2003 pursuant to the Employees' Share Option 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 LAST FISCAL YEAR

Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees In Fiscal Year	Individual Grants		Potential Realizable Value at Assumed Annual Rates of Share Price Appreciation for Option Term	
			Exercise or Base Price (\$/Sh)	Expiration Date	5% (\$)	10% (\$)
Thomas S. Kaplan	238,476	40.3%	16.95	12/10/13	2,542,354	6,442,823
Keith R. Hulley	100,000	16.9%	16.95	12/10/13	1,065,976	2,701,393
Mark A. Lettes	25,000	4.2%	16.95	12/10/13	266,494	675,348

Option Exercises and Holdings

The following table sets forth information with respect to our named executive officers concerning unexercised options held as of December 31, 2003.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES**

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options At Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Thomas S. Kaplan			527,600	418,676	5,196,500	2,619,460
Keith R. Hulley	52,500	398,149	87,500	175,000	820,188	1,087,188
Mark A. Lettes	34,800	284,175	44,700	62,500	405,748	444,844

The value of unexercised in the money options at fiscal year-end is computed based upon a price of \$20.90 per ordinary share, the closing price on December 31, 2003 as quoted by the American Stock Exchange.

Report of the Compensation Committee of the Board of Directors

The Compensation Committee of the board of directors is responsible for establishing and administering the compensation philosophy, policies, and plans for our non-employee directors and executive officers. The Compensation Committee's executive compensation philosophy is that compensation should largely be tied to our performance and the sustained creation of shareholder value. The compensation programs also are designed to encourage share ownership. The Compensation Committee believes that share ownership effectively aligns the interests of executives with those of our shareholders.

In 2001, our board of directors approved an updated compensation plan and a more simplified bonus plan for our executive officers as part of our reduced operations strategy adopted in April 2001. The Compensation Committee used these plans and their award guidelines, 2003 compensation market surveys, and the job descriptions and performance of our executives to determine 2003 compensation adjustments and awards. The updated compensation and bonus plans provide for consideration of a variety of qualitative and quantitative factors in establishing salaries and incentive compensation. Under the new bonus plan, our incentive bonus plan was suspended and replaced with a discretionary bonus plan. All benefits awarded under the discretionary bonus plan are paid in restricted stock vesting on the second anniversary of the grant date. In 2003, the factors considered by the Compensation Committee include, as in prior years, progress on development of the San Cristobal project, the implementation of project and corporate expenditure controls and the performance of our share price. While the Compensation Committee considers the performance of our share price as compared to the share price of other companies in our industry, it recognizes that such comparisons may not necessarily be an accurate indication of the value and performance of Apex Limited compared to other companies in the industry. In addition, the Compensation Committee considered the compensation recommendations of management and the individual performance of executives.

Our executive compensation program consists of three principal components: base salary, awards under the Employees' Share Option 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 2003.

Employees' Share Option Plan. We have established the Employees' Share Option Plan for our officers, employees, consultants and agents. In 2003, the Compensation Committee made share option grants 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 2003 were determined by consideration of plan guidelines and the factors listed above. The Compensation Committee plans to consider the award of additional options to executives in future years.

Discretionary Bonus Awards. The award of discretionary bonuses for 2003 was made on the basis of the recommendations by management and consideration of plan guidelines and the factors listed above. Consistent with aligning executives' interests with those of our shareholders and encouraging share ownership, the Compensation Committee recommended to the board of directors, who approved the recommendation, that the entire amount of bonuses awarded to our Chairman and Chief Executive Officer for 2003 be paid in the form of restricted ordinary shares vesting on the second anniversary of the grant date, and that the bonus awarded to our Chief Financial Officer for 2003 be paid partially in cash and partially in the form of restricted ordinary shares vesting on the second anniversary of the grant date. The shares are subject to immediate vesting should an employee be involuntarily terminated without cause within two years of the date of the restricted share grant.

Chief Executive Officer's 2003 Compensation. Mr. Hulley's base salary for 2003 was \$309,989. In increasing Mr. Hulley's salary, the Compensation Committee considered the factors listed above, as well as increases in the cost of living reported in various indices.

Section 162(m) of the Internal Revenue Code, enacted in 1993, generally limits to \$1 million the tax deductibility of compensation paid by a public company to its chief executive officer and four other most highly compensated executive officers. We are relying upon certain transition rules set forth in applicable regulations. Therefore, the Compensation Committee believes that it need not take any specific action or adopt a formal policy at the present time with respect to the deductibility of compensation under Section 162(m).

Submitted by the Members of the Compensation Committee:

Harry M. Conger, Chairman
Paul Soros

Audit Committee Report

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, 2003 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, 2003 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:

Kevin R. Morano, Chairman
 Ove Hoegh
 David Sean Hanna

Performance Graph

The graph below compares the cumulative total shareholder return as of December 31, 2003 on \$100 invested in our ordinary shares as of December 31, 1998, 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.

ASSUMES \$100 INVESTED ON DEC. 31, 1998
 ASSUMES DIVIDEND REINVESTED
 FISCAL YEAR ENDING DEC. 31, 2003

	<u>12/31/98</u>	<u>12/31/99</u>	<u>12/31/00</u>	<u>12/31/01</u>	<u>12/31/02</u>	<u>12/31/03</u>
APEX MINING	100.00	145.45	101.52	121.21	179.39	253.33
MG GROUP INDEX	100.00	96.02	54.16	72.87	150.76	276.96
S&P 500 INDEX	100.00	121.04	110.02	96.95	75.52	97.18

Equity Compensation Plan Information
December 31, 2003

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans*
Equity compensation plans/arrangements approved by the shareholders	2,119,426	\$ 12.75	2,478,387
Equity compensation plans/arrangements not approved by the shareholders			
Total	2,119,426	\$ 12.75	2,478,387

*

The number of securities authorized under our equity compensation plans is based on formulas contained those plans. The number of shares authorized for issuance upon exercise of grants under our Employees' Share Option Plan as of any date of determination is equal to ten percent (10%) of our issued and outstanding Ordinary Shares on that date, or 3,687,464 shares at December 31, 2003. The number of shares authorized for issuance upon exercise of grants under our Non-Employee Directors' Share Plan as of any date of determination is equal to five percent (5%) of our issued and outstanding Ordinary Shares on that date, or 1,843,732 shares at December 31, 2003. After giving effect to options granted, exercised, and forfeited as of December 31, 2003, there were a total of 1,023,032 shares available for issuance under our Employees' Share Option Plan and 1,455,355 shares available for issuance under our Non-Employee Directors' Share Plan.

Compensation Committee Interlocks and Insider Participation

Neither Mr. Conger nor Mr. Soros, the members of the Compensation Committee in 2003, has ever been an officer or employee of Apex Limited or its subsidiaries. All relationships between these directors and Apex Limited and its subsidiaries required to be disclosed have been disclosed elsewhere in this proxy statement.

Employment Agreements and Change-in-Control Arrangements

We have entered into employment agreements with Messrs. Hulley and Lettes. The employment agreements may be terminated by us at any time. Messrs. Hulley and Lettes 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 our company.

We have also entered into change of control agreements with Messrs. Hulley 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 Mr. Hulley, 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 Mr. Hulley, 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. Kaplan, Hulley, 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 Employees' Share Option Plan, pursuant to which Messrs. Kaplan, Hulley, and Lettes hold options, provides that in the event of a change in control (as defined in the Employees' Share Option Plan), all unvested options become exercisable in full.

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.

Messrs. Conger, Hanna, Hansard, Hoegh, Morano, Smith and Soros each filed one late report during the 2003 fiscal year. In each case, the individual received a grant of stock options on September 18, 2003 but did not file the necessary Form 4 until December 12, 2003.

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 2007 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 affirmative vote of the holders of a majority of the ordinary shares represented and entitled to vote at the annual meeting is required for the election 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, Hanna, Hansard, Hoegh, Morano, 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

Harry M. Conger, age 73, director since April 1997.

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 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, and retired in 1998 from the board of directors of Baker Hughes Inc., an oil and mining services company based in Houston, Texas, under their 10 year tenure rule, and from the board of directors of Cal Mat Company of Los Angeles, an integrated producer of cement, construction aggregates, pre-mixed concrete and asphalt mixes, and real estate developer.

Charles L. Hansard, age 55, director since June 2001.

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, and has since joined the boards of Deutsche Global Liquidity Fund Ltd., Omega Trust PLC and Sthenos Capital Limited. Mr. Hansard holds a B.B.S. from Trinity College Dublin.

Charles B. Smith, age 65, director since March 2000.

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 has been an independent consultant since April 2000. 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 May 1974 to November 1992, Mr. Smith served in various executive positions at Atlantic Richfield Company, including Vice President of U.S. Operations and Marketing of its subsidiary ARCO Coal Company from November 1988 to November 1992 and Vice President of Engineering and Research of its subsidiary Anaconda Minerals Company from June 1984 to November 1988. 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. From September 1967 to May 1974, Mr. Smith held various positions at Kaiser Steel Corporation's Eagle Mountain mine in California, including Chief Engineer and General Mine Superintendent. From May 1961 to September 1967, Mr. Smith was 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.

Other Directors

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

David Sean Hanna, age 43, director since March 1996.

Mr. Hanna's term will expire in 2006. For the past twenty years Mr. Hanna has practiced corporate law with the Bahamian law firm of Arthur D. Hanna & Co, of which he is a partner. He is also a director of Consolidated Commodities, Ltd., which is a shareholder of our company. Mr. Hanna holds an LL.B. (Hons.) from the University of Buckingham, England and in 1983 was called first to the Bar of England and Wales and then as an attorney of the Supreme Court of The Bahamas.

Ove Hoegh, age 67, director since April 1997.

Mr. Hoegh's term will expire in 2005. 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. 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 64, director since April 1997.

Mr. Hulley's term will expire in 2005. Mr. Hulley has been a director since April 1997 and was elected as our Chief Executive Officer in October 2002. A mining engineer with more than 40 years experience, Mr. Hulley has served as the President of Apex Corporation since March 1998, and has served as an executive officer, including Chief Operating Officer, of Apex Corporation since its formation in October 1996. From early 1991 until 1996, 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, 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 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, Mr. Hulley holds a B.S. in mining engineering from the University of Witwatersrand and an M.S. in mineral economics from Stanford University.

Thomas S. Kaplan, age 41, director since March 1996.

Mr. Kaplan's term will expire in 2006. Mr. Kaplan has been the Chairman of our board of directors since its inception in March 1996 and is a director and was the founder of companies we acquired in 1996 through 1998. 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 these trends relate to international financial markets, particularly in the developing markets of Asia, Latin America, the Middle East and 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.

Kevin R. Morano, age 50, director since February 2000.

Mr. Morano's term will expire in 2006. Since March 2002, Mr. Morano has served as Senior Vice President and 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 Datawatch Corporation and 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.

Paul Soros, age 77, director since March 1996.

Mr. Soros' term will expire in 2005. 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.

The Board of Directors unanimously recommends that the Company's shareholders vote FOR the election of Harry M. Conger, Charles L. Hansard, and Charles B. Smith.

PROPOSAL NO. 2 APPROVAL OF 2004 EQUITY INCENTIVE PLAN

Introduction

At the annual meeting, shareholders will be asked to approve the 2004 Equity Incentive Plan (the "2004 Plan"), which was adopted subject to shareholder approval, by the board of directors in April 2004. The 2004 Plan is attached hereto as Appendix B and the following description is qualified in its entirety by reference to the 2004 Plan.

Description of the 2004 Equity Incentive Plan

The purposes of the 2004 Plan are to provide long-term incentives to Apex Limited's officers, directors, employees and consultants to exert maximum efforts for the success of Apex Limited and to attract and retain the services of key individuals. The 2004 Plan provides for an aggregate of two million (2,000,000) ordinary shares ("Ordinary Shares") to be initially available for issuance. Based on the closing price of our Ordinary Shares on April 19, 2004 of \$19.25, the market value of the two million shares was \$38,500,000. The 2004 Plan will be terminated no later than May 27, 2014. Under the 2004 Plan, any Ordinary Shares that have been awarded but for any reason expire or otherwise terminate, shall revert to and again become available for issuance under the 2004 Plan.

The 2004 Plan permits the award of the following three types of equity incentive awards ("Share Awards"): (i) share options, (ii) rights to acquire restricted Ordinary Shares, and (iii) share appreciation rights. Share Awards, with the exception of incentive share options as described below, may be granted to employees, directors and consultants, but no participant may be granted Share Awards of more than 150,000 Ordinary Shares during any calendar year. Apex Limited currently has nine directors and approximately 40 full-time employees.

The 2004 Plan will be administered by the board of directors, or one or more committees appointed by the board of directors. Our board of directors has delegated general administrative and award granting authority for the 2004 Plan to the Compensation Committee. (The appropriate acting body, be it the board of directors or a committee within its delegated authority is referred to in this proposal as the "Administrator"). Subject to the terms of the 2004 Plan, the Administrator determines the persons to whom Share Awards are granted, the number of shares granted, the vesting schedule, if any, the type of consideration to be paid to Apex Limited upon the exercise of the Share Award, and the terms of the Share Award.

Under the options component of the 2004 Plan, the Administrator may grant both incentive share options ("ISOs") intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, and nonqualified share options ("NSOs"). ISOs may be granted only to persons who are employees of Apex Limited while NSOs may also be granted to persons who are directors or consultants. NSOs must be granted at an exercise price of no less than 85% of the fair market value of the Ordinary Shares on the date of the grant and ISOs must be granted at no less than 100% of such fair market value, except that the exercise price of an ISO granted to a holder of more than 10% of the Ordinary Shares must be at least 110% of fair market value. Any option granted under the 2004 Plan generally must have a term no greater than ten years but the term of an ISO granted to a holder of more than 10% of the Ordinary Shares cannot exceed five years.

Unless otherwise provided by the Administrator in the terms of the option agreement, in the event the optionholder's employment or service with Apex Limited is terminated (other than upon the participant's death, disability, retirement or as a result of a change of control) all unexercised options shall immediately terminate. However, if such participant is terminated not for cause, all vested options held by such person shall continue to be exercisable until the earlier of the expiration date of such option or 180 days after the date of such termination. Unless otherwise provided in the option agreement, in the event of the death or disability of the optionholder, any unvested options shall

immediately terminate, and any vested options shall continue exercisable until 12 months after such disability or death. In addition, unless otherwise provided in the option agreement, in the event of the optionholder's retirement, all options shall immediately vest on the date of such retirement and shall be exercisable until the earlier of 24 months after such retirement date or the expiration date of such options.

Under the restricted share award component of the 2004 Plan, the Administrator may grant one or more awards consisting of Ordinary Shares ("Restricted Shares"). A recipient's right to retain an award of Restricted Shares shall be subject to such restrictions as may be established by the Administrator with respect to such award.

Unless otherwise provided in the Restricted Share award agreement, in the event the participant's employment terminates prior to a vesting date set forth in the Restricted Share award agreement, any unvested Restricted Share award shall be forfeited and automatically transferred to and reacquired by Apex Limited at no cost to Apex Limited, and neither the participant nor his or her heirs, executors, administrators or successors shall have any right or interest in the Restricted Share award. However, unless provided otherwise in the award agreement, if such employment terminates as a result of (i) being terminated not for cause (ii) death (iii) disability (iv) retirement or (v) change of control, then any unvested Restricted Share award shall vest immediately upon such date.

Under the share appreciation rights component of the 2004 Plan, the Administrator may grant one or more awards consisting of the right to receive in cash (or its equivalent in Ordinary Shares) the excess of the fair market value of Ordinary Shares on the date the rights are surrendered over the fair market value of the Ordinary Shares on the date the rights are granted ("Share Appreciation Right"). A Share Appreciation Right may be granted subject to such terms and conditions as may be imposed by the Administrator. The Administrator may, in its discretion and on such terms as it deems appropriate, require as a condition of the grant of a Share Appreciation Right that the recipient of the Share Appreciation Right surrender for cancellation some or all of the Share Awards previously granted to such person.

The board of directors may, at any time and from time to time, amend the 2004 Plan in any respect provided that no such amendment may become effective without approval of the shareholders if shareholder approval is necessary to satisfy statutory or regulatory requirements or if the board determines that shareholder approval is otherwise necessary or desirable. No amendment shall adversely affect any award holder's rights and obligations with respect to outstanding Share Awards under the 2004 Plan without the consent of such award holders.

Any future benefits under the 2004 Plan will depend on Apex Limited's performance and decisions of the Administrator regarding the granting of Share Awards as well as the fair market value of the Ordinary Shares at various future dates. As a result, it is not possible to determine the benefits that will be received by directors, employees and consultants if the 2004 Plan is approved by the shareholders.

Federal Income Tax Consequences

The following is a general summary of the federal income tax consequences that may apply to recipients of the options under the 2004 Plan. **Because application of the tax laws varies according to individual circumstances, a participant should seek professional tax advice concerning the tax consequences of his or her participation in the 2004 Plan, including the potential application and effect of state, local and foreign tax laws and estate and gift tax considerations.**

Incentive Share Options. A participant who is granted an ISO recognizes no taxable income when the ISO is granted. Generally, a participant will not recognize taxable income upon exercise of an ISO for regular income tax purposes, but generally will recognize taxable income upon the exercise of an

ISO for alternative minimum tax ("AMT") purposes (see below). A participant who exercises an ISO will recognize taxable gain or loss upon the sale of the shares underlying the option. Any gain or loss recognized on the sale of shares acquired upon exercise of an ISO is taxed as capital gain or loss if the shares have been held for more than one year after the option was exercised and for more than two years after the option was granted. If the participant disposes of the shares before the required holding periods have elapsed (a "disqualifying disposition"), the participant is taxed as though he or she had exercised an NSO, except that the ordinary income on exercise of the option is recognized in the year of the disqualifying disposition and generally is the lesser of the original spread upon exercise or the excess of the amount realized in the sale of the stock over the original option price. We will not be entitled to a deduction with respect to the ISO or the ISO shares.

Alternative Minimum Tax. The exercise of an ISO may result in tax liability under the AMT. The AMT provides for additional tax equal to the excess, if any, of (a) 26% or 28% of "alternative minimum taxable income" in excess of a certain exemption amount, over (b) regular income tax for the taxable year. For purposes of calculating alternative minimum taxable income, an ISO is treated as if it were an NSO, so the difference between the fair market value of the shares on the date of exercise and the option price will be deemed to be income for this purpose and the taxpayer will hold the shares with a tax basis equal to such fair market value on the date of exercise for subsequent AMT purposes. Application of the AMT to any exercise of an ISO and to a disqualifying disposition of shares is complex and will vary depending upon each person's circumstances. Each holder of an ISO is cautioned to determine the effect, if any, of an ISO exercise before it is made.

Nonqualified Share Options. The tax treatment of NSOs differs significantly from the tax treatment of ISOs. No taxable income is recognized when an NSO is granted but, upon the exercise of an NSO, the difference between the fair market value of the shares underlying the option on the date of exercise (or up to 6 months later if the option is subject to Section 16(b) of the Securities Exchange Act of 1934) and the exercise price is taxable as ordinary income to the recipient and is generally deductible by Apex Limited. The recipient will have a tax basis in the shares equal to the fair market value on the date of exercise and the holding period for the shares will begin on the day after the date the option is exercised. For long-term capital gain treatment, the shares must be held for more than one year.

Withholding. Apex Limited may be required to withhold federal, state or local taxes in connection with any share option or other award under the 2004 Plan, including, but not limited to, withholding of any portion of any payment or withholding from other compensation payable to the participant, unless such person reimburses Apex Limited for such amount.

Restricted Share Awards. Grantees of Restricted Shares do not recognize income at the time of the grant of such awards. However, when Restricted Shares are no longer subject to a substantial risk of forfeiture, grantees recognize ordinary income in an amount equal to the fair market value of the shares less the amount paid, if any, for the shares. Alternatively, the grantee of Restricted Shares may elect to recognize income upon the grant of the shares and not at the time the restrictions lapse. The election is made by filing a required notice with the Internal Revenue Service within 30 days from the grant, with a copy to Apex Limited. We generally are entitled to deduct an amount equal to the income recognized by the grantee at the time the grantee recognizes the income.

Share Appreciation Rights. In general, Share Appreciation Rights are taxed to the recipient and deductible by Apex Limited in substantially the same manner as NSOs.

Change of Control. If there is an acceleration of the vesting or payment of awards and/or an acceleration of the exercisability of options upon a change of control, all or a portion of the accelerated awards may constitute "excess parachute payments" under Section 280G of the Code. Generally an employee receiving an excess parachute payment incurs an excise tax of 20% of the amount of the

payment in excess of the employee's average annual compensation over the five calendar years preceding the year of the change of control and Apex Limited is not entitled to a deduction for such excess amount.

The foregoing summary of the federal income tax consequences of the 2004 Plan is based on present federal tax law and regulations. The summary does not purport to be complete or applicable to every specific situation.

The Existing Employees' Share Ownership Plan

If the shareholders approve the 2004 Equity Incentive Plan, Apex Limited contemplates that future awards will be granted pursuant to the 2004 Plan and that no further awards will be granted under the Employees' Share Ownership Plan. Awards previously granted under the Employees' Share Ownership Plan will remain outstanding pursuant to the terms of such plan and any documents evidencing such awards.

Approval of the 2004 Plan will require the affirmative vote of a majority of the Ordinary Shares of Apex Limited represented in person or by proxy at the meeting.

The Board of Directors unanimously recommends that the Company's shareholders vote FOR approval of the 2004 Equity Incentive Plan.

PROPOSAL NO. 3 RATIFICATION OF SELECTION OF INDEPENDENT ACCOUNTANTS

The board of directors, pursuant to the recommendation of the Audit Committee of the board of directors, unanimously recommends ratification of the selection of PricewaterhouseCoopers LLP to serve as our independent accountants for our 2004 fiscal year. PricewaterhouseCoopers LLP has served as our independent accountants since our inception. The affirmative vote of the holders of a majority of the ordinary shares represented and entitled to vote at the annual meeting is required to ratify the selection of our independent accountants for the fiscal year 2004. In the event the ratification is not approved by the required number of holders, the Audit Committee may reconsider, but will not necessarily change, its selection of PricewaterhouseCoopers LLP to serve as our independent accountants.

Representatives of PricewaterhouseCoopers LLP will be present at the annual meeting with the opportunity to make a statement if they desire to do so and to respond to appropriate shareholder questions.

Auditor Fees

PricewaterhouseCoopers billed Apex Limited the following fees for services provided during the years ended December 31, 2003 and 2002:

	Fees Paid During Year Ended	
	December 31, 2003	December 31, 2002
Audit fees(1)	\$ 97,400	\$ 88,500
Audit-related fees(2)		19,200
Tax fees(3)	136,000	33,350
All other fees(4)	2,000	2,000
Total fees	\$ 235,400	\$ 143,000

(1) Audit fees include fees for services rendered for the audit of our annual financial statements and reviews of quarterly financial statements.

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- (2) Audit-related fees during 2002 reflects services rendered in connection with the previously disclosed restatement of our earnings.
- (3) Tax fees include fees for services rendered in connection with the preparation of our tax returns in the United States and Bolivia.
- (4) All other fees include fees for consent letters provided in connection with various transactions.

The Audit Committee charter incl