

APEX SILVER MINES LTD
Form 10-Q
November 10, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

COMMISSION FILE NUMBER 1-13627

APEX SILVER MINES LIMITED

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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CAYMAN ISLANDS, BRITISH WEST INDIES
(STATE OR OTHER JURISDICTION OF

98-0514342
(I.R.S. EMPLOYER

INCORPORATION OR ORGANIZATION)

IDENTIFICATION NO.)

WALKER HOUSE

MARY STREET

GEORGE TOWN, GRAND CAYMAN

CAYMAN ISLANDS, BRITISH WEST INDIES
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

NOT APPLICABLE
(ZIP CODE)

(345) 949-0050

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS: YES NO

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER, A NON-ACCELERATED FILER, OR A SMALLER REPORTING COMPANY:

LARGE ACCELERATED FILER

ACCELERATED FILER

NON-ACCELERATED FILER

SMALLER REPORTING COMPANY

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN RULE 12B-2 OF THE EXCHANGE ACT): YES NO

AT NOVEMBER 7, 2008, 58,977,725 ORDINARY SHARES, \$0.01 PAR VALUE PER SHARE, WERE ISSUED AND OUTSTANDING.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****APEX SILVER MINES LIMITED****CONSOLIDATED BALANCE SHEETS****(Expressed in United States dollars)****(Unaudited)**

	September 30, 2008	December 31, 2007
	(in thousands, except share data)	
Assets		
Current assets		
Cash and cash equivalents	\$ 33,973	\$ 40,736
Restricted cash	95,340	12,313
Investments	9,246	52,243
Trade receivables	6,002	3,110
Inventories	76,618	44,211
Derivatives at fair value	7,302	
Deferred tax asset	7,019	
Prepaid expenses and other assets	16,295	16,195
Total current assets	251,795	168,808
Property, plant and equipment, net	215,990	841,981
Ore stockpile inventories	70,806	76,914
Deferred financing costs	12,734	15,990
Value added tax recoverable	149,501	95,327
Restricted cash	10	91,000
Investments	15,261	24,407
Derivatives at fair value	5,002	8,475
Other	244	2,009
Total assets	\$ 721,343	\$ 1,324,911
Liabilities and Shareholders Deficit		
Current liabilities		
Accounts payable and other accrued liabilities	\$ 73,413	\$ 55,957
Deferred revenue (Note 19)	8,782	
Accrued interest payable	3,001	4,982
Derivatives at fair value	237,434	266,820
Current portion of long term debt	523,978	41,155
Total current liabilities	846,608	368,914
Long term debt	61,743	546,981
Derivatives at fair value		482,683
Deferred gain on sale of asset	945	945
Asset retirement obligation	8,723	6,981
Deferred tax liability	8,086	

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Other long term liabilities	4,803	2,508
Total liabilities	930,908	1,409,012
Commitments and contingencies (Note 20)		
Shareholders' deficit		
Ordinary Shares, \$.01 par value, 175,000,000 shares authorized; 58,955,475 and 58,909,625 shares issued and outstanding at respective dates	590	589
Additional paid in capital	680,115	677,203
Accumulated deficit	(890,300)	(761,783)
Accumulated other comprehensive income (loss)	30	(110)
Total shareholders' deficit	(209,565)	(84,101)
Total liabilities and shareholders' deficit	\$ 721,343	\$ 1,324,911

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

Table of Contents**APEX SILVER MINES LIMITED****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

(Expressed in United States dollars)

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
	(in thousands, except share data)		(in thousands, except share data)	
Revenues:				
Sales of concentrates	\$ 148,789	\$	\$ 345,320	\$
Costs and expenses:				
Costs applicable to sales (exclusive of amounts shown separately below)	(124,080)		(255,840)	
Write down of inventories	(34,413)		(34,413)	
Production startup income/expense, net		(12,423)		(12,423)
Exploration	(6,306)	(2,975)	(21,437)	(9,341)
Administrative	(7,756)	(7,457)	(18,282)	(19,193)
Gain (loss) on commodity derivatives	163,286	(136,895)	358,924	(194,236)
Gain on foreign currency derivatives and transactions	4,798	2,572	15,631	4,792
Asset retirement accretion expense	(208)	(154)	(574)	(439)
Impairment of long-lived assets (Note 3)	(615,032)		(615,032)	
Depreciation, depletion and amortization	(17,490)	(4,675)	(36,225)	(4,865)
Total operating expenses, net	(637,201)	(162,007)	(607,248)	(235,705)
Loss from operations	(488,412)	(162,007)	(261,928)	(235,705)
Other income and expenses:				
Interest and other income	1,285	5,479	5,219	19,073
Loss on auction rate securities	(4,902)	(21,130)	(8,002)	(21,130)
Gain on sale of interest in subsidiary			63,071	
Interest expense and other borrowing costs	(15,555)	(7,290)	(45,751)	(7,290)
Total other income and expenses	(19,172)	(22,941)	14,537	(9,347)
Loss before minority interest and income (taxes) benefit	(507,584)	(184,948)	(247,391)	(245,052)
Income (taxes) benefit	7,634	(394)	(14,168)	(488)
Minority interest in loss of consolidated subsidiaries	168,172	33,501	133,042	61,833
Net loss	\$ (331,778)	\$ (151,841)	\$ (128,517)	\$ (183,707)
Other comprehensive loss:				
Unrealized gain (loss) on securities	\$ (1,524)	\$ 96	\$ 140	\$ (65)
Comprehensive loss	\$ (333,302)	\$ (151,745)	\$ (128,377)	\$ (183,772)
Net loss per Ordinary Share - basic	\$ (5.63)	\$ (2.59)	\$ (2.18)	\$ (3.13)
Net loss per Ordinary Share - diluted	\$ (5.63)	\$ (2.59)	\$ (2.18)	\$ (3.13)

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Weighted average Ordinary Shares outstanding - basic	58,954,820	58,644,407	58,934,882	58,635,980
Weighted average Ordinary Shares outstanding - diluted	58,954,820	58,644,407	58,934,882	58,635,980

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

Table of Contents**APEX SILVER MINES LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Expressed in United States dollars)****(Unaudited)**

	Nine Months Ended September 30, 2008 2007 (in thousands)	
Cash flows from operating activities:		
Net cash provided by (used in) operating activities (Note 22)	\$ (60,844)	\$ (111,098)
Cash flows from investing activities:		
Purchase of available for sale investments	(33,527)	(535,903)
Sale of available for sale investments	74,985	758,261
Maturities of held-to-maturity investments	2,000	5,000
Purchase of available for sale restricted investments		(32,150)
Sale of available for sale restricted investments		109,050
Purchase of held-to-maturity restricted investments		(2,812)
Maturities of held-to-maturity restricted investments		7,800
Settlement of metal derivative instruments	(156,974)	(28,722)
Advances for construction of port facility		(4,000)
Released from (transferred to) restricted cash to collateralize credit facility, letters of credit and interest payments, net	7,962	(82,703)
Proceeds from sale of interest in subsidiary	70,000	
Receipt of deferred payments	14,100	
Capitalized costs and acquisitions of property, plant and equipment	(25,869)	(148,326)
Net cash provided by (used in) investing activities	\$	