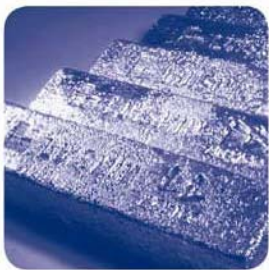


SILVER | WHEATON



Q2

QUARTERLY REPORT

June 30, 2006

Management's Discussion and Analysis of Results of Operations and Financial Condition For the Three and Six Months Ended June 30, 2006

This Management's Discussion and Analysis should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2006 and related notes thereto which have been prepared in accordance with Canadian generally accepted accounting principles. The Company's accounting policies are consistent with United States generally accepted accounting principles in all material respects except as outlined in note 10 to the unaudited interim consolidated financial statements. In addition, the following should be read in conjunction with the 2005 audited consolidated financial statements, the related annual Management's Discussion and Analysis, and the Annual Information Form/40F on file with the Canadian provincial securities regulatory authorities and the US Securities and Exchange Commission. This Management's Discussion and Analysis contains "forward looking" statements that are subject to risk factors set out in the cautionary note contained herein. All figures are in United States dollars unless otherwise noted. This Management's Discussion and Analysis has been prepared as of August 3, 2006.

SECOND QUARTER HIGHLIGHTS (3 months)

- **Record net earnings of \$25.2 million (\$0.12 per share) from the sale of 3.8 million ounces of silver, compared to \$6.7 million (\$0.04 per share) from the sale of 2.7 million ounces of silver in 2005.**
- **Record operating cash flows of \$32.7 million (2005 - \$9.3 million).**
- **Cash and cash equivalents at June 30, 2006 of \$51.6 million (December 31, 2005 - \$117.7 million).**
- **In April, 2006, the Company completed a \$175 million (Cdn\$200 million) public offering of 16.6 million common shares at a price of Cdn\$12.00 per share, on a bought deal basis. The proceeds were used to repay debt of \$160 million.**

OVERVIEW

Silver Wheaton Corp. ("Silver Wheaton" or the "Company") is a growth-oriented silver company, and is the largest mining company with 100% of its revenue from silver production. The Company's goal is to be recognized as the most profitable and best managed silver company in the world.

The Company has entered into three long-term silver purchase contracts with Goldcorp (Luismin mines in Mexico), Lundin Mining (Zinkgruvan mine in Sweden) and Glencore (Yauliyacu mine in Peru), whereby Silver Wheaton acquires silver production from the counterparties at a fixed price of \$3.90 per ounce, subject to an inflationary adjustment. As a result, the primary drivers behind the Company's financial results are the price of silver and the volume of silver production at the various mines.

The Company expects, based upon its current contracts, to have annual silver sales of approximately 15 million ounces in 2006, increasing to 20 million ounces by 2009 and thereafter.

SUMMARIZED FINANCIAL RESULTS

The year end of the Company was changed from August 31 to December 31, during 2004. As a result, comparative figures include the four months ended December 31, 2004.

	June 30 2006 (3 Months)	March 31 2006 (3 Months)	December 31 2005 (3 Months)	September 30 2005 (3 Months)	June 30 2005 (3 Months)	March 31 2005 (3 Months)	December 31 2004 (4 Months)	August 31 2004 (3 Months)
Silver sales (\$000's)	\$ 47,413	\$ 25,711	\$ 17,474	\$ 18,081	\$ 19,263	\$ 16,077	\$ 10,986	\$ -
Ounces (000's)	3,805	2,672	2,176	2,535	2,668	2,323	1,505	-
Average realized silver price (\$'s per ounce)	\$ 12.46	\$ 9.62	\$ 8.03	\$ 7.13	\$ 7.22	\$ 6.92	\$ 7.30	\$ -
Total cash cost (\$'s per ounce) ¹	\$ 3.90	\$ 3.90	\$ 3.90	\$ 3.90	\$ 3.90	\$ 3.90	\$ 3.90	\$ -
Net earnings (loss) (\$000's)	\$ 25,159	\$ 13,781	\$ 7,009	\$ 6,378	\$ 6,722	\$ 5,182	\$ 1,765	\$ (16)
Earnings (loss) per share								
Basic	\$ 0.12	\$ 0.07	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.03	\$ 0.02	\$ (0.01)
Diluted	\$ 0.11	\$ 0.07	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.03	\$ 0.02	\$ (0.01)
Cash flow from (used in) operations (\$000's)	\$ 32,699	\$ 13,862	\$ 7,654	\$ 7,947	\$ 9,271	\$ 5,150	\$ 8,356	\$ (29)
Cash and cash equivalents (\$000's)	\$ 51,637	\$ 8,368	\$ 117,741	\$ 26,608	\$ 33,279	\$ 24,014	\$ 19,989	\$ 320
Total assets (\$000's)	\$ 614,349	\$ 578,150	\$ 266,151	\$ 173,871	\$ 167,056	\$ 160,355	\$ 156,988	\$ 53,491
Total liabilities (\$000's)	\$ 20,885	\$ 181,317	\$ 1,961	\$ 426	\$ 586	\$ 702	\$ 2,557	\$ 3,320
Shareholders' equity (\$000's)	\$ 593,464	\$ 396,833	\$ 264,190	\$ 173,445	\$ 166,470	\$ 159,653	\$ 154,431	\$ 50,171

1) Refer to discussion on Non-GAAP measures

Changes in sales, net earnings and cash flow from operations from quarter to quarter are affected primarily by changes in the price of silver, fluctuations in production at the mines and timing of shipments that are in the normal course of operations.

RESULTS OF OPERATIONS AND OPERATIONAL REVIEW

The Company has four business segments, the Luismin, Zinkgruvan and Yauliyacu contracts, and corporate operations. The acquisition of silver under the Yauliyacu contract began in May, 2006.

	Three Months Ended June 30, 2006								
		Luismin		Zinkgruvan		Yauliyacu	Corporate	Total	
Silver sales (\$000's)	\$	30,142	\$	5,929	\$	11,342	\$	-	\$ 47,413
Ounces (000's)		2,447		483		875		-	3,805
Average realized silver price (\$'s per ounce)	\$	12.32	\$	12.28	\$	12.96	\$	-	\$ 12.46
Total cash cost (\$'s per ounce) ¹	\$	3.90	\$	3.90	\$	3.90	\$	-	\$ 3.90
Net earnings (\$000's)	\$	19,721	\$	3,238	\$	4,696	\$	(2,496)	\$ 25,159

	Three Months Ended June 30, 2005						
		Luismin		Zinkgruvan	Corporate	Total	
Silver sales (\$000's)	\$	14,970	\$	4,293	\$	-	\$ 19,263
Ounces (000's)		2,088		580		-	2,668
Average realized silver price (\$'s per ounce)	\$	7.17	\$	7.40	\$	-	\$ 7.22
Total cash cost (\$'s per ounce) ¹	\$	3.90	\$	3.90	\$	-	\$ 3.90
Net earnings (\$000's)	\$	6,034	\$	1,088	\$	(400)	\$ 6,722

	Six Months Ended June 30, 2006								
		Luismin		Zinkgruvan		Yauliyacu	Corporate	Total	
Silver sales (\$000's)	\$	51,246	\$	10,536	\$	11,342	\$	-	\$ 73,124
Ounces (000's)		4,618		984		875		-	6,477
Average realized silver price (\$'s per ounce)	\$	11.10	\$	10.71	\$	12.96	\$	-	\$ 11.29
Total cash cost (\$'s per ounce) ¹	\$	3.90	\$	3.90	\$	3.90	\$	-	\$ 3.90
Net earnings (\$000's)	\$	31,636	\$	5,052	\$	4,696	\$	(2,444)	\$ 38,940

1) Refer to discussion on Non-GAAP measures

Six Months Ended June 30, 2005

	Luismin		Zinkgruvan		Corporate		Total
Silver sales (\$000's)	\$	28,654	\$	6,686	\$	-	\$ 35,340
Ounces (000's)		4,062		929		-	4,991
Average realized silver price (\$'s per ounce)	\$	7.05	\$	7.19	\$	-	\$ 7.08
Total cash cost (\$'s per ounce) ¹	\$	3.90	\$	3.90	\$	-	\$ 3.90
Net earnings (\$000's)	\$	11,304	\$	1,490	\$	(890)	\$ 11,904

1) Refer to discussion on Non-GAAP measures

Luismin

On October 15, 2004, a 100% subsidiary of the Company, Silver Wheaton (Caymans) Ltd. ("SW Caymans"), entered into an agreement (amended on March 30, 2006) to purchase all of the silver produced by Goldcorp's Luismin mining operations in Mexico for a period of 25 years, for an upfront payment of \$36.7 million (Cdn\$46.0 million) in cash and 108 million common shares of the Company. In addition, a per ounce cash payment of the lesser of \$3.90 and the prevailing market price is due (subject to an inflationary adjustment commencing in 2007). Under this agreement, Luismin was required to deliver a minimum of 120 million ounces over the 25 year period following the contract date, and Silver Wheaton was obligated to pay 50% of any capital expenditures made by Luismin at its mining operations in excess of 110% of the projected capital expenditures outlined in the contract.

On March 30, 2006, Goldcorp and Silver Wheaton amended the silver purchase contract, increasing the minimum number of ounces of silver to be delivered over the 25 year period by 100 million ounces, to 220 million ounces, and waiving any capital expenditure contributions previously required to be paid by Silver Wheaton. In consideration for these amendments, Silver Wheaton issued to Goldcorp 18 million common shares and a \$20 million non-interest bearing promissory note due on March 30, 2007. As a result, at June 30, 2006, Goldcorp owned 57% of the Company's common shares.

The amendment to the silver purchase contract was made in connection with Goldcorp's plans to substantially increase its investment in exploration and development at its San Dimas mine in Mexico. As a result of the planned exploration and development at San Dimas, Silver Wheaton and Goldcorp anticipate that additional silver sales will aggregate more than 100 million ounces over the remaining 24 year term of the silver purchase agreement. It is projected that Luismin's annual silver production will approximate 9.5 million ounces in 2006, increasing to 13 million ounces by 2009 and thereafter.

During the quarter, SW Caymans purchased 2.4 million ounces (2005 – 2.1 million ounces) of silver at a total cash cost of \$3.90 per ounce, and sold it for an average price of \$12.32 per ounce (2005 - \$7.17 per ounce). During the six months ended June 30, 2006, SW Caymans purchased 4.6 million ounces (2005 – 4.1 million ounces) of silver at a total cash cost of \$3.90 per ounce, and sold it for an average price of \$11.10 per ounce (2005 - \$7.05 per ounce). The Company's cash flows and net earnings under the Luismin silver purchase contract for the three months ended June 30, 2006 were \$20.6 million (2005 - \$6.8 million) and \$19.7 million (2005 - \$6.0 million) respectively, and for the six months ended June 30, 2006 were \$33.2 million (2005 - \$12.6 million) and \$31.6 million (2005 - \$11.3 million) respectively.

At December 31, 2005, the Luismin mines had proven and probable reserves of 45.4 million ounces of silver and inferred resources of 188.4 million ounces of silver (as described in the Reserves and Resources section of this Management's Discussion and Analysis), an

increase of 12.7% and 29.4% respectively, compared to the reserves and resources at December 31, 2004, despite production during 2005 of 7.7 million ounces of silver. Luismin has historically converted resources into reserves at a rate of approximately 90%.

The results of the Luismin mine operations for the three months ended June 30, 2006 are shown below:

	2006			2005		
	Q2	Q1	Q4	Q3	Q2	Q1
• Ore milled (tonnes)	267,400	255,800	250,600	244,000	218,700	199,000
• Grade (grams/tonne) ¹						
- Gold	6.61	6.18	5.57	5.55	6.23	6.59
- Silver	358	348	298	332	310	335
• Recovery (%)						
- Gold	94%	94%	94%	94%	95%	95%
- Silver	89%	87%	88%	88%	91%	88%
• Production (ounces)						
- Gold	53,700	47,800	42,200	41,000	41,800	40,000
- Silver	2,388,400	2,192,000	1,855,700	2,005,700	1,974,400	1,894,000
• Sales (ounces)						
- Gold	54,900	46,500	42,200	39,100	44,000	38,300
- Silver	2,447,500	2,171,000	1,819,800	2,003,800	2,088,000	1,974,400

1) Grades exclude Nukay operations, which do not contain silver

Zinkgruvan

On December 8, 2004, SW Caymans entered into an agreement to purchase all of the silver produced by Lundin Mining's Zinkgruvan mining operations in Sweden ("Zinkgruvan") for the life of mine. During the three months ended June 30, 2006, SW Caymans purchased 0.5 million ounces (2005 – 0.6 million ounces) of silver at a total cash cost of \$3.90 per ounce, and sold it for an average price of \$12.28 per ounce (2005 - \$7.40 per ounce). During the six months ended June 30, 2006, SW Caymans purchased 1.0 million ounces (2005 – 0.9 million ounces) of silver at a total cash cost of \$3.90 per ounce, and sold it for an average price of \$10.71 per ounce (2005 - \$7.19 per ounce). The Company's cash flows and net earnings under the Zinkgruvan silver purchase contract for the three months ended June 30, 2006 were \$5.3 million (2005 - \$1.6 million) and \$3.2 million (2005 - \$1.1 million) respectively, and for the six months ended June 30, 2006 were \$6.2 million (2005 - \$2.1 million) and \$5.1 million (2005 - \$1.5 million) respectively.

As at December 31, 2005, Zinkgruvan had proven and probable silver reserves of 25.8 million ounces, measured and indicated silver resources of 6.8 million ounces and inferred silver resources of 29.4 million ounces (as described in the Reserves and Resources section of this Management's Discussion and Analysis). The Zinkgruvan mine is expected to produce approximately 2 million ounces of silver annually for a minimum of 20 years, and is one of the lowest cost zinc mines in the world. The mine is located in south-central Sweden and has been in production on a continuous basis since 1857.

Yauliyacu

On March 23, 2006, SW Caymans entered into an agreement with Glencore to purchase 4.75 million ounces of silver per year, for a period of 20 years, based on the production from their Yauliyacu mining operations in Peru. Total consideration paid was \$285 million, comprised of \$245 million in cash and a \$40 million promissory note, which was paid in full on May 31, 2006. In addition, a cash payment of \$3.90 per ounce of silver delivered under the contract is due, subject to an inflationary adjustment.

During May, 2006, the Company began purchasing silver under the Yauliyacu silver purchase contract and, as a result, during the three months ended June 30, 2006, SW Caymans purchased 0.9 million ounces of silver at a total cash cost of \$3.90 per ounce, and sold it for an average price of \$12.96 per ounce. The Company's cash flows and net earnings under the Yauliyacu silver purchase contract for the three months ended June 30, 2006 were \$7.9 million and \$4.7 million respectively.

During the term of the contract, Silver Wheaton has a right of first refusal on any future sales of silver streams from the Yauliyacu mine and a right of first offer on future sales of silver streams from any other mine currently owned by Glencore. In addition, Silver Wheaton has an option to extend the 20 year term of the silver purchase contract in five year increments, on substantially the same terms as the existing contract, subject to an adjustment related to silver price expectations at the time and other factors.

As at December 31, 2005, Yauliyacu had proven and probable silver reserves of 12.9 million ounces, measured and indicated silver resources of 52.2 million ounces and inferred silver resources of 64.7 million ounces (as described in the Reserves and Resources section of this Management's Discussion and Analysis).

Corporate

(in thousands)	Three Months Ended		Six Months Ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
General and administrative	\$ 1,199	\$ 508	\$1,717	\$ 923
Interest expense	510	-	712	-
Amortization of debt financing costs	675	-	929	-
Stock based compensation	963	38	1,074	78
Project evaluation	75	54	108	62
Interest income	(520)	(183)	(1,660)	(259)
Foreign exchange (gain) loss	(406)	(17)	(436)	86
Corporate net loss	\$2,496	\$ 400	\$2,444	\$ 890

General and administrative expenses totaled \$1,199,000 (six months - \$1,717,000) during the three months ended June 30, 2006 compared with \$508,000 (six months - \$923,000) during the same period in 2005. This increase resulted primarily from the payment of a one-time New York Stock Exchange listing fee of \$250,000, increased insurance costs and increased salary expenses incurred as a result of hiring additional employees.

Interest expense totaled \$510,000 during the quarter (six months - \$712,000), as a result of utilizing debt financing to fund the Yauliyacu transaction. Upfront debt financing costs of \$1,024,000 were incurred, of which \$675,000 (six months - \$929,000) were amortized to income during the quarter.

The non-cash stock based compensation expense has been estimated using the Black-Scholes option valuation method to determine the fair value of the share purchase options granted. During the quarter 550,000 options were granted to new employees.

Project evaluation expenses of \$75,000 (2005 - \$54,000) were incurred in pursuing additional silver acquisition opportunities. It is anticipated that project evaluation expenses will continue during 2006.

Interest income during the quarter of \$520,000 (2005 - \$183,000) was the result of interest earned on cash balances held in short-term money market instruments.

During the quarter, a foreign exchange gain of \$406,000 (2005 - \$17,000) was realized, as a result of the Company holding a portion of its cash balances in Canadian dollars, while the Canadian dollar increased in value against the US dollar (the Company's functional currency).

Non-GAAP measures – total cash costs per ounce of silver calculation

Silver Wheaton has included, throughout this document, certain non-GAAP performance measures including total cash costs of silver on a sales basis. These non-GAAP measures do not have any standardized meaning prescribed by GAAP, nor are they necessarily comparable with similar measures presented by other companies. Cash costs are presented as they represent an industry standard method of comparing certain costs on a per unit basis. The Company believes that certain investors use this information to evaluate the Company's performance. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. During the three and six months ended June 30, 2006, the Company's total cash costs were \$3.90 per ounce of silver.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2006, the Company had cash and cash equivalents of \$51.6 million (December 31, 2005 – \$117.7 million) and working capital of \$32.8 million (December 31, 2005 - \$118.7 million), which includes the \$20.0 million promissory note due to Goldcorp relating to the amendment of the Luismin silver purchase contract. During the quarter, the Company generated operating cash flows of \$32.7 million (six months - \$46.6 million), compared with \$9.3 million (six months - \$14.4 million) during the same period in 2005. In the opinion of management, these are sufficient to support the Company's normal operating requirements on an ongoing basis.

Yauliyacu silver purchase contract

On March 23, 2006, the Company entered into an agreement with Glencore to purchase 4.75 million ounces of silver per year, for a period of 20 years, based on the production from their Yauliyacu mining operations in Peru. Total consideration paid was \$285 million, comprised of \$245 million in cash and a \$40 million promissory note due on July 21, 2006. In addition, a cash payment of \$3.90 per ounce of silver delivered under the contract is due, subject to an inflationary adjustment.

Luismin silver purchase contract amendment

On March 30, 2006, Goldcorp and Silver Wheaton amended their existing silver purchase contract, increasing the minimum number of ounces of silver to be delivered by Goldcorp over the 25 year contract period by 100 million ounces, to 220 million ounces, and waiving any capital expenditure contributions previously required to be paid by Silver Wheaton. In consideration for these amendments, Silver Wheaton issued to Goldcorp 18 million common shares and a \$20 million non-interest bearing promissory note due on March 30, 2007.

Public Offering

On April 20, 2006, the Company raised gross proceeds of \$175 million (Cdn\$200 million) from a public offering of 16,644,000 shares at a price of Cdn\$12.00 per share. The offering proceeds were used during the quarter to repay \$120 million of bank debt and a \$40 million promissory note due to Glencore.

Bank debt

In March 2006, the Company entered into a credit agreement with the Bank of Nova Scotia, as lead arranger and administrative agent, to borrow \$100 million under a non revolving term loan (the "Term Loan") and \$25 million under a revolving term loan (the "Revolving Loan") in order to partially finance the acquisition of the Yauliyacu silver purchase contract. During April, 2006, both the Term Loan and the Revolving Loan were repaid in full. The Term Loan was cancelled upon repayment, while the Revolving Loan facility remains available.

Contractual obligations

In connection with the Luismin and Zinkgruvan silver purchase contracts, the Company has committed to purchase 100% of the silver produced by each mine for a per-ounce cash payment of the lesser of \$3.90 and the then prevailing market price, subject to adjustment. This inflationary adjustment, which will begin in 2007, is intended to reflect the effects of inflation on operating costs, and is subject to a minimum of 0.4% and a maximum of 1.65% per annum. In connection with the Yauliyacu silver purchase contract, the Company has committed to purchase 4.75 million ounces of silver per year, based on production at the Yauliyacu mine, for a per-ounce cash payment of \$3.90, subject to adjustment. This inflationary adjustment, which will begin in 2009, is intended to reflect the effects of inflation on operating costs, and is subject to a minimum of 1.0% and a maximum of 1.65% per annum.

Share capital

During the quarter, the Company received cash proceeds of \$2.6 million (2005 - \$nil) from the exercise of 917,300 (2005 - nil) share purchase options at a weighted average exercise price of Cdn\$3.27 per option. As of August 3, 2006, there were 220,229,611 outstanding common shares, 4,822,666 share purchase options and 165,346,100 share purchase warrants, which are convertible into 39,319,220 shares.

RELATED PARTY TRANSACTIONS

At June 30, 2006, Goldcorp owned 57% of the Company's outstanding common shares. During the quarter, the Company purchased 2.4 million ounces (2005 - 2.1 million ounces) of silver from a subsidiary of Goldcorp at a price of \$3.90 per ounce, for total consideration of approximately \$9.5 million (2005 - \$8.1 million). During the six months ended June 30, 2006, the Company purchased 4.6 million ounces (2005 - 4.1 million ounces) of silver from the subsidiary at a price of \$3.90 per ounce, for total consideration of approximately \$18.0 million (2005 - \$15.8 million).

On March 30, 2006, Silver Wheaton and Goldcorp amended the Luismin silver purchase agreement, as described elsewhere in this Management's Discussion and Analysis. As a result of this transaction the Company issued 18 million shares and a non-interest bearing \$20 million promissory note to Goldcorp, due on March 30, 2007.

The Company has an agreement with Goldcorp whereby Goldcorp provides certain management and administrative services at cost. During the quarter, total management fees paid to Goldcorp were \$73,000 (six months - \$142,000) compared to \$107,700 (six months - \$266,800) during the same period in 2005. This agreement allows for cancellation with 30 days notice at any time.

In addition, during the quarter the Company sold leasehold improvements and furniture and fixtures to Goldcorp at their net book value of \$145,000, which approximates fair value. At June 30, 2006, Goldcorp owed the Company \$170,800 (December 31, 2005 - \$nil).

OVERSIGHT ROLE OF THE AUDIT COMMITTEE

The Audit Committee reviews, with management and the external auditors, the Company's quarterly Management's Discussion and Analysis and related consolidated financial statements and approves the release of such information to shareholders. For each audit or quarterly review, the external auditors prepare a report for members of the Audit Committee summarizing key areas, significant issues and material control weaknesses encountered, if any.

FINANCIAL INSTRUMENTS

During the three months ended June 30, 2006, the Company has used a mixture of cash and long-term debt to maintain an appropriate capital structure, ensuring the liquidity required to meet the needs of the business and the flexibility to continue growing through acquisition. The Company does not use interest rate contracts or other derivative financial instruments and therefore, in the normal course of business, is inherently exposed to currency, interest rate and commodity price fluctuations.

OUTLOOK

The Company expects, based upon its current contracts, to have annual silver sales of approximately 15 million ounces in 2006, increasing to 20 million ounces by 2009 and thereafter.

The Company is unhedged and actively pursuing further growth opportunities, either by way of entering into long-term silver purchase contracts, or by acquiring silver exploration, development or production assets.

RESERVES AND RESOURCES

Proven and Probable Reserves (1,4,5,6)									
As of Dec. 31, 2005	PROVEN			PROBABLE			PROVEN & PROBABLE		
	Tonnes	Grade	Contained	Tonnes	Grade	Contained	Tonnes	Grade	Contained
Silver	Mt	g Ag/t	M oz	Mt	g Ag/t	M oz	Mt	g Ag/t	M oz
San Dimas	1.42	447	20.4	1.83	401	23.6	3.25	421	44.0
San Martin	0.31	47	0.5	0.58	46	0.9	0.90	47	1.3
Zinkgruvan	6.27	111	22.4	1.89	57	3.5	8.16	98	25.8
Yauliyacu	1.21	124	4.8	1.27	198	8.1	2.48	162	12.9
Total			48.1			36.0			84.0

Measured & Indicated Resources (1,2,3,4,5,6)									
As of Dec. 31, 2005	MEASURED			INDICATED			MEASURED & INDICATED		
	Tonnes	Grade	Contained	Tonnes	Grade	Contained	Tonnes	Grade	Contained
Silver	Mt	g Ag/t	M oz	Mt	g Ag/t	M oz	Mt	g Ag/t	M oz
San Dimas	-	-	-	-	-	-	-	-	-
San Martin	0.02	204	0.2	0.2	234	1.5	0.22	231	1.7
Zinkgruvan (Zn)	0.61	25	0.5	1.24	86	3.4	1.85	66	3.9
Zinkgruvan (Cu)	-	-	-	2.80	32	2.9	2.80	32	2.9
Yauliyacu	2.11	265	18.0	3.01	353	34.2	5.12	317	52.2
Total			18.7			42.0			60.7

Inferred Resources (1,2,3,4,5,6)			
As of Dec. 31, 2005	MEASURED & INDICATED		
	Tonnes	Grade	Contained
Silver	Mt	g Ag/t	M oz
San Dimas	17.27	321	178.1
San Martin	2.87	111	10.3
Zinkgruvan (Zn)	8.46	105	28.6
Zinkgruvan (Cu)	0.89	28	0.8
Yauliyacu	6.87	293	64.7
Total			282.5

Notes:

- All Mineral Reserves and Mineral Resources have been calculated as of December 31, 2005 in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101.
- All Mineral Resources are exclusive of Mineral Reserves.
- Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.
- The Qualified Person for the Mineral Reserve and Mineral Resource estimates as defined by National Instrument 43-101 are as follows:
 - San Dimas, San Martin – Reynaldo Rivera, MAusIMM, an employee of Luismin, S.A. de C.V., the Mexican operating subsidiary of Goldcorp Inc.
 - Zinkgruvan – John Jullivan, P.Geo., Senior Geologist and Steve Cheeseman, P.Geo., Senior Associate Geologist, both with Watts, Griffis and McOuat Limited of Toronto, Canada.
 - Yauliyacu – Velasquez Spring, P.Eng., Senior Geologist, and G. Ross MacFarlane, P.Eng., Senior Associate Metallurgical Engineer, both with Watts, Griffis and McOuat Limited of Toronto, Canada.
- Mineral Reserves and Mineral Resources are estimated using appropriate recovery rates and commodity prices as follows:
 - San Dimas and San Martin Reserves – US\$6.00 per silver ounce
 - San Dimas and San Martin Resources – US\$7.00 per silver ounce
 - Zinkgruvan Reserves and Resources – US\$5.50 per silver ounce
 - Yauliyacu Reserves and Resources – US\$6.00 per silver ounce
- Silver Wheaton's purchase agreement with Glencore provides for the delivery of 4.75 million ounces of silver per year for 20 years. Silver production at Yauliyacu in excess of 4.75 million ounces per year is to the credit of Glencore, and therefore a portion of the reserves and resources from Yauliyacu may relate to production which may be for the credit of Glencore.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information contained herein contains “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the future price of silver, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, reserve determination and reserve conversion rates. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Silver Wheaton to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the integration of acquisitions, the absence of control over mining operations from which Silver Wheaton purchases silver and risks related to these mining operations, including risks related to international operations, actual results of current exploration activities, actual results of current reclamation activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, as well as those factors discussed in the section entitled “Description of the Business – Risk Factors” in Silver Wheaton’s annual information form for the year ended December 31, 2005 incorporated by reference into Silver Wheaton’s Form 40-F on file with the U.S. Securities and Exchange Commission in Washington, D.C. Although Silver Wheaton has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Silver Wheaton does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

CAUTIONARY LANGUAGE REGARDING RESERVES AND RESOURCES

Readers should refer to the annual information form of Silver Wheaton for the year ended December 31, 2005 and other continuous disclosure documents filed by Silver Wheaton since January 1, 2006 available at www.sedar.com, for further information on mined Reserves and Resources, which is subject to the qualifications and notes set forth therein. Mineral Resources which are not Mineral Reserves, do not have demonstrated economic viability.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources:

The information contained herein uses the terms “Measured”, “Indicated” and “Inferred” Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. **United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.**

Consolidated Statements of Operations

(US dollars and shares in thousands, except per share amounts - Unaudited)

	Note	Three Months Ended		Six Months Ended	
		June 30 2006	June 30 2005	June 30 2006	June 30 2005
Silver sales		\$ 47,413	\$ 19,263	\$ 73,124	\$ 35,340
Cost of sales		14,841	10,405	25,263	19,466
Depreciation and amortization		4,917	1,736	6,477	3,080
		19,758	12,141	31,740	22,546
Earnings from operations		27,655	7,122	41,384	12,794
Expenses and other income					
General and administrative		1,199	508	1,717	923
Interest expense		510	-	712	-
Amortization of debt financing costs	5	675	-	929	-
Stock based compensation		963	38	1,074	78
Project evaluation		75	54	108	62
Interest income		(520)	(183)	(1,660)	(259)
Foreign exchange (gain) loss		(406)	(17)	(436)	86
		2,496	400	2,444	890
Net earnings		\$ 25,159	\$ 6,722	\$ 38,940	\$ 11,904
Basic earnings per share		\$ 0.12	\$ 0.04	\$ 0.19	\$ 0.07
Diluted earnings per share		\$ 0.11	\$ 0.04	\$ 0.18	\$ 0.07
Weighted average number of shares outstanding					
- basic		216,815	167,026	200,525	167,018
- diluted		238,569	167,899	221,226	167,862

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

Consolidated Balance Sheets

(US dollars and shares in thousands - Unaudited)

	Note	June 30 2006	December 31 2005
Assets			
Current			
Cash and cash equivalents		\$ 51,637	\$ 117,741
Accounts receivable		1,755	2,491
Silver inventory		-	383
Other		279	44
		53,671	120,659
Long-term investments	2	15,069	15,069
Silver contracts	3	544,744	130,254
Deferred debt financing costs	5	195	-
Other		670	169
		\$ 614,349	\$ 266,151
Liabilities			
Current			
Accounts payable		\$ 374	\$ 1,761
Accrued liabilities		511	200
Promissory notes	4	20,000	-
		20,885	1,961
Shareholders' Equity			
Share purchase options	6(c)	4,381	4,953
Restricted share units		39	26
Warrants	6(b)	38,824	38,867
Share capital			
Common shares			
Authorized: unlimited shares, no par value;			
Issued and outstanding: 220,176 (December 31, 2005 – 183,375)	6(a)	484,647	193,711
Retained earnings		65,573	26,633
		593,464	264,190
		\$ 614,349	\$ 266,151

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

Consolidated Statements of Cash Flows

(US dollars in thousands - Unaudited)

	Note	Three Months Ended		Six Months Ended	
		June 30 2006	June 30 2005	June 30 2006	June 30 2005
Operating Activities					
Net earnings		\$ 25,159	\$ 6,722	\$ 38,940	\$ 11,904
Items not affecting cash					
Depreciation and amortization		4,917	1,736	6,477	3,080
Amortization of debt financing costs		675	-	929	-
Stock based compensation		963	38	1,074	78
Other		(329)	72	(241)	87
Change in non-cash working capital	7	1,314	703	(547)	(713)
Cash generated by operating activities		32,699	9,271	46,632	14,436
Financing Activities					
Bank debt drawn down	5	-	-	125,000	-
Bank debt repaid	5	(120,000)	-	(125,000)	-
Debt financing costs	5	(161)	-	(1,124)	-
Shares issued	6(a)	175,150	-	175,150	-
Share issue costs		(7,468)	-	(7,788)	(642)
Warrants exercised		199	57	280	57
Share purchase options exercised		2,583	-	5,912	-
Cash generated by (applied to) financing activities		50,303	57	172,430	(585)
Investing Activities					
Silver contracts	3	(40,045)	-	(285,408)	(483)
Other		-	(45)	-	(45)
Cash applied to investing activities		(40,045)	(45)	(285,408)	(528)
Effect of exchange rate changes on cash and cash equivalents		312	(18)	242	(33)
Increase (decrease) in cash and cash equivalents		43,269	9,265	(66,104)	13,290
Cash and cash equivalents, beginning of period		8,368	24,014	117,741	19,989
Cash and cash equivalents, end of period		\$ 51,637	\$ 33,279	\$ 51,637	\$ 33,279

At June 30, 2006, the Company's cash and cash equivalents consisted of \$16.4 million in cash (December 31, 2005 - \$8.8 million) and \$35.2 million in cash equivalents (December 31, 2005 - \$108.9 million). Cash equivalents include term deposits and treasury bills with original maturities of less than 90 days. The Company paid \$510,000 in interest (six months - \$712,000) compared to \$nil (six months - \$nil) in 2005. In addition, the Company paid no income taxes for the three and six months ended June 30, 2006 and 2005.

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

Consolidated Statements of Shareholders' Equity

(US dollars and shares in thousands - Unaudited)

	Common Shares			Share	Restricted	Retained	
	Shares	Amount	Warrants	Purchase	Share	Earnings	Total
				Options	Units		
At December 31, 2004	167,010	\$ 119,464	\$ 28,579	\$ 5,046	\$ -	\$ 1,342	\$ 154,431
Fair value of stock based compensation	-	-	-	463	26	-	489
Share purchase options exercised	710	2,535	-	(556)	-	-	1,979
Warrants exercised	30	129	(29)	-	-	-	100
Shares issued	15,625	75,902	10,317	-	-	-	86,219
Share issue costs	-	(4,319)	-	-	-	-	(4,319)
Net earnings	-	-	-	-	-	25,291	25,291
At December 31, 2005	183,375	193,711	38,867	4,953	26	26,633	264,190
Fair value of stock based compensation	-	-	-	1,061	13	-	1,074
Share purchase options exercised	2,094	7,545	-	(1,633)	-	-	5,912
Warrants exercised	63	323	(43)	-	-	-	280
Shares issued	34,644	290,712	-	-	-	-	290,712
Share issue costs	-	(7,644)	-	-	-	-	(7,644)
Net earnings	-	-	-	-	-	38,940	38,940
At June 30, 2006	220,176	\$ 484,647	\$ 38,824	\$ 4,381	\$ 39	\$ 65,573	\$ 593,464

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

Notes to the Consolidated Financial Statements
 Three and Six Months Ended June 30, 2006
 (US dollars - Unaudited)

1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information and they follow the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended December 31, 2005 except as noted below. These unaudited interim consolidated financial statements do not include all the information and note disclosure required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the most recent annual audited consolidated financial statements.

In the opinion of management, all adjustments (including normal recurring adjustments) necessary to present fairly the financial position at June 30, 2006 and the results of operations and cash flows for all periods presented have been made. The interim results are not necessarily indicative of results for a full year.

Debt financing costs

Debt financing costs are deferred and amortized over the expected life of the debt facility.

2. LONG-TERM INVESTMENTS

(in thousands)	June 30, 2006			December 31, 2005		
	Book Value	Market Value	Unrealized Gains	Book Value	Market Value	Unrealized Gains
Bear Creek (14%)	\$ 13,696	\$ 29,534	\$ 15,838	\$ 13,696	\$ 20,105	\$ 6,409
Other	1,373	2,670	1,297	1,373	1,544	171
	\$ 15,069	\$ 32,204	\$ 17,135	\$ 15,069	\$ 21,649	\$ 6,580

3. SILVER CONTRACTS

(in thousands)	June 30, 2006			December 31, 2005		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Luismin	\$ 194,807	\$ (5,115)	\$189,692	\$ 59,132	\$ (3,517)	\$ 55,615
Zinkgruvan	77,919	(4,927)	72,992	77,919	(3,280)	74,639
Yauliyacu	285,292	(3,232)	282,060	-	-	-
	\$ 558,018	\$ (13,274)	\$544,744	\$ 137,051	\$ (6,797)	\$ 130,254

Luismin silver purchase contract

On October 15, 2004, the Company entered into a twenty five year agreement to purchase all of the silver produced by Goldcorp's Luismin mining operations in Mexico, for an upfront payment of \$36.7 million (Cdn\$46.0 million) in cash and 108 million common shares of the Company. In addition, a per ounce cash payment of the lesser of \$3.90 and the prevailing market

Notes to the Consolidated Financial Statements

Three and Six Months Ended June 30, 2006

(US dollars - Unaudited)

price is due (subject to an inflationary adjustment commencing in 2007). Under this agreement, Luismin was required to deliver a minimum of 120 million ounces over the 25 year period following the contract date, and Silver Wheaton was obligated to pay 50% of any capital expenditures made by Luismin at its mining operations in excess of 110% of the projected capital expenditures outlined in the contract.

On March 30, 2006, Goldcorp and Silver Wheaton amended the silver purchase contract, increasing the minimum number of ounces of silver to be delivered over the 25 year period by 100 million ounces, to 220 million ounces, and waiving any capital expenditure contributions previously required to be paid by Silver Wheaton. In consideration for these amendments, Silver Wheaton issued to Goldcorp 18 million common shares, valued at the February 13, 2006 closing price of \$6.42 per share, and a \$20 million non-interest bearing promissory note due on March 30, 2007. As a result, at June 30, 2006, Goldcorp owned 57% of the Company's common shares.

The allocation of the total purchase price is summarized in the table below:

(in thousands)

Purchase Price

October 15, 2004 - initial agreement		
Cash	\$	36,744
Shares		21,958
Acquisition costs		430
		<hr/>
December 31, 2004 and 2005		59,132
March 30, 2006 - contract amendment		
Promissory note (Note 4)		20,000
Shares		115,560
Acquisition costs		115
		<hr/>
		135,675
		<hr/>
June 30, 2006	\$	194,807

Yauliyacu silver purchase contract

On March 23, 2006, the Company entered into an agreement to purchase 4.75 million ounces of silver per year for a period of 20 years, based on the production from Glencore's Yauliyacu mining operations in Peru, for an upfront payment of \$285 million, comprised of \$245 million in cash and a \$40 million promissory note (Note 4). In addition, a cash payment of \$3.90 per ounce of silver delivered under the contract is due (subject to an inflationary adjustment commencing in 2009). In the event that silver produced at Yauliyacu in any year totals less than 4.75 million ounces, the amount sold to Silver Wheaton in subsequent years will be increased to make up for the shortfall, so long as production allows.

During the term of the contract, Silver Wheaton has a right of first refusal on any future sales of silver streams from the Yauliyacu mine and a right of first offer on future sales of silver streams from any other mine currently owned by Glencore. In addition, Silver Wheaton also has an option to extend the 20 year term of the silver purchase agreement in five year increments, on substantially the same terms as the existing agreement, subject to an adjustment related to silver price expectations at the time and other factors.

Notes to the Consolidated Financial Statements
 Three and Six Months Ended June 30, 2006
 (US dollars - Unaudited)

The allocation of the purchase price is summarized in the table below:

(in thousands)

Purchase Price	
Cash	\$ 245,000
Promissory note (Note 4)	40,000
Acquisition costs	292
	\$ 285,292

4. PROMISSORY NOTES

On March 23, 2006, as partial consideration for entering into the Yauliyacu silver purchase contract (Note 3), the Company issued a \$40 million promissory note to Glencore, bearing interest at 3% per annum, which was paid in full on May 31, 2006.

On March 30, 2006, as partial consideration for amendments made to the Luismin silver purchase agreement (Note 3), the Company issued a non-interest bearing \$20 million promissory note to Goldcorp, due on March 30, 2007. At June 30, 2006 this promissory note was still outstanding.

5. BANK DEBT

In March 2006, the Company entered into a credit agreement with the Bank of Nova Scotia, as lead arranger and administrative agent, to borrow \$100 million under a non revolving term loan (the "Term Loan") and \$25 million under a revolving loan (the "Revolving Loan"). During April, 2006, both the Term Loan and the Revolving Loan were repaid in full. The Term Loan was cancelled upon repayment, while the Revolving Loan facility remains available. The interest rate on the Revolving Loan is based on LIBOR plus a spread determined by the Company's leverage ratio. Under the credit agreement, the Company is required to maintain a debt service coverage ratio greater than or equal to 1.25 : 1 and a Leverage Ratio less than or equal to 3.50 : 1. The Revolving loan is secured against the Company's assets including the Luismin, Zinkgruvan and Yauliyacu silver purchase contracts. Total debt financing costs were \$1,124,000, of which \$675,000 was amortized to income during the three months ended June 30, 2006 (six months ended June 30, 2006 - \$929,000).

Interest expense and the effective interest rates for the Term Loan and the Revolving Loan are presented below:

	Term Loan	Revolving Loan	Total
Interest expense (\$000's)	\$ 264	\$ 45	\$ 309
Effective interest rate	5.01%	5.01%	5.01%

6. SHAREHOLDERS' EQUITY

(a) Shares issued

On April 20, 2006, the Company raised gross proceeds of \$175 million (Cdn\$200 million) from a public offering of 16,644,000 common shares at a price of Cdn\$12.00 per share. Share issue costs totalling \$7.5 million were incurred as a part of this offering.

(b) Warrants

A summary of the Company's warrants at June 30, 2006 and December 31, 2005 and the changes for the periods ending on those dates is presented below:

	Warrants Outstanding	Weighted Avg Exercise Price (Cdn\$)	Exchange Ratio
At December 31, 2004	158,000,000	\$ 0.88	0.2
Issued in connection with public offering	7,812,500	10.00	1.0
Exercised	(150,000)	0.80	0.2
At December 31, 2005	165,662,500	1.31	0.24
Exercised	(316,400)	1.02	0.2
At June 30, 2006	165,346,100	\$ 1.31	0.24

The following table summarizes information about the warrants outstanding at June 30, 2006:

	Warrants Outstanding	Exercise Price (Cdn\$)	Exchange Ratio	Common Shares to be Issued upon Exercise of Warrants	Effective Price Per Share (Cdn\$)	Expiry Date
Share purchase warrants	117,260,500	\$ 0.80	0.20	23,452,100	\$ 4.00	Aug 5, 2009
Series A Warrants	40,273,100	1.10	0.20	8,054,620	5.50	Nov 30, 2009
Series B Warrants	7,812,500	10.00	1.00	7,812,500	10.00	Dec 22, 2010
	165,346,100			39,319,220	\$ 5.50	

(c) Share purchase options

During the quarter, the Company issued 550,000 stock options with a weighted average exercise price of Cdn\$12.10 per option. At June 30, 2006 there were 4,876,666 share purchase options outstanding with a weighted average exercise price of Cdn\$4.54 per option.

Notes to the Consolidated Financial Statements
 Three and Six Months Ended June 30, 2006
 (US dollars - Unaudited)

7. SUPPLEMENTAL CASH FLOW INFORMATION

(in thousands)	Note	Three Months Ended		Six Months Ended	
		June 30 2006	June 30 2005	June 30 2006	June 30 2005
Change in non-cash working capital					
Accounts receivable		\$ 1,263	\$ 397	\$ 737	\$ (324)
Silver inventory		272	406	383	478
Other		67	15	(727)	(22)
Accounts payable		(422)	(57)	(1,242)	(821)
Accrued liabilities		134	(58)	302	(24)
		\$ 1,314	\$ 703	\$ (547)	\$ (713)
Non-cash investing activities, in connection with the acquisition of silver contracts					
Shares issued to Goldcorp	3	\$ -	\$ -	\$ 115,560	\$ -
Promissory note issued to Goldcorp	4	\$ -	\$ -	\$ 20,000	\$ -

8. RELATED PARTY TRANSACTIONS

At June 30, 2006, Goldcorp owned 57% of the Company's outstanding common shares. During the quarter, the Company purchased 2.4 million ounces (2005 – 2.1 million ounces) of silver from a subsidiary of Goldcorp at a price of \$3.90 per ounce, for total consideration of approximately \$9.5 million (2005 - \$8.1 million). During the six months ended June 30, 2006, the Company purchased 4.6 million ounces (2005 – 4.1 million ounces) of silver from the subsidiary at a price of \$3.90 per ounce, for total consideration of approximately \$18.0 million (2005 - \$15.8 million).

On March 30, 2006, Silver Wheaton and Goldcorp amended the Luismin silver purchase agreement, as described in note 3. As a result of this transaction the Company issued 18 million shares and a non-interest bearing \$20 million promissory note to Goldcorp, due on March 30, 2007.

The Company has an agreement with Goldcorp whereby Goldcorp provides certain management and administrative services at cost. During the quarter, total management fees paid to Goldcorp were \$73,000 (six months - \$142,000) compared to \$107,700 (six months - \$266,800) during the same period in 2005. This agreement allows for cancellation with 30 days notice at any time.

In addition, during the quarter the Company sold leasehold improvements and furniture and fixtures to Goldcorp at their net book value of \$145,000, which approximates fair value. At June 30, 2006, Goldcorp owed the Company \$170,800 (December 31, 2005 – \$nil).

Notes to the Consolidated Financial Statements
 Three and Six Months Ended June 30, 2006
 (US dollars - Unaudited)

9. SEGMENTED INFORMATION

The Company's reportable operating segments are summarized in the table below. This information has been segmented on a silver contract basis.

Three Months Ended June 30, 2006						
(in thousands)	Luismin	Zinkgruvan	Yauliyacu	Corporate	Consolidated	
Statements of Operations						
Silver sales	\$ 30,142	\$ 5,929	\$ 11,342	\$ -	\$ 47,413	
Cost of sales	9,545	1,883	3,413	-	14,841	
Depreciation	876	808	3,233	-	4,917	
Earnings from operations	19,721	3,238	4,696	-	27,655	
Expenses and other income	-	-	-	(2,496)	(2,496)	
Net earnings (loss)	\$ 19,721	\$ 3,238	\$ 4,696	\$ (2,496)	\$ 25,159	
Cash flow from operations	\$ 20,597	\$ 5,334	\$ 7,929	\$ (1,161)	\$ 32,699	
Total assets (June 30, 2006)	\$ 189,692	\$ 74,252	\$ 282,060	\$ 68,345	\$ 614,349	

Six Months Ended June 30, 2006						
(in thousands)	Luismin	Zinkgruvan	Yauliyacu	Corporate	Consolidated	
Statements of Operations						
Silver sales	\$ 51,246	\$ 10,536	\$ 11,342	\$ -	\$ 73,124	
Cost of sales	18,013	3,837	3,413	-	25,263	
Depreciation	1,597	1,647	3,233	-	6,477	
Earnings from operations	31,636	5,052	4,696	-	41,384	
Expenses and other income	-	-	-	(2,444)	(2,444)	
Net earnings (loss)	\$ 31,636	\$ 5,052	\$ 4,696	\$ (2,444)	\$ 38,940	
Cash flow from operations	\$ 33,233	\$ 6,188	\$ 7,929	\$ (718)	\$ 46,632	

Notes to the Consolidated Financial Statements
 Three and Six Months Ended June 30, 2006
 (US dollars - Unaudited)

Three Months Ended June 30, 2005

(in thousands)	Luismin	Zinkgruvan	Corporate	Consolidated
Statements of Operations				
Silver sales	\$ 14,970	\$ 4,293	\$ -	\$ 19,263
Cost of sales	8,141	2,264	-	10,405
Depreciation	795	941	-	1,736
Earnings from operations	6,034	1,088	-	7,122
Expenses and other income	-	-	(400)	(400)
Net earnings (loss)	\$ 6,034	\$ 1,088	\$ (400)	\$ 6,722
Cash flow from operations	\$ 6,829	\$ 1,624	\$ 818	\$ 9,271

Six Months Ended June 30, 2005

(in thousands)	Luismin	Zinkgruvan	Corporate	Consolidated
Statements of Operations				
Silver sales	\$ 28,654	\$ 6,686	\$ -	\$ 35,340
Cost of sales	15,841	3,625	-	19,466
Depreciation	1,509	1,571	-	3,080
Earnings from operations	11,304	1,490	-	12,794
Expenses and other income	-	-	(890)	(890)
Net earnings (loss)	\$ 11,304	\$ 1,490	\$ (890)	\$ 11,904
Cash flow from operations	\$ 12,646	\$ 2,133	\$ (343)	\$ 14,436

Notes to the Consolidated Financial Statements
 Three and Six Months Ended June 30, 2006
 (US dollars - Unaudited)

10. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements are prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). A reconciliation of earnings determined in accordance with Canadian GAAP to earnings and comprehensive income determined under accounting principles which are generally accepted in the United States ("US GAAP") is as follows:

(in thousands)	Three Months Ended		Six Months Ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
Earnings as reported under Canadian and US GAAP	\$ 25,159	\$ 6,722	\$ 38,940	\$ 11,904
Unrealized gains on securities (a)	3,278	-	10,555	-
Comprehensive income under US GAAP	\$ 28,437	\$ 6,722	\$ 49,495	\$ 11,904

Shareholders' equity determined in accordance with Canadian GAAP is reconciled to Shareholders' equity in accordance with US GAAP as follows:

(in thousands)	June 30 2006	December 31 2005
Comprehensive Income		
In accordance with Canadian GAAP	\$ -	\$ -
Cumulative unrealized holding gains	17,135	6,580
In accordance with US GAAP	\$ 17,135	\$ 6,580
Shareholders' equity		
In accordance with Canadian GAAP	\$ 593,464	\$ 264,190
In accordance with US GAAP	\$ 610,599	\$ 270,770

- (a) Under US GAAP (FAS 115 – Accounting For Certain Investments in Debt and Equity Securities), the Company's Long-term investments would be classified as available-for-sale securities and carried at fair value. The unrealized holding gains at June 30, 2006 on available-for-sale securities are not recognized under Canadian generally accepted accounting principles, but are recognized under United States accounting principles as a component of comprehensive income and reported as a net amount in a separate component of shareholders' equity until realized.
- (b) The Company has adopted SFAS 123(R) – *Share Based Payment*, effective January 1, 2006.

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