

# **SILVER** | **WHEATON**

## **SILVER WHEATON CORP.**

Third Quarter Report  
September 30, 2005

# Management's Discussion and Analysis of Operations and Financial Condition Nine Months Ended September 30, 2005

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*This Management's Discussion and Analysis should be read in conjunction with the Company's unaudited consolidated financial statements for the nine months ended September 30, 2005 and related notes thereto which have been prepared in accordance with Canadian generally accepted accounting principles. In addition, the following should be read in conjunction with the 2004 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 October 31, 2005.*

## THIRD QUARTER HIGHLIGHTS

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- **Net earnings of \$6.4 million (\$0.04 per share) from the sale of 2.5 million ounces of silver.**
- **Operating cash flows of \$8.0 million.**
- **Cash and cash equivalents at September 30, 2005 of \$26.6 million.**
- **Acquired 15% interest in Bear Creek Mining Corporation, developing the Corani silver project in Peru.**
- **The Company is debt free, unhedged and seeking further acquisitions.**

## OVERVIEW

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

During the four months ended December 31, 2004, Silver Wheaton acquired the rights to purchase all of the silver produced by Goldcorp Inc.'s ("Goldcorp", formerly Wheaton River) Luismin mines in Mexico, and by Lundin Mining's Zinkgruvan mine in Sweden (the "Luismin Transaction" and the "Zinkgruvan Transaction," respectively).

Both mines are low-cost producers and are expected to have remaining lives of over 20 years. The Company is 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.

During August, 2005, the Company acquired approximately 15% of the common shares of Bear Creek Mining Corporation (TSXV: BCM) ("Bear Creek") for total consideration of \$13.7 million (Cdn\$16.4 million).

During 2004, the year end of the Company was changed from August 31 to December 31. The current fiscal period ended September 30, 2005 includes the results of operations for the nine month period then ended. Comparative figures are for the nine month period ended August 31, 2004.

## SUMMARIZED FINANCIAL RESULTS

	<b>September 30 2005 (3 months)</b>	June 30 2005 (3 Months)	March 31 2005 (3 Months)	December 31 2004 (4 Months)	August 31 2004 (3 Months)	May 31 2004 (3 Months)	February 29 2004 (3 Months)	November 30 2003 (3 Months)
<b>Silver sales</b> (\$000's)	\$ <b>18,081</b>	\$ 19,263	\$ 16,077	\$ 10,986	\$ -	\$ -	\$ -	\$ -
Ounces (000's)	<b>2,535</b>	2,668	2,323	1,505	-	-	-	-
Average realized silver price (\$'s per ounce)	\$ <b>7.13</b>	\$ 7.22	\$ 6.92	\$ 7.30	\$ -	\$ -	\$ -	\$ -
Total cash cost (\$'s per ounce)	\$ <b>3.90</b>	\$ 3.90	\$ 3.90	\$ 3.90	\$ -	\$ -	\$ -	\$ -
<b>Net earnings (loss)</b> (\$000's)	\$ <b>6,378</b>	\$ 6,722	\$ 5,182	\$ 1,765	\$ (16)	\$ (20)	\$ (152)	\$ 36
<b>Basic and diluted earnings (loss) per share</b>	\$ <b>0.04</b>	\$ 0.04	\$ 0.03	\$ 0.02	\$ (0.01)	\$ (0.01)	\$ (0.09)	\$ 0.02
<b>Cash flow from (used in) operations</b> (\$000's)	\$ <b>7,947</b>	\$ 9,265	\$ 5,150	\$ 8,356	\$ (29)	\$ (19)	\$ 8	\$ (1)
<b>Cash and cash equivalents</b> (\$000's)	\$ <b>26,608</b>	\$ 33,279	\$ 24,014	\$ 19,989	\$ 320	\$ 324	\$ 343	\$ 82
<b>Total assets</b> (\$000's)	\$ <b>173,871</b>	\$ 167,056	\$ 160,355	\$ 156,988	\$ 53,491	\$ 325	\$ 343	\$ 574
<b>Shareholders' equity</b> (\$000's)	\$ <b>173,445</b>	\$ 166,470	\$ 159,653	\$ 154,431	\$ 50,171	\$ 320	\$ 330	\$ 482

## RESULTS OF OPERATIONS AND OPERATIONAL REVIEW

	<b>Three Months Ended September 30, 2005</b>			
	Luismin	Zinkgruvan	Corporate	<b>Total</b>
<b>Silver sales</b> (\$000's)	\$ 14,185	\$ 3,896	\$ -	\$ <b>18,081</b>
Ounces (000's)	2,004	531	-	<b>2,535</b>
Average realized silver price (\$'s per ounce)	\$ 7.08	\$ 7.34	\$ -	\$ <b>7.13</b>
Total cash cost (\$'s per ounce)	\$ 3.90	\$ 3.90	\$ -	\$ <b>3.90</b>
<b>Net earnings (loss)</b> (\$000's)	\$ 5,624	\$ 931	\$ (177)	\$ <b>6,378</b>
	<b>Nine Months Ended September 30, 2005</b>			
	Luismin	Zinkgruvan	Corporate	<b>Total</b>
<b>Silver sales</b> (\$000's)	\$ 42,839	\$ 10,582	\$ -	\$ <b>53,421</b>
Ounces (000's)	6,066	1,460	-	<b>7,526</b>
Average realized silver price (\$'s per ounce)	\$ 7.06	\$ 7.25	\$ -	\$ <b>7.10</b>
Total cash cost (\$'s per ounce)	\$ 3.90	\$ 3.90	\$ -	\$ <b>3.90</b>
<b>Net earnings (loss)</b> (\$000's)	\$ 16,928	\$ 2,422	\$ (1,068)	\$ <b>18,282</b>

The Company has three business segments, the Luismin contract, the Zinkgruvan contract and corporate operations.

### Luismin

On October 15, 2004, a 100% owned subsidiary of the Company, Silver Wheaton (Caymans) Corp. ("SW Caymans"), entered into an agreement to purchase all of the silver produced by Goldcorp's Luismin mining operations in Mexico. During the three months ended September 30, 2005, SW Caymans purchased 2,004,000 ounces (nine months ended September 30, 2005 – 6,066,000 ounces) of silver under the contract at a total cash cost of \$3.90 per ounce, and sold it for an average price of \$7.08 per ounce (nine months - \$7.06 per ounce). The Company's cash flows and net earnings under the Luismin silver contract for the three months ended September 30, 2005 were \$6,370,000 (nine months - \$19,016,000) and \$5,624,000 (nine months - \$16,928,000), respectively.

As at December 31, 2004, Luismin had proven and probable silver reserves of 40.3 million ounces and inferred silver resources of 145.6 million ounces. Luismin has historically converted resources into reserves at a rate of 90%, which would result in a remaining mine life of over 20 years.

The results of the Luismin mine operations for the three months ended September 30, 2005 are shown below:

	2005				2004	
	Q3	Q2	Q1	Q4	Q3	Q2
• Ore milled (tonnes)	<b>244,000</b>	218,700	199,000	199,900	187,800	192,600
• Grade (grams/tonne)						
- Gold	<b>5.55</b>	6.23	6.59	5.35	5.95	5.61
- Silver	<b>331.51</b>	310.35	334.63	280.28	326.23	302.17
• Recovery (%)						
- Gold	<b>94%</b>	95%	95%	94%	95%	95%
- Silver	<b>88%</b>	91%	88%	88%	91%	89%
• Production (ounces)						
- Gold	<b>41,000</b>	41,800	40,000	32,300	34,200	33,300
- Silver	<b>2,005,700</b>	1,974,400	1,894,000	1,586,900	1,798,700	1,664,400
• Sales (ounces)						
- Gold	<b>39,100</b>	44,000	38,300	32,800	33,400	33,500
- Silver	<b>2,003,800</b>	2,088,000	1,974,400	1,615,100	1,792,000	1,654,500

### 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"). During the three months ended September 30, 2005, SW Caymans purchased 530,600 ounces (nine months ended September 30, 2005 – 1,337,600 ounces) of silver under the contract at a cash cost of \$3.90 per ounce, and sold 530,600 ounces (nine months – 1,460,000 ounces) for an average price of \$7.34 per ounce (nine months - \$7.25 per ounce). The Company's cash flows and net earnings under the Zinkgruvan silver contract for the period were \$1,566,000 (nine months – \$3,680,000) and \$931,000 (nine months - \$2,422,000), respectively.

As at December 31, 2004, Zinkgruvan had proven and probable silver reserves of 28.7 million ounces, measured and indicated resources of 8.1 million ounces and inferred silver resources of 27.5 million ounces. 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.

## Corporate

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30 2005	August 31 2004	September 30 2005	August 31 2004
General and administrative	\$ 463	\$ 16	\$ 1,386	\$ 48
Share purchase options	-	-	78	-
Restricted share units	12	-	12	-
Project evaluation	9	-	70	-
Interest income	(192)	-	(451)	-
Foreign exchange gain	(115)	-	(27)	-
Corporate net loss (gain)	<u>\$ 177</u>	<u>\$ 16</u>	<u>\$ 1,068</u>	<u>\$ 48</u>

General and administrative expenses totaled \$463,000 for the three months ended September 30, 2005 (nine months ended September 30, 2005 - \$1,386,000), including \$74,600 (nine months - \$341,400) paid to Goldcorp for management and administrative services at cost. Also included in general and administrative expenses were professional service fees, including legal, accounting and audit fees, totaling \$115,000 (nine months - \$372,000), salary expenses of \$85,000 (nine month - \$142,000), and investor relations and regulatory fees of \$75,000 (nine months - \$216,000).

Interest income of \$192,000 for the three months ended September 30, 2005 (nine months - \$451,000) was the result of interest on cash balances held in short-term money market instruments.

During the three months ended September 30, 2005 a foreign exchange gain of \$115,000 was earned (nine months – \$27,000). This gain arose due to the Company holding a portion of its cash balances in Canadian dollars while the Canadian dollar increased in value against the Company's reporting and functional currency, the US dollar.

Prior period expenses primarily relate to managing Dial, the Company's former subsidiary, which was sold on February 25, 2004. Other expenses incurred in 2004 relate to regulatory and administrative costs.

## LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2005 the Company had cash and cash equivalents of \$26.6 million (December 31, 2004 - \$20.0 million) and working capital of \$26.7 million (December 31, 2004 - \$18.1 million).

In the opinion of management, the working capital at September 30, 2005, together with cash flows from operations, are sufficient to support the Company's normal operating requirements on an ongoing basis. During the three and nine month periods ending September 30, 2005 the Company generated operating cash flows of \$8.0 million and \$22.4 million respectively.

During the three months ended September 30, 2005 the Company received proceeds of \$585,000 (Cdn\$698,800) from the exercise of 215,000 share purchase options at an exercise price of Cdn\$3.25 per option. As of October 31, 2005, there were 167,255,000 outstanding common shares, 6,385,000 share purchase options and 157,850,000 share purchase warrants, which each give the holder the right to purchase 0.20 of one of the Company's common shares.

### *Investment in Bear Creek*

On August 11, 2005, the Company acquired 4,821,905 common shares of Bear Creek Mining Corporation (TSXV: BCM) on the open market at a price of Cdn\$3.03 per share, for total consideration of \$12.2 million (Cdn\$14.6 million). In addition, on August 30, 2005, the Company acquired by way of private placement, 540,000 units of Bear Creek at a price of Cdn\$3.25 per unit for total consideration of \$1.5 million (Cdn\$1.8 million). The units are comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of Bear Creek at a price of Cdn\$4.25 for a period of two years from the transaction close date. As a result, Silver Wheaton owns approximately 15% of Bear Creek's total issued and outstanding shares.

Bear Creek is earning a 70% interest in the 2,300 hectare Corani silver project in southern Peru by making scheduled payments totaling \$5.4 million by January 2008. Surface trenching and drilling to date has identified two distinct silver rich zones. To date, work on the Main Corani Zone has outlined mineralization measuring 200 to 425 meters wide by 1,300 meters long and averaging approximately 3 ounces per tonne of silver and 1.5% lead. The higher grade Corani Este Zone now has three drill holes with intercepts averaging 79 m at 4.1 ounces per tonne of silver and 1.3% lead and surface trenches which average 64 m of 6.6 ounces per tonne of silver. Drilling continues to define and expand both zones, with a fourth drill to be added in November. An initial resource estimate and scoping study is scheduled to be completed in early 2006.

### *Contractual obligations*

In connection with the Luismin and Zinkgruvan Transactions, 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.

Under the Luismin agreement, Silver Wheaton is obligated to pay 50% of any capital expenditure made by Luismin at its mining operations in excess of 110% of the projected capital expenditures outlined in the contract, however, these costs will be reimbursed during periods where actual capital expenditures fall below 90% of projected capital expenditures. In an effort to increase reserves and resources, as well as 2006 and subsequent production, Luismin has accelerated its planned mine development investment during 2005, of which Silver Wheaton's share is approximately \$1.7 million to September 30, 2005, with a further \$0.7 million projected to December 31, 2005. Given that this additional investment was originally budgeted for 2006, the companies have agreed that no cash reimbursement will be due in 2005 and that any reimbursement will be calculated on a combined basis for 2004, 2005 and 2006.

### *Related party transactions*

At September 30, 2005, as a result of the Luismin Transaction, Goldcorp owned 64.6% of the Company's outstanding common shares. Between July 1 and September 30, 2005, the Company purchased 2,004,000 ounces (nine months ended September 30, 2005 – 6,066,000 ounces) of silver from a subsidiary of Goldcorp at a price of \$3.90 per ounce for total consideration of approximately \$7.8 million (nine months - \$23.7 million).

The Company has an agreement with Goldcorp whereby Goldcorp provides management and administrative services at cost. During the three months ended September 30, 2005, total management fees paid to Goldcorp were \$74,600 (nine months - \$341,400). This agreement allows for cancellation with 30 days notice at any time.

In addition, during the three months ended September 30, 2005, payments made by Goldcorp on the Company's behalf totalled approximately \$43,900 (nine months - \$202,700). At September 30, 2005, the Company owed Goldcorp \$48,800.

## OUTLOOK

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The Company expects to sell approximately 10.0 million and 11.5 million ounces of silver in 2005 and 2006 respectively, at a cash cost of \$3.90 per ounce.

The Company is 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.

*Additional information relating to the Company, including its Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).*

*This Management's Discussion & Analysis contains certain forward-looking statements. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding future plans and objectives of the Company are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in Company documents filed from time to time with the Toronto Stock Exchange and other regulatory authorities.*

## Consolidated Statements of Operations

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

	Note	Three Months Ended		Nine Months Ended	
		September 30 2005	August 31 2004	September 30 2005	August 31 2004
Silver sales		\$ 18,081	\$ -	\$ 53,421	\$ -
Cost of sales		9,885	-	29,350	-
Depreciation and amortization		1,641	-	4,721	-
		<b>11,526</b>	-	<b>34,071</b>	-
Earnings from operations		<b>6,555</b>	-	<b>19,350</b>	-
Expenses and other income					
General and administrative		463	16	1,386	48
Share purchase options	6	-	-	78	-
Restricted share units		12	-	12	-
Project evaluation		9	-	70	-
Interest income		(192)	-	(451)	-
Foreign exchange gain		(115)	-	(27)	-
		<b>177</b>	16	<b>1,068</b>	48
Earnings (loss) before discontinued operations		<b>6,378</b>	(16)	<b>18,282</b>	(48)
Loss from discontinued operations		-	-	-	(140)
Net earnings (loss)		<b>\$ 6,378</b>	\$ (16)	<b>\$ 18,282</b>	\$ (188)
Basic and diluted earnings (loss) per share from continuing operations		\$ 0.04	\$ (0.01)	\$ 0.11	\$ (0.03)
Basic and diluted earnings (loss) per share from discontinued operations		\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.08)
Basic and diluted earnings (loss) per share		\$ 0.04	\$ (0.01)	\$ 0.11	\$ (0.11)
Weighted average number of shares outstanding					
- basic		167,108	1,731	167,048	1,720
- diluted		170,092	1,731	168,173	1,720

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

## Consolidated Balance Sheets

(US dollars and shares in thousands - Unaudited)

	Note	<b>September 30</b> <b>2005</b>	December 31 2004
<b>Assets</b>			
Current			
Cash and cash equivalents		\$ 26,608	\$ 19,989
Accounts receivable		406	163
Silver inventory		-	478
Other		<u>80</u>	<u>49</u>
		<b>27,094</b>	20,679
Long-term investments	4	<b>15,069</b>	-
Silver contracts	5	<b>131,532</b>	136,254
Other		<u>176</u>	<u>55</u>
		<b>\$ 173,871</b>	<b>\$ 156,988</b>
<b>Liabilities</b>			
Current			
Accounts payable		\$ 357	\$ 2,496
Accrued liabilities		<u>69</u>	<u>61</u>
		<b>426</b>	2,557
<b>Shareholders' Equity</b>			
Share purchase options		<b>4,957</b>	5,046
Restricted share units		<b>12</b>	-
Warrants		<b>28,562</b>	28,579
Share capital			
Common shares			
Authorized: unlimited shares, no par value;			
Issued and outstanding: 167,243 (December			
31, 2004 – 167,010)		<b>120,290</b>	119,464
Retained earnings		<u>19,624</u>	<u>1,342</u>
		<b>173,445</b>	154,431
		<b>\$ 173,871</b>	<b>\$ 156,988</b>
Commitments (Note 9)			

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

## Consolidated Statements of Cash Flows

(US dollars in thousands - Unaudited)

	Note	Three Months Ended		Nine Months Ended	
		September 30 2005	August 31 2004	September 30 2005	August 31 2004
<b>Operating Activities</b>					
Net earnings (loss) from continuing operations		\$ 6,378	\$ (16)	\$ 18,282	\$ (48)
Items not affecting cash					
Depreciation and amortization		1,641	-	4,721	-
Project evaluation costs written off		-	-	54	-
Share purchase options	6	-	-	78	10
Other		15	-	15	-
Change in non-cash working capital	7	(87)	(13)	(800)	(2)
Cash generated by (used in) operating activities		7,947	(29)	22,350	(40)
<b>Financing Activities</b>					
Share purchase options exercised		585	11	585	11
Warrants exercised		-	-	57	-
Share issue costs		-	-	(642)	-
Cash generated by financing activities		585	11	-	11
<b>Investing Activities</b>					
Purchase of long-term investments		(15,069)	-	(15,069)	-
Silver contracts		-	-	(483)	-
Other		(134)	-	(179)	-
Cash used in investing activities		(15,203)	-	(15,731)	-
<b>Cash flows from discontinued operations</b>					
Sale of discontinued operations		-	-	-	247
Advances from discontinued operations		-	14	-	14
(Decrease) increase in cash and cash equivalents		(6,671)	(4)	6,619	232
Cash and cash equivalents, beginning of period		33,279	324	19,989	88
Cash and cash equivalents, end of period		\$ 26,608	\$ 320	\$ 26,608	\$ 320

The Company paid no interest or income taxes for the nine months ended September 30, 2005 and August 31, 2004.

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

## Consolidated Statements of Shareholders' Equity

(US dollars and shares in thousands - Unaudited)

	Common Shares		Warrants		Share	Restricted	Subscription	Retained	Total
	Shares	Amount	Warrants	Amount	Purchase Options	Share Units		Earnings (Deficit)	
At September 1, 2003	1,720	\$ 718	-	\$ -	\$ -	\$ -	\$ -	\$ (272)	\$ 446
Subscription receipts	-	-	-	-	-	-	49,855	-	49,855
Share purchase options exercised	20	13	-	-	(2)	-	-	-	11
Fair value of share purchase options issued	-	-	-	-	10	-	-	-	10
Net loss	-	-	-	-	-	-	-	(151)	(151)
At August 31, 2004	1,740	731	-	-	8	-	49,855	(423)	50,171
Shares issued	165,200	125,481	-	-	-	-	(49,855)	-	75,626
Share issue costs	-	(6,790)	-	-	-	-	-	-	(6,790)
Share purchase options exercised	70	42	-	-	(8)	-	-	-	34
Warrants issued	-	-	158,000	28,579	-	-	-	-	28,579
Fair value of share purchase options issued	-	-	-	-	5,046	-	-	-	5,046
Net earnings	-	-	-	-	-	-	-	1,765	1,765
At December 31, 2004	167,010	119,464	158,000	28,579	5,046	-	-	1,342	154,431
Fair value of share purchase options issued	-	-	-	-	78	-	-	-	78
Fair value of restricted share units issued	-	-	-	-	-	12	-	-	12
Share purchase options exercised	215	752	-	-	(167)	-	-	-	585
Warrants exercised	18	74	(88)	(17)	-	-	-	-	57
Net earnings	-	-	-	-	-	-	-	18,282	18,282
At September 30, 2005	167,243	\$120,290	157,912	\$28,562	\$ 4,957	\$ 12	\$ -	\$ 19,624	\$173,445

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

**1. NATURE OF OPERATIONS**

Silver Wheaton Corp. (“Silver Wheaton” or “the Company”) is engaged in the silver mining business.

On October 15, 2004, the Company entered into an agreement to purchase all of the silver produced by Wheaton River Minerals Ltd’s (“Wheaton River”) Luismin mining operations in Mexico for a payment equal to the lesser of \$3.90 or the prevailing market price per ounce of delivered silver, subject to adjustment (Note 3). On April 15, 2005, Wheaton River amalgamated with Goldcorp Inc. to form Goldcorp Inc. (“Goldcorp”) and the silver purchase agreement with Silver Wheaton was assumed by Goldcorp.

In addition, on December 8, 2004, the Company entered into an agreement to purchase all of the silver produced by Lundin Mining Corporation’s Zinkgruvan mine in Sweden for a payment equal to the lesser of \$3.90 or the prevailing market price per ounce of delivered silver, subject to adjustment (Note 3).

The Company began trading on the TSX on October 22, 2004 and on the AMEX on July 6, 2005, under the symbol SLW. In December, 2004, the Company’s name was changed from Chap Mercantile Inc to Silver Wheaton Corp. and the outstanding shares were consolidated on a 5 for 1 basis. The year end of the Company was changed from August 31 to December 31.

The Company is 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.

**2. ACCOUNTING POLICIES**

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, 2004 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 and the note below.

*Long-term investments*

Long-term investments are carried at cost. When a decline in market value that is other than temporary has occurred, these investments are written down to provide for the loss.

**3. ACQUISITIONS**

(a) *Luismin silver contract*

On October 15, 2004, the Company entered into an agreement to purchase all of the silver produced by Wheaton River’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 (post-consolidation) of the Company. In addition, a per ounce cash payment of the lesser of \$3.90 and the prevailing market price, subject to adjustment, is due (the “Luismin Transaction”). Under the agreement Luismin is required to deliver a minimum of 120 million ounces over the 25 year period following the contract date. If the actual amount of silver delivered is less than this minimum, a penalty of \$0.50 per ounce of the

shortfall is payable. In addition, under the agreement, Silver Wheaton will be 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, however, these costs will be reimbursed during periods where actual capital expenditures fall below 90% of projected capital expenditures.

If Silver Wheaton or Goldcorp acquires a direct or indirect interest in a precious metal exploration or development property situated anywhere in Mexico, which it does not currently own an interest in, and the property becomes the subject of a positive feasibility study or consists of active mining operations within a period of three years from the date of the contract, then the owner of the interest must offer the other party the opportunity to purchase and participate in the project so the resulting project ownership would be Goldcorp 51% / Silver Wheaton 49% and Goldcorp will be entitled to become operator of the project.

For a period of three years, Goldcorp, so long as it owns at least 20% of the outstanding shares of the Company, has the right to maintain its pro-rata interest in Silver Wheaton should Silver Wheaton issue any additional Silver Wheaton shares pursuant to an equity financing or otherwise.

Luismin operations are expected to produce approximately 8 million ounces of silver per annum for a minimum of 20 years. The allocation of the purchase price is summarized in the table below:

(in thousands)

Purchase Price		
Cash	\$	36,744
Shares		21,958
Acquisition costs		430
	\$	<u>59,132</u>

The Luismin Transaction resulted in the acquisition of control of Silver Wheaton by Goldcorp. As a result, the cost of the Luismin silver contract was recorded in Silver Wheaton's books at Goldcorp's book value, plus acquisition costs of \$430,000.

(b) *Zinkgruvan silver contract*

On December 8, 2004, the Company entered into an agreement to purchase all of the silver produced by Lundin Mining Corporation's Zinkgruvan mine in Sweden for an upfront payment of \$50 million in cash, 6 million Silver Wheaton common shares (post-consolidation) and 30 million Silver Wheaton common share purchase warrants. In addition, a per ounce cash payment of the lesser of \$3.90 and the prevailing market price, subject to adjustment, is due (the "Zinkgruvan Transaction"). Under the agreement Zinkgruvan is required to deliver a minimum of 40 million ounces over the 25 year period following the contract date. If the actual amount of silver delivered is less than this minimum, a penalty of \$1.00 per ounce of the shortfall is payable. In addition, under the Zinkgruvan agreement, the Company is not liable for any capital asset expenditures.

Each warrant grants the holder the right to purchase 0.20 of one of the Company's post-consolidation common shares. The Warrants have been recorded at their fair value, which has been determined using the Black-Scholes option pricing model assuming no dividends are to be paid, a weighted average volatility of the Company's share price of 40%, an annual risk free interest rate of 3.0% and expected lives of three years.

The Zinkgruvan mine is expected to produce approximately 2 million ounces of silver annually for a minimum of 20 years. The allocation of the purchase price is summarized in the table below:

(in thousands)

Purchase Price			
Cash		\$	50,000
Shares and warrants			27,866
Acquisition costs			53
		\$	<u>77,919</u>

#### 4. LONG-TERM INVESTMENTS

(in thousands)

	<b>September 30, 2005</b>	
	<u>Book Value</u>	<u>Market Value</u>
Bear Creek Mining Corporation	\$ 13,696	\$ 13,870
Other	<u>1,373</u>	<u>1,240</u>
	<u>\$ 15,069</u>	<u>\$ 15,110</u>

On August 11, 2005, the Company acquired 4,821,905 common shares of Bear Creek Mining Corporation (TSXV: BCM) ("Bear Creek") on the open market at a price of Cdn\$3.03 per share, for total consideration of \$12.2 million (Cdn\$14.6 million). In addition, on August 30, 2005, the Company acquired by way of private placement, 540,000 units of Bear Creek at a price of Cdn\$3.25 per unit for total consideration of \$1.5 million (Cdn\$1.8 million). The units are comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of Bear Creek at a price of Cdn\$4.25 for a period of two years from the transaction close date. As a result, Silver Wheaton owns approximately 15% of Bear Creek's total issued and outstanding shares.

The market value of Bear Creek includes the estimated value of the warrants acquired as part of the private placement, which have been valued using a binomial option pricing model.

#### 5. SILVER CONTRACTS

	<b>September 30, 2005</b>			December 31, 2004		
(in thousands)	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Luismin (Note 3a)	\$ 59,132	\$ (2,841)	\$ 56,291	\$ 59,132	\$ (586)	\$ 58,546
Zinkgruvan (Note 3b)	<u>77,919</u>	<u>(2,678)</u>	<u>75,241</u>	<u>77,919</u>	<u>(211)</u>	<u>77,708</u>
	<u>\$ 137,051</u>	<u>\$ (5,519)</u>	<u>\$ 131,532</u>	<u>\$ 137,051</u>	<u>\$ (797)</u>	<u>\$ 136,254</u>

Under the Luismin agreement, Silver Wheaton is 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, however, these costs will be reimbursed during periods where actual capital expenditures fall below 90% of projected capital expenditures. In an effort to increase reserves and resources, as well as 2006 and subsequent production, Luismin has accelerated its planned mine

development investment during 2005, of which Silver Wheaton's share is approximately \$1.7 million to September 30, 2005, with a further \$0.7 million projected to December 31, 2005. Given that this additional investment was originally budgeted for 2006, the companies have agreed that no cash reimbursement will be due in 2005 and that any reimbursement will be calculated on a combined basis for 2004, 2005 and 2006.

## 6. SHARE PURCHASE OPTIONS

During the three months ended September 30, 2005, the Company did not grant any share purchase options. During the nine months ended September 30, 2005, the Company granted 100,000 share purchase options at an exercise price of Cdn\$3.25 per option. The share purchase option expense for the nine month period ended September 30, 2005 was determined using an option pricing model assuming no dividends are to be paid, a weighted average volatility of the Company's share price of 40%, an annual risk free interest rate of 3.0% and expected lives of three years. During the period, 215,000 share purchase options were exercised at Cdn\$3.25 per option, resulting in proceeds of \$585,000 (Cdn\$698,800).

## 7. SUPPLEMENTAL CASH FLOW INFORMATION

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30 2005	August 31 2004	September 30 2005	August 31 2004
Change in non-cash working capital				
Accounts receivable	\$ 81	\$ -	\$ (243)	\$ -
Silver inventory	-	-	478	-
Accounts payable	(191)	(13)	(1,012)	(2)
Accrued liabilities	32	-	8	-
Other	(9)	-	(31)	-
	<u>\$ (87)</u>	<u>\$ (13)</u>	<u>\$ (800)</u>	<u>\$ (2)</u>

## 8. RELATED PARTY TRANSACTIONS

At September 30, 2005, as a result of the Luismin Transaction, Goldcorp owned 64.6% of the Company's outstanding common shares. Between July 1 and September 30, 2005, the Company purchased 2,004,000 ounces (nine months ended September 30, 2005 - 6,066,000 ounces) of silver from a subsidiary of Goldcorp at a price of \$3.90 per ounce for total consideration of approximately \$7.8 million (nine months - \$23.7 million).

The Company has an agreement with Goldcorp whereby Goldcorp provides management and administrative services at cost. During the three months ended September 30, 2005, total management fees paid to Goldcorp were \$74,600 (nine months - \$341,400). This agreement allows for cancellation with 30 days notice at any time.

In addition, during the three months ended September 30, 2005, payments made by Goldcorp on the Company's behalf totalled approximately \$43,900 (nine months - \$202,700). At September 30, 2005, the Company owed Goldcorp \$48,800.

## 9. COMMITMENTS

In connection with the Luismin and Zinkgruvan Transactions (Note 3), 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.

## 10. SEGMENTED INFORMATION

The Company's reportable operating segments are summarized in the table below. This information has been segmented on a silver contract basis. Prior to the Luismin Transaction on October 15, 2004, the Company operated in one business segment, which was discontinued. As a result, similar figures are not applicable for prior periods.

(in thousands)	<b>Three Months Ended September 30, 2005</b>			
	<u>Luismin</u>	<u>Zinkgruvan</u>	<u>Corporate</u>	<u>Consolidated</u>
<b>Statements of Operations</b>				
Sales	\$ 14,185	\$ 3,896	\$ -	\$ <b>18,081</b>
Cost of sales	7,815	2,070	-	<b>9,885</b>
Depreciation	746	895	-	<b>1,641</b>
Earnings from operations	5,624	931	-	<b>6,555</b>
Expenses and other income	-	-	(177)	<b>(177)</b>
Net earnings (loss)	\$ 5,624	\$ 931	\$ (177)	\$ <b>6,378</b>

(in thousands)	<b>Nine Months Ended September 30, 2005</b>			
	<u>Luismin</u>	<u>Zinkgruvan</u>	<u>Corporate</u>	<u>Consolidated</u>
<b>Statements of Operations</b>				
Sales	\$ 42,839	\$ 10,582	\$ -	\$ <b>53,421</b>
Cost of sales	23,656	5,694	-	<b>29,350</b>
Depreciation	2,255	2,466	-	<b>4,721</b>
Earnings from operations	16,928	2,422	-	<b>19,350</b>
Expenses and other income	-	-	(1,068)	<b>(1,068)</b>
Net earnings (loss)	\$ 16,928	\$ 2,422	\$ (1,068)	\$ <b>18,282</b>

(in thousands)	<u>Luismin</u>	<u>Zinkgruvan</u>	<u>Corporate</u>	<u>Consolidated</u>
<b>Total assets (September 30, 2005)</b>	\$ 56,291	\$ 75,515	\$ 42,065	\$ <b>173,871</b>
<b>Total assets (December 31, 2004)</b>	\$ 58,546	\$ 77,708	\$ 20,734	\$ <b>156,988</b>

## **CAUTIONARY NOTE REGARDING FORWARD LOOKING-STATEMENTS**

Safe Harbour Statement under the United States Private Securities Litigation Reform Act of 1995: Except for the statements of historical fact contained herein, the information presented constitutes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, including but not limited to those with respect to the 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 involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Silver Wheaton to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, 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, 2004 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 actions, events or results to differ materially from those described 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.

## CANADA – HEAD OFFICE

Silver Wheaton Corp  
Waterfront Centre  
Suite 1560 - 200 Burrard Street  
Vancouver, BC V6C 3L6  
Telephone: (604) 684-9648  
Fax: (604) 684-3123  
Website: [www.silverwheaton.com](http://www.silverwheaton.com)

## CAYMAN ISLANDS OFFICE

Silver Wheaton Caymans Corp.  
PO Box 1791GT  
1<sup>st</sup> Floor, Cayman Corporate Centre  
49 Hospital Road  
Grand Cayman, Cayman Islands  
Telephone: (345) 946-7603  
Fax: (345) 946-7604

## STOCK EXCHANGE LISTINGS

Toronto Stock Exchange: SLW  
American Stock Exchange: SLW

## TRANSFER AGENT

CIBC Mellon Trust Company  
1600 – 1066 West Hastings Street  
Vancouver, BC V6E 3X1  
Toll-free in Canada and the United States:  
(800) 387-0825  
Outside of Canada and the United States:  
(416) 643-5500  
Email: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

## AUDITORS

Deloitte & Touche LLP  
Vancouver, BC

## INVESTOR RELATIONS

David Awram  
Manager, Investor Relations  
Toll free: (800) 380-8687  
Email: [info@silverwheaton.com](mailto:info@silverwheaton.com)

## DIRECTORS

Ian Telfer  
Eduardo Luna  
Wade Nesmith  
Peter Gillin  
John Brough

## OFFICERS

Eduardo Luna  
*Chairman and Chief Executive Officer*  
Peter Barnes  
*Executive Vice-President & Chief Financial Officer*  
Randy Smallwood  
*Vice-President Corporate Development*