SILVER BULLION TRUST

2nd Annual Report

December 31, 2010

The Role of Silver Bullion Trust

To serve investors as "The Silver Bullion Trust"™.
To hold silver bullion on a secure basis for the convenience of investors.

Investment Policies & Restrictions

The Declaration of Trust requires that at least 90% of the assets of Silver Bullion Trust (the "Trust") be held in physical silver bullion at all times. This cannot be changed without the approval of the Unitholders.

The Trust's physical silver holdings may not be loaned, pledged, subjected to options or otherwise encumbered in any way.

Safeguards

Silver bullion is stored on an allocated and segregated basis in an underground treasury vault of the Canadian Imperial Bank of Commerce (the "Bank"), one of the largest banks in Canada.

The Bank may not release any of the Trust's physical bullion holdings without receipt of an authorizing resolution of the Board of Trustees of the Trust.

Bullion holdings and Bank vault security are inspected annually and spot inspected periodically by Trustees and/or Officers of the Trust. On each occasion, inspections are required to be performed in the presence of both the Trust's external auditors and Bank personnel.

The Trust is subject to the regulations and reporting requirements of the Toronto Stock Exchange and various Canadian provincial regulatory authorities.

Conveniences

The Trust's Units are listed on the Toronto Stock Exchange (SBT.UN in Canadian dollars and SBT.U in U.S. dollars). The Units are also quoted on the United States OTC market with the symbol SVRZF. Making a silver bullion investment through ownership of Silver Bullion Trust Units is as easy as calling one's stockbroker or investment dealer. The Trust is advised that its Units are eligible for most types of Canadian and United States regulated capital accounts where physical bullion investment is often not permitted.

The Trust's stock exchange listings provide a readily quoted and liquid market for the Units. The bid/ask spreads are usually considerably less than the buying and selling price spreads of direct silver bullion purchases, especially for small transactions.

Unlike many other forms of bullion investment, there are no storage or other direct costs paid by the investor. As well, there are no assay charges to the Unitholder to verify the legitimacy and/or actual silver content upon sale or redemption of the Trust's Units.

Trustees' Report to Unitholders

Silver Bullion Trust (the "Trust") is a passive, self-governing, single purpose, closed-end trust, with voting Units, that provides the secure holding of silver bullion on behalf of its Unitholders. The Trust was established on June 8, 2009 by a Declaration of Trust. The governing Declaration of Trust was amended and restated on July 9, 2009 and the Trust was effectively inactive until the closing of its initial public offering on July 29, 2009. Net assets at December 31, 2010 were 97.7% invested in 3,143,830 ounces of silver bullion. The investment policy adopted by the Trustees requires that a minimum of 95% of the net assets of the Trust be held in silver bullion in London Bullion Market Association ("LBMA") good delivery bar form.

The functional and reporting currency of Silver Bullion Trust is U.S. dollars and, unless otherwise noted, discussion in this Report refers to U.S. dollars.

The Trust's Units serve as a stock exchange tradeable silver bullion proxy and, according to legal and tax counsel, qualify for investment by individuals and most types of Canadian and U.S. retirement accounts, trusts, financial entities and institutions. Investors should nevertheless consult their own tax advisors with respect to the tax consequences of an investment in Silver Bullion Trust Units.

Securities regulatory authorities require that a detailed analysis of the Trust's results be provided in a "Management's Discussion and Analysis of Financial Condition and Results of Operations". Since the Trust has an Administrator and is a passive holding trust with no operations or employees, a document entitled "Management's Discussion and Analysis" ("MD&A") included herein on pages 14 to 21 inclusive, is provided by the Trust's officers to meet regulatory requirements.

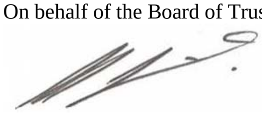
Net assets increased by $65.7 million or 200.7% during the year to a total of $98.5 million. Of this amount, $25.1 million resulted from the exercise of 2,507,516 Warrants of which $24.2 million was used to purchase 1,310,500 ounces of silver bullion in physical bar form. The balance of the increase in net assets of $40.6 million was primarily attributable to an 80.3% increase in the market price of silver during the year which increased the unrealized appreciation of holdings by $41.0 million.

As a result of the above, the net asset value per Unit, as reported in U.S. dollars, increased by 62.8% from $11.07 to $18.02. The net asset value per Unit, as reported in Canadian dollars, while subject to the same factors described above, increased by a lesser rate of 54.6%, from $11.59 to $17.92, primarily due to a 5.0% decrease in the value of the U.S. dollar relative to the Canadian dollar.

Total expenses as a percentage of the average month-end net assets during the year ended December 31, 2010 were 0.46% compared to 0.22% for the period from inception to December 31, 2009.

We are committed to the secure stewardship of Silver Bullion Trust and its silver bullion holdings to fulfill its purpose and mandate as "The Silver Bullion Trust"™.

Respectfully submitted,
On behalf of the Board of Trustees,



February 15, 2011

J.C. Stefan Spicer, President & CEO

STATEMENTS OF NET ASSETS
(expressed in U.S. dollars)

		As at December 31, 2010	2009
Net assets:			
Silver at market (Note 3)		$ 96,295,513	31,148,277
Cash (Note 4)		2,371,832	811,525
Short-term deposits (Note 4)		-	1,000,000
Prepaid expenses and other		39,594	1,768
		98,706,939	32,961,570
Accrued liabilities (Note 6)		(194,600)	(196,526)
Net assets representing Unitholders' equity		$ 98,512,339	32,765,044
Represented by:			
Capital (Note 5)			
Units issued: 5,467,228 (2009: 2,959,712)		$ 52,919,136	25,983,559
Warrants issued: nil (2009: 2,611,112)		-	1,860,417
Retained earnings inclusive of unrealized appreciation of holdings		45,593,203	4,921,068
		$ 98,512,339	32,765,044
Net asset value per Unit		$ 18.02	11.07
Fully diluted net asset value per Unit		$ 18.02	10.57
Exchange rate:	U.S. $1.00 = Cdn.	$ 0.9946	1.0466
Expressed in Canadian dollars:			
Net asset value per Unit		$ 17.92	11.59
Fully diluted net asset value per Unit		$ 17.92	11.06

See accompanying notes to financial statements.

On behalf of the Board of Trustees:

"Ian M.T. McAvity" ***"Bruce D. Heagle"***

STATEMENTS OF CHANGES IN NET ASSETS
(expressed in U.S. dollars)

	For the year ended December 31, 2010	*For the period from inception to December 31, 2009*
Net assets at beginning of period	$ 32,765,044	-
Increase in Unit capital (Note 5)	25,075,160	27,843,976
Net income inclusive of the change in unrealized appreciation of holdings	40,672,135	4,921,068
Increase in net assets during the period	65,747,295	32,765,044
Net assets at end of period	$ 98,512,339	32,765,044

See accompanying notes to financial statements.

STATEMENTS OF INCOME
(expressed in U.S. dollars)

	For the year ended December 31, 2010	*For the period from inception to December. 31, 2009*
Income:		
Interest	$ 2,823	433
Change in unrealized appreciation of holdings	40,950,286	4,985,808
Total income	40,953,109	4,986,241
Expenses:		
Safekeeping and bank charges	75,879	2,687
Administration fees (Note 6)	66,896	12,913
Legal fees (Note 6)	44,369	6,443
Auditors' fees	32,488	18,000
Trustees' fees and expenses (Note 6)	16,754	7,544
Registrar and transfer agent fees	14,777	5,799
Regulatory filing fees	10,842	250
Stock exchange fees	9,460	6,500
Unitholder information	8,899	5,084
Miscellaneous	118	118
Foreign currency exchange loss (gain)	492	(165)
Total expenses	280,974	65,173
Net income inclusive of the change in unrealized appreciation of holdings	$ 40,672,135	4,921,068
Net income per Unit inclusive of the change in unrealized appreciation of holdings (Note 2(d))	$ 8.59	$ 1.82
Fully diluted Net income per Unit inclusive of the change in unrealized appreciation of holdings (Note 2(d))	$ 8.59	$ 1.65

See accompanying notes to financial statements.

STATEMENTS OF UNITHOLDERS' EQUITY
(expressed in U.S. dollars)

	For the year ended December 31, 2010	*For the period from inception to December 31, 2009*
Capital (Note 5)**:**		
Units issued: 5,467,228 (2009: 2,959,712)	$ 52,919,136	25,983,559
Warrants outstanding: nil (2009: 2,611,112)	-	1,860,417
	52,919,136	27,843,976
Retained earnings:		
Balance at beginning of period	4,921,068	-
Net income inclusive of the change in unrealized appreciation of holdings	40,672,135	4,921,068
Balance at end of period	45,593,203	4,921,068
Unitholders' equity	$ 98,512,339	32,765,044

See accompanying notes to financial statements.

Notes to Financial Statements
For the periods ended December 31, 2010 and 2009
(amounts expressed in U.S. dollars unless otherwise stated)

1. Silver Bullion Trust (the "Trust") is a passive, self-governing, single purpose, closed-end trust, with voting Units, established under the laws of Ontario on June 8, 2009 ("inception"). The governing Declaration of Trust was amended and restated on July 9, 2009.

2. Summary of significant accounting policies:

The Trust's accounting policies conform with Canadian generally accepted accounting principles ("GAAP") and are summarized below:

(a) Adoption of new accounting standards:

In June 2009, the Canadian Institute of Chartered Accountants ("CICA") amended Section 3862, Financial Instruments – Disclosures, to improve fair value and liquidity risk disclosures. Section 3862 requires now that all financial instruments measured at fair value be categorized into one of three hierarchy levels for disclosure purposes. For the Trust, this would include cash and short-term instruments. The Trust's policy and practice are, at all times, to utilize only broadly quoted market values in active markets (Level 1) when valuing such assets. Accordingly, the amendments of Section 3862 did not have any impact on the fair values reported for these assets.

(b) Foreign currency exchange translation:

Canadian dollar cash deposits are translated at the rates of exchange prevailing at year end. Any difference between the year-end exchange rate and the exchange rate at the time such deposits were acquired is recorded in the statements of income as foreign currency exchange gain or loss. Expenses incurred in Canadian dollars are translated at the rates of exchange prevailing when the transactions occur.

(c) Silver holdings:

Silver bullion is valued at market value at the daily London Bullion Market Association fixing rate. The change in unrealized appreciation of holdings represents the change in the difference between the market value and the average cost of holdings in the period and is recorded in the Statements of Income in accordance with CICA Accounting Guideline 18 – Investment Companies (AcG-18"). Transactions are accounted for on the trade date. Realized gains and losses and unrealized appreciation and depreciation are calculated on the average cost basis.

(d) Per Unit amounts:

The calculation of net income per Unit is based on the weighted average number of Units outstanding during the reporting period. The calculation of the net asset value per Unit is based on the number of Units outstanding at year end. The calculation of the fully diluted net asset value per Unit is based on the number of Units outstanding at the end of the reporting period and assumes all Warrants issued and outstanding have been exercised and converted into Units at a price of $10.00 per Unit. The calculation of fully diluted net income per Unit is based on the treasury stock method wherein the proceeds assumed to have been received on the exercise of all Warrants issued and outstanding are then assumed to be used to purchase Units at the average market price during the period. The difference between the number of Units assumed issued and the number of Units assumed purchased has been included in the denominator of the fully diluted earnings per Unit computation.

(e) Income taxes:

The Trust is taxed as a "Mutual Fund Trust" for income tax purposes. The Trustees may distribute all net realized capital gains and all taxable income directly earned by the Trust to its Unitholders and deduct such distributions for income tax purposes. Accordingly, there is no provision for income taxes.

(f) Future accounting policy:

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Public companies and trusts will be required to provide IFRS comparative information for the previous fiscal year. However, in June 2010, an Exposure Draft issued by the AcSB entitled "Adoption of IFRSs by Investment Companies" proposed to allow entities that currently apply AcG-18 the option to defer implementation of IFRS until its fiscal year beginning on or after January 1, 2012. The Exposure Draft was approved in October 2010. On January 12, 2011, the AcSB further extended the date for deferral of the mandatory IFRS changeover date for qualifying investment companies to fiscal years beginning on or after January 1, 2013. It is the intention of the Trust to defer implementation of IFRS to its fiscal year beginning on that date..

The Trust is reviewing the key elements within IFRS that may result in a change in accounting policies that will impact its financial statements and accompanying note disclosures. The assessment plan being implemented by the Trust includes a position paper which highlights the material standards that need to be addressed under IFRS and preparation of an opening statement of net assets and financial statements that incorporate IFRS accounting standards and policies. The major areas of focus identified by the current assessment include: first-year implementation decisions; statements of cash flows; classification of redeemable Trust Units; income taxes; increased note disclosure; and accounting for changes in unrealized appreciation (depreciation) of holdings. The assessment is addressing the impact on the Trust's accounting system and internal controls required to report under IFRS beginning on the implementation date. The Trust will continue with the assessment and implementation in preparation for its first annual filing under IFRS, expected for the year beginning January 1, 2013.

SILVER BULLION TRUST

3. Silver bullion:

Details of silver bullion holdings are as follows:

Silver holdings	*December 31, 2010*	*December 31, 2009*
Total ounces of silver bullion	3,143,830	1,833,330
Average cost – per ounce	$ 16.02	$ 14.27
Cost	$ 50,354,443	$ 26,158,793
Market price – per ounce	$ 30.63	$ 16.99
Market value	$ 96,295,513	$ 31,148,277

4. Cash and short-term deposits:

As at December 31, 2010 cash deposits of $2,371,832 were held in a Canadian bank at a variable interest rate of 0.25%.

As at December 31, 2009, the Trust held one U.S. dollar fixed deposit with a Canadian bank: $1,000,000 at a rate of 0.05% with a maturity date of January 19, 2010. Non-interest bearing cash deposits of $811,525 were held in a Canadian bank.

5. Capital:

Under the Declaration of Trust, an unlimited number of Units may be issued. Each Unit carries one vote at all meetings of Unitholders. Each Unit is transferable and represents an equal, undivided, beneficial interest in Silver Bullion Trust, in any distributions therefrom and in the net assets in the event of the termination or winding up of the Trust. There were 5,467,228 Units outstanding at December 31, 2010 (2009: 2,959,712).

The Units of the Trust are redeemable by a Unitholder at any time at a price equal to the lesser of: i) 90% of the weighted average of the market prices per Unit during a 10 day trading period commencing immediately following the date on which the Units were tendered for redemption (the redemption date); and, ii) 100% of the closing market price per Unit on the redemption date.

On July 29, 2009, the Trust, through a public offering, issued 2,600,000 Units for gross proceeds of $26,000,000. After deducting underwriting fees of $1,300,000, net proceeds were $24,700,000. Each Unit was comprised of one redeemable, transferable Unit and one Warrant of the Trust. The Trust allocated the gross proceeds as follows: $24,050,000 ($9.25 per Unit) to the Units and $1,950,000 ($0.75 per Warrant) to the Warrants. The Trust allocated the underwriting fees in the same manner between the Units and the Warrants. Costs relating to this public offering were approximately $500,000 and net proceeds were approximately $24,200,000. The net proceeds from this initial offering were used to purchase 1,680,000 ounces of silver in physical bar form at a cost of $23,505,850. The balance of $694,150 was retained by the Trust in interest-bearing cash deposits for working capital purposes.

On August 13, 2009, the Underwriter exercised its over-allotment option and the Trust completed the issuance of an additional 112,912 Units and 257,912 Warrants of the Trust for gross proceeds of $1,237,870. After deducting underwriting fees of $61,894, net proceeds were $1,175,976. The Trust allocated the gross proceeds as follows: $1,044,436 ($9.25 per Unit) to the Units and $193,434 ($0.75 per Warrant) to the Warrants. The Trust allocated the underwriting fees in the same manner between the Units and the Warrants. This increased the total issued and outstanding Units from 2,600,000 to 2,712,912 and the total issued and outstanding Warrants from 2,600,000 to 2,857,912.

From August 13, 2009 to December 31, 2009, 246,800 Warrants were exercised at a price of U.S. $10.00 each for total proceeds of $2,468,000. As a result, the Units issued and outstanding increased from 2,712,912 to 2,959,712 and the Warrants outstanding decreased from 2,857,912 to 2,611,112. As at December 31, 2009, 2,611,112 Units were reserved pursuant to the warrant indenture.

For the period from January 1, 2010 until the expiry of the Warrants on April 29, 2010, 2,507,516 Warrants were exercised at a price of U.S. $10.00 each for total proceeds of $25,075,160. These proceeds were used to purchase 1,310,500 ounces of silver in physical bar form at a cost of $24,195,650. The balance of $879,510 was retained by the Trust in interest-bearing cash deposits for working capital purposes. As a result, Units issued and outstanding increased from 2,959,712 to 5,467,228 and Warrants outstanding decreased from 2,611,112 to 103,596. On April 29, 2010 the remaining 103,596 Warrants expired.

The stated and recorded capital of Silver Bullion Trust as at December 31, 2010 and 2009 was as follows:

	2010	***2009***
Stated capital –		
Units: 5,467,228 (2009: 2,959,712)	$ 53,419,136	$26,483,559
Warrants: nil (2009: 2,611,112)	-	1,860,417
Less: Unit and Warrant issue costs	(500,000)	(500,000)
Recorded capital	$52,919,136	$27,843,976
Weighted average Units outstanding	4,736,009	2,750,444

6. Related party transactions and fees:

The Trust is party to an Administrative Services Agreement with Silver Administrators Ltd. (the "Administrator"), which is related to the Trust through certain of its Officers and Trustees. Administration fees remitted to the Administrator for the year ended December 31, 2010 increased to $66,896 from $12,913 for the period from inception to December 31, 2009 due to the increase in the value of assets under administration. Included in accrued liabilities at December 31, 2010 is $9,277 (2009: $2,730) due to the Administrator. The Administrator furnishes administrative, regulatory compliance and marketing services to the Trust. For such services, the Trust has agreed to pay an administrative fee, on a monthly basis, equal to: 0.40% per annum for the first $100,000,000 of the Trust's net assets; 0.30% per annum for any excess over $100,000,000 up to $200,000,000 of net assets; and, 0.20% per annum for any excess over $200,000,000 of net assets. No Trustees' fees are paid by the Trust to Trustees who are nominees of the Administrator of the Trust.

The Administrator and the Trustees have offered and accepted reduced fees at one-quarter of the stated rates during this initial stage of the Trust's development. At the authorized rates the Administration fee would have been $271,291 (actual $66,896), and Trustee fees would have been $66,000 (actual $16,754) for the year ended December 31, 2010.

The Trust incurred legal fees amounting to $44,369 for the year ended December 31, 2010 to a legal firm to which one of the Trust's Officers is Counsel. A balance of $1,000 relating to these services was included in accrued liabilities at December 31, 2010.

7. Financial highlights:

	Year ended December. 31, 2010	***For the period from inception December 31,2009***
Per Unit performance:		
Net asset value per Unit at beginning of period (2009: upon initial issuance of Units)	$11.07	$10.00
Issue costs per Unit	-	(0.69)
Net asset value per Unit (net of issue costs)	$11.07	$ 9.31
Net loss before the change in unrealized appreciation of holdings per Unit	(0.06)	(0.02)
Change in unrealized appreciation of holdings per Unit	8.65	1.81
Total increase per Unit [(1)]	8.59	1.79
Net asset value per Unit at end of period	$18.02	$11.07
Total return for period	62.8%	10.7%
Percentages and supplemental data:		
Ratios as a percentage of average net assets:		
Expenses	0.46%	0.22%
Net loss before the change in unrealized appreciation of silver holdings	0.45%	0.22%

All figures are based on the weighted average number of Units outstanding during the period with the exception of the net asset values which are based on the actual number of Units outstanding at the relevant times.

(1) This table is not meant to be a reconciliation of beginning to end of period net asset values per Unit.

8. Management of financial risks:

The Trust has risk management policies and procedures in place to identify risks related to financial instruments. The objectives of these policies and procedures are to identify and mitigate risk. The Trust's compliance with these policies and procedures is closely monitored by the Senior Executive Officers, the Audit Committee and the Trustees of the Trust. Market fluctuations are unpredictable and outside the control of the Trust. New risk factors may emerge from time to time and it is not possible for the Trust to predict all such risk factors.

Price risk

Price risk is the risk that the price of a security or physical asset may decline. It is possible to determine the impact that changes in the market price of silver will have on the net asset value per Unit both in U.S. dollars and Cdn. dollars. Assuming as a constant exchange rate, the rate which existed on December 31, 2010 of $0.9946 Cdn. for each U.S. dollar, together with the holdings of silver bullion which existed on that date, a 10% change in the price of silver would increase or decrease the net asset value per Unit by approximately U.S. $1.76 per Unit or Cdn. $1.75 per Unit.

Currency risk

Currency risk is the risk that the value of an asset or liability will fluctuate due to changes in foreign exchange rates.

When expressed in U.S. dollar terms, the Trust's net asset value per Unit is largely unaffected by changes in the U.S./Cdn. dollar exchange rate due to the fact that nearly all of the Trust's net assets are silver, which is priced in U.S. dollars. Over 99.8% of the Trust's net assets are denominated in U.S. dollars. For this same reason, an increase or decrease in the value of the U.S. dollar relative to the Cdn. dollar would change the net asset value per Unit as expressed in Cdn. dollars in the same direction by approximately the same percentage change in the value of the U.S. dollar.

Due to the limited value of transactions initiated in Cdn. dollars throughout the period, a strengthening or weakening of the Cdn. dollar relative to the U.S. dollar applied to balances outstanding at December 31, 2010 would not have had any material impact on the net income for the year ended December 31, 2010, assuming that all other variables, in particular interest rates, remained constant.

Credit risk

Credit risk on financial instruments is the risk of loss occurring as a result of the default of an issuer on its obligation to the Trust. Credit risk is monitored on an ongoing basis and is managed by the Trust only dealing with issuers that are believed to be creditworthy.

Liquidity risk

Liquidity risk is the risk that the Trust will not be able to generate adequate cash resources to fulfill its payment obligations. The Administrator regards all of the Trust's assets as liquid. The Trust traditionally has maintained sufficient cash reserves to enable it to pay expenses. Furthermore, over 97% of its net assets are in the form of silver bullion which is readily marketable.

9. Capital stewardship:

The capital of the Trust is represented by the issued and outstanding Units and the net asset value attributable to participating Unitholders. The Trustees direct the Administrator to administer the capital of the Trust in accordance with the Trust's stated objectives and restrictions, as stipulated in the Declaration of Trust, while maintaining sufficient cash to pay the expenses of maintaining the Trust and to meet demands for redemption of Units (if any). The Trust does not have any externally imposed capital requirements.

Independent auditors report

To the Unitholders of Silver Bullion Trust (the "Trust")

We have audited the accompanying financial statements which comprise the statements of net assets as at December 31, 2010 and 2009, and the statements of change in net assets, income and unitholders' equity for the periods then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2010 and 2009, and the results of their operations and their changes in unitholders' equity for the periods then ended in accordance with Canadian generally accepted accounting principles.

"Ernst & Young LLP"

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
February 15, 2011

Management's Responsibility for Financial Reporting and Effectiveness of Internal Control over Financial Reporting

The accompanying financial statements of Silver Bullion Trust (the "Trust") and all of the information in this Annual Report are the responsibility of the Senior Executive Officers of the Trust and have been approved by the Board of Trustees (the "Board") and its Audit Committee.

The financial statements have been prepared by the Senior Executive Officers in accordance with Canadian generally accepted accounting principles. Financial statements may include certain amounts based on estimates and judgments. The Senior Executive Officers have determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. They have prepared financial information presented elsewhere in the Annual Report and have ensured that it is consistent with that in the financial statements.

The Trust maintains systems of internal accounting and backup of records, as well as high quality administrative and regulatory compliance controls, for a reasonable cost. Hard copies of transactions and monthly statements are retained in the Trust's files. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, retrievable and accurate and that the Trust's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that the Senior Officers fulfil their responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through the Audit Committee.

The Audit Committee appointed by the Board consists solely of non-related and independent Trustees. In accordance with its charter, the Committee meets at least annually with the Senior Officers and the external auditors to discuss: the independence of the external auditors; the scope of the annual audit; the audit plan; access granted to the Trust's records; co-operation of the Senior Officers in the audit and review function; the need for an internal audit function; the financial reporting process; related internal controls; the quality and adequacy of the Trust's or Administrator's accounting and financial personnel; and other resources and financial risk management to satisfy itself that each party is properly discharging its responsibilities. The Committee also reviews the Annual Report, the Annual Information Form, the annual and quarterly financial statements, Management's Discussion and Analysis and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the Unitholders. The Committee also reviews the external auditors' remuneration and considers, for review by the Board and approval by the Unitholders, the re-appointment and terms of engagement and, in appropriate circumstances, the replacement of the external auditors. It also pre-approves all non-audit services proposed to be provided by the external auditors. The charter of the Committee is set out on the Trust's website.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Unitholders. Ernst & Young LLP has full and free access to the Audit Committee.

RESPONSIBILITY FOR INTERNAL CONTROL OVER FINANCIAL REPORTING

The Senior Officers are responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Ancaster, Canada, February 15, 2011

J.C. STEFAN SPICER
President & CEO

WILLIAM L. TRENCH
Chief Financial Officer

Management's Discussion and Analysis (MD&A)

The financial statements of Silver Bullion Trust (the "Trust") are prepared and reported in U.S. dollars in accordance with Canadian generally accepted accounting principles, otherwise known as Canadian GAAP, and the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 18, Investment Companies ("AcG-18"). Notes to the financial statements on pages 5 through 10 should be referred to as supplementary information to this discussion and analysis.

Silver Bullion Trust is a passive, self-governing, single purpose, closed-end trust with voting Units established on June 8, 2009 ("inception") by a Declaration of Trust, which was amended and restated on July 9, 2009. The Trust's purpose is to acquire, hold and secure silver bullion on behalf of its Unitholders. The Trust is not an operating entity nor does it have any employees, office facilities or the potential risks thereof. The Trust retains Silver Administrators Ltd. (the "Administrator") to attend to all administrative, compliance, consulting, accounting, reporting and investor services duties as delegated by the Administrative Services Agreement and as guided by the Trustees.

There are no off-balance sheet items, arrangements, contingencies or obligations. All accounts are fully disclosed and itemized in the financial statements.

Results of Operations – Changes in Net Assets

Changes in net assets, as reported in U.S. dollars, from period to period, are primarily a result of Unit offerings and the changing market price of silver. Also, changes in the value of the U.S. dollar relative to the Canadian dollar will have an impact on net assets when reported in Canadian dollars. The tables that follow summarize the changes in: net assets in U.S. dollars; silver prices; and, the exchange rates between U.S. and Canadian dollars on an annual or quarterly basis, as indicated (figures in millions unless otherwise noted):

	For the year-ended December 31, 2010	*For the period from inception to December31, 2009*
Change in unrealized appreciation of holdings	$41.0	$5.0
Net income inclusive of the change in unrealized appreciation of holdings	$40.7	$4.9
Net income per Unit inclusive of the change in unrealized appreciation of holdings	$8.59	$1.82
Total net assets	$98.5	$32.8
Change in net assets from prior period	$65.7	$32.8
% change from prior period	200.3%	n/a
Change in net assets per Unit from prior period	$6.95	$11.07
% change per Unit from prior period	62.8%	10.7%
Silver price (U.S. $ per ounce)	$30.63	$16.99
% change from prior period	80.3%	14.5%
Exchange rate: $1.00 U.S. = Cdn.	$0.9946	$1.0466
% change from prior period	(5.0)%	(6.8)%

In fiscal 2010, net assets increased by $65.7 million or 200.7% during the year to a total of $98.5 million. Of this amount, $25.1 million resulted from the exercise of 2,507,516 Warrants of which $24.2 million was used to purchase 1,310,500 ounces of silver bullion in physical bar form. The balance of the increase in net assets of $40.6 million was primarily attributable to an 80.3% increase in the market price of silver during the year which increased the unrealized appreciation of holdings by $41.0 million. This increase was nominally affected by expenses of $0.3 million incurred during the year.

As a result of the above, the net asset value per Unit, as reported in U.S. dollars, increased by 62.8%, from $11.07 to $18.02. The net asset value per Unit, as reported in Canadian dollars, while subject to the same factors described above, increased by a lesser rate of 54.6%, from $11.59 to $17.92 primarily due to a 5.0% decrease in the value of the U.S. dollar relative to the Canadian dollar.

	Quarter ended (in US$)			
2010	***Dec. 31***	***Sept. 30***	***Jun. 30***	***Mar. 31***
Income inclusive of the change in unrealized appreciation of holdings	$26.9	$10.5	$2.5	$1.0
Net income inclusive of the change in unrealized appreciation of holdings	$26.8	$10.4	$2.5	$1.0
Net income per Unit inclusive of the change in unrealized appreciation of holdings	$4.91	$1.90	$0.49	$0.31
Total net assets	$98.5	$71.7	$61.3	$37.4
Change in net assets from prior quarter	$26.8	$10.4	$23.9	$4.6
% change from prior quarter	37.4%	17.0%	64.1%	14.0%
Change in net assets per Unit from prior quarter	$4.91	$1.90	$(0.04)	$0.18
% change from prior quarter	37.5%	16.9%	(0.04)%	1.6%
Silver price (U.S. $ per ounce)	$30.63	$22.07	$18.74	$17.50
% change from prior quarter	38.8%	17.8%	7.1%	3.0%
Exchange rate: $1.00 U.S. = Cdn	$0.9946	$1.0298	$1.0606	$1.0156
% change from prior quarter	(3.4)%	(2.9)%	4.4%	(3.0)%

In fiscal 2009, net assets as reported in U.S dollars increased to $32.8 million during the period from inception to December 31, 2009. Of this amount $24.2 million was the result of the issuance of 2,600,000 Trust Units and 2,600,000 Warrants on July 29 and $1.2 million was the result of the August 13, 2009 over-allotment subscription for 112,912 Trust Units and 257,912 Warrants. Details of the initial public offering are provided in Note 5 to the accompanying financial statements. Net assets were further increased by the exercise of 246,800 Warrants during the period for net proceeds of $2.5 million. The balance of the increase in net assets of $4.9 million was substantially due to a higher silver price of $16.99 per ounce at December 31, 2009 compared to the average price of $14.27 per ounce that was paid for silver bullion purchased during the period.

2009	*Quarter ended Dec. 31*	*For the period from inception to Sept. 30*
Income inclusive of the change in unrealized appreciation of holdings	$0.9	$4.1
Net income inclusive of the change in unrealized appreciation of holdings	$0.8	$4.1
Net income per Unit inclusive of the change in unrealized appreciation of holdings	$.29	1.53
Total net assets	$32.8	$29.5
Change in net assets from prior period	$3.3	$29.5
% change from prior period	11.1%	n/a
Change in net assets per Unit from prior period	$0.20	$10.87
% change from prior period	1.8%	8.7%
Silver price (U.S. $ per ounce)	$16.99	16.45
% change from prior period	3.3%	10.8%
Exchange rate: $1.00 U.S. = Cdn	$1.0466	$1.0722
% change from prior period	(2.4)%	(4.5)%

Results of Operations – Net Income

The Trust's earned income objective is secondary to its purpose of holding almost all of its net assets in silver bullion. Generally, the Trust seeks to maintain adequate cash reserves to enable it to pay the expenses of maintaining the Trust without having to sell silver bullion holdings. The Trust's realized revenues are a nominal percentage of its net assets. However, AcG-18 requires the Trust to record the change in unrealized appreciation (depreciation) of holdings in income.

The Trust does not anticipate the payment of regular distributions. In the event of any sales of silver that result in capital gains, as indicated in note 2(d) to the financial statements on pages 5 and 6, distributions may be made.

Fiscal 2010 Compared to the period from inception to December 31, 2009

Net income of $40.7 million for the 2010 fiscal year was $35.8 million higher than the net income of $4.9 million for the period from inception to December 31, 2009. Virtually all of the reported income for the period represents the unrealized appreciation of silver bullion holdings, which is not distributable income, and is reported in accordance with the AcG-18.

The total expenses of maintaining the Trust, expressed as a percentage of the average of the month-end net assets, were 0.46% for the 2010 fiscal year as compared to 0.22% for the period from inception to December 31, 2009.

Forward-looking and Market Risk Observations

Silver Bullion Trust is almost entirely invested in pure refined silver bullion in LBMA recognized international bar form. Therefore, the principal factors affecting the price of its Units are factors which affect the currency price of silver which is beyond the Trust's

control. However, the Trust believes that such factors have a lesser impact on the Units of the Trust than on the shares of silver producers, as silver producers have considerable inherent operational costs and other risks which may result in more volatile share prices of such producers. The Trust's net assets are denominated in U.S. dollars. As at December 31, 2010, the Trust's assets were made up of 97.7% silver bullion and 2.3% cash and interest-bearing deposits and other working capital amounts. The Trust does not engage in any leasing, lending or hedging activities involving these assets, so the net asset value of the Units will depend on, and typically fluctuate with, the price fluctuations of its silver holdings. Silver bullion is traded internationally and its market prices may be affected by a variety of unpredictable, international, economic, monetary and political considerations. Macroeconomic considerations include: expectations for future rates of inflation; the strength or weakness of, and confidence in, the U.S. dollar the currency in which the price of silver is generally quoted and the relative value of other currencies; interest rates; and, global or regional political or economic events, including banking crises. Political factors, including market interventions and international conflicts, may also affect silver prices.

Price risk

Price risk is the risk that the price of a security or physical asset may decline. It is possible to determine the impact that changes in the market price of silver will have on the net asset value per Unit both in U.S. dollars and Cdn. dollars. Assuming as a constant exchange rate, the rate which existed on December 31, 2010 of $0.9946 Cdn for each U.S. dollar together with the holdings of silver bullion which existed on that date, a 10% change in the price of silver would increase or decrease the net asset value per Unit by approximately U.S. $1.76 per Unit or Cdn. $1.75 per Unit.

Currency risk

Currency risk is the risk that the value of an asset or liability will fluctuate due to changes in foreign exchange rates.

When expressed in U.S. dollar terms, the Trust's net asset value per Unit is largely unaffected by changes in the U.S./Cdn dollar exchange rate due to the fact that nearly all of the Trust's net assets are silver, which is priced in U.S. dollars. For this same reason an increase or decrease in the value of the U.S. dollar relative to the Cdn. dollar would change the net asset value per Unit as expressed in Cdn. dollars in the same direction by approximately the same percentage as a change in the value of the U.S. dollar.

Due to the limited value of transactions initiated in Cdn. dollars throughout the period, a strengthening or weakening of the Cdn. dollar relative to the U.S. dollar applied to balances outstanding at December 31, 2010 would not have had any material impact on the net income for the year ended December 31, 2010, assuming that all other variables, in particular interest rates, remained constant.

Credit risk

Credit risk on financial instruments is the risk of loss occurring as a result of the default of an issuer on its obligation to the Trust. Credit risk is monitored on an ongoing basis and is managed by the Trust only dealing with issuers that are believed to be creditworthy.

Liquidity risk

Liquidity risk is the risk that the Trust will not be able to generate adequate cash resources to fulfill its payment obligations. The Administrator regards all of the Trust's assets as liquid. The Trust traditionally has maintained sufficient cash reserves to enable it to pay expenses. Furthermore, over 97% of its net assets are in the form of silver bullion which is readily marketable.

Liquidity and Capital Resources

As mentioned above under Liquidity risk, the Administrator regards all of the Trust's assets as liquid. The Trust holds small cash reserves that generate limited interest income primarily to be applied to pay expenses. At December 31, 2010, the Trust's cash reserves, including cash equivalents, were $2.4 million compared to $1.8 million at December 31, 2009. The ability of the Trust to have sufficient cash to pay the expenses of maintaining the Trust and to meet demands for redemption (if any), is primarily dependent upon its ability to realize cash flow from its cash equivalents. Should the Trust not have sufficient cash to meet its needs in the future, minor portions of the Trust's silver holdings may be sold to provide working capital and to pay for redemptions (if any) of Units. Sales of silver could result in the Trust realizing either capital gains or losses. During the fiscal year ended December 31, 2010, the Trust's cash reserves increased by $0.6 million. The primary sources and uses of cash were as follows:

Sources of Cash

The primary inflow of cash was the cash portion retained from the proceeds of the exercised Warrants in 2010 of $25.1 million.

Uses of Cash

The primary outflow of cash during the year involved the purchase of silver bullion with the proceeds referred to above. Silver Bullion Trust paid $24.2 million to purchase 1,310,500 ounces of silver.

During fiscal 2010, cash outflows to pay expenses were $0.3 million.

Related party information

Please refer to Note 6 on page 8 of this Annual Report.

Future accounting policy

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Public companies and trusts will be required to provide IFRS comparative information for the previous fiscal year. However, in June 2010, an Exposure Draft issued by the AcSB entitled "Adoption of IFRSs by Investment Companies" proposed to allow entities that currently apply AcG-18 the option to defer implementation of IFRS until its fiscal year beginning on or after January 1, 2012. The Exposure Draft was approved in October 2010. On January 12, 2011, the AcSB further extended the date for deferral of the mandatory IFRS changeover date for qualifying

investment companies to fiscal years beginning on or after January 1, 2013. It is the intention of the Trust to defer implementation of IFRS to its fiscal year beginning on that date..

The Trust is reviewing the key elements within IFRS that may result in a change in accounting policies that will impact its financial statements and accompanying note disclosures. The assessment plan being implemented by the Trust includes a position paper which highlights the material standards that need to be addressed under IFRS and preparation of an opening statement of net assets and financial statements that incorporate IFRS accounting standards and policies. The major areas of focus identified by the current assessment include first year implementation decisions; statements of cash flows; classification of redeemable Trust Units; income taxes; increased note disclosure; and accounting for changes in unrealized appreciation (depreciation) of holdings. The assessment is addressing the impact on the Trust's accounting system and internal controls required to report under IFRS beginning on the implementation date. The Trust will continue with the assessment and implementation in preparation for its first annual filing under IFRS expected for the year beginning January 1, 2013.

Disclosure Controls and Procedures

The Senior Executive Officers have established and implemented disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Trust is disclosed on a timely basis. They believe these disclosure controls and procedures have been effective during the year ended December 31, 2010.

Non-Market Risk Factors

There are other risk factors affecting the Trust as set out in the Annual Information Form of the Trust dated February 15th, 2011. Prospective investors should consider carefully these factors relating to the business and primary assets of the Trust before deciding whether to purchase units.

United States Federal Income Tax Considerations

The Trust has been, and expects to continue to be a passive foreign investment company ("PFIC") for United States federal income tax purposes. Under the PFIC rules, the United States federal income tax treatment of the Units is very complex and, in certain cases, uncertain or potentially unfavorable to United States Unitholders ("U.S. Holders"). Under current law, a non-corporate U.S. Holder who has in effect a valid election to treat the Trust as a qualified electing fund ("QEF") should be eligible for the 15% maximum United States federal income tax rate on a sale or other taxable disposition of the Trust's Units, if such Units have been held for more than one year at the time of sale or other taxable disposition. Gain from the disposition of collectibles, such as silver, however, is currently subject to a maximum United States federal income tax rate of 28%. The IRS has authority to issue Treasury regulations applying the 28% tax rate to gain from the sale by a non-corporate U.S. Holder of an interest in a PFIC with respect to which a QEF election is in effect. Although no such Treasury regulations have been issued to date, there can be no assurance as to whether, when or with what effective date any such Treasury regulations may be issued, or whether any such Treasury regulations would subject long-term capital gains recognized by a U.S. Holder that has made a QEF election on a disposition of the Trust Units to the 28% rate. U.S. Holders should be aware that if they purchase Units and make a QEF election, the IRS may issue regulations or other guidance, possibly on a retroactive basis, which would apply the higher 28% United States federal income tax rate to any long-term capital gain recognized on a sale of their Trust Units. U.S. Holders should consult their tax advisors regarding the implications of making a QEF election with respect to the Trust.

Under the QEF rules, in the event that the Trust disposes of a portion of its silver holdings, including dispositions in the course of varying its relative investment in silver, U.S. Holders who have made a QEF election may be required to report substantial amounts of income for United States federal income tax purposes (in the absence of any cash distributions received from the Trust). The Trust has not paid any cash distributions on its outstanding Units since inception. It is the intention of the Trust to distribute to holders of record of Units as of the last day of each taxable year (currently December 31) an aggregate amount of cash distributions such that the amount of cash distributions payable to an electing Unitholder that holds Units for the entire taxable year of the Trust will be at least equal to the product of (i) the Trust's "ordinary earnings" and "net capital gains" for such taxable year allocable to such electing Unitholder and (ii) the highest marginal rate of United States federal income tax on ordinary income or long-term capital gain, as appropriate, applicable to individuals. Because such cash distributions may be subject to Canadian withholding tax and because the amount of such cash distributions will be determined without reference to possible United States state or local income tax liabilities or to the rate of United States federal income tax applicable to corporate U.S. Holders, such distributions may not provide an electing Unitholder with sufficient cash to pay the United States federal income tax liability arising from the inclusion in income of the electing Unitholders' pro rata share of the Trust's "ordinary earnings" and "net capital gains" under the QEF rules.

Each United States person that acquires Units, whether from the Trust or in the secondary market, is strongly urged to consult his, her or its own tax advisor.

NOTICE PURSUANT TO IRS CIRCULAR 230: NOTHING CONTAINED IN THIS RISK FACTOR CONCERNING ANY U.S. FEDERAL TAX ISSUE IS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY A U.S. HOLDER, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES UNDER THE U.S. INTERNAL REVENUE CODE. THIS RISK FACTOR WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DOCUMENT. EACH U.S. HOLDER SHOULD SEEK U.S. FEDERAL TAX ADVICE, BASED ON SUCH U.S. HOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Other

The Trust maintains its accounting records, purchases silver and reports its financial position and results in U.S. currency. However, certain of the Trust's expenses are paid, and the Trust's Units trade, in both Cdn. and U.S. currencies. Therefore, because exchange rate fluctuations are beyond the Trust's control, there can be no assurance that such fluctuations will not have an effect on the Trust's accounts or on the trading value of the Trust's Units in Canadian dollars.

The Trustees will consider from time to time the issue of additional Units at a net price that would be non-dilutive to present Unitholders' interests. Additional Unit issues to

SILVER BULLION TRUST

increase the Trust's asset base should enable a reduction in the expense ratio per Unit and broaden exchange trading liquidity to the advantage of all Unitholders of the Trust.

This Report, dated February 15, 2011, Annual Information Forms, Notices of Annual Meeting and Information Circulars, Press Releases, financial and other information are available at www.sedar.com and www.silverbulliontrust.com.

Corporate Information

Trustees

Bruce D. Heagle (A) (C) (I)
Ian M.T. McAvity (A) (C) (I) (L)
Robert R. Sale (A) (C) (I)
Philip M. Spicer (N)
J.C. Stefan Spicer (N)

Officers

Philip M. Spicer, Chairman
J.C. Stefan Spicer, President & CEO
William L. Trench, A.C.I.S., CFO
Krystyna S. Bylinowski, Treasurer
John S. Elder, Q.C., Secretary
J.L. Michele Spicer, Assistant Secretary

(A) - Member of Audit Committee
(C) - Member of Corporate Governance & Nominating Committee
(I) - Independent Trustee
(L) - Lead Trustee
(N) - Nominee of the Administrator

Administrator

Silver Administrators Ltd.
Ancaster, Ontario, Canada

Custodian

Canadian Imperial Bank of Commerce
Canada

Auditors

Ernst & Young LLP
Toronto, Ontario, Canada

Registrars and Transfer Agents

CIBC Mellon Trust Company, Canada
Mellon Investor Services LLC, U.S.A.

Legal Counsel

Fraser Milner Casgrain LLP
Toronto, Ontario, Canada

Dorsey & Whitney LLP
Toronto, Ontario, Canada

Stock Exchange Listings

TSX Symbols:

Units:	SBT.UN (Cdn $)
	SBT.U (U.S. $)
U.S. OTC:	SVRZF (U.S. $)

Net Asset Value Information

The net asset value per Unit is calculated daily and is available by calling Silver Bullion Trust at (905) 304-4653. The total net assets, the net asset value per Unit and the detailed basis of their calculations are posted daily at www.silverbulliontrust.com.

SILVER BULLION TRUST

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