

# **SILVER BULLION TRUST**



**6<sup>th</sup> Annual Report**

**December 31, 2014**



## ***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.***

***Purpose of the Trust*** Silver Bullion Trust (the “Trust”) is a passive, self-governing, single purpose, closed-end trust with voting Units established on June 8, 2009 by a Declaration of Trust, which was amended and restated on July 9, 2009. Its purpose is to acquire, hold and secure silver bullion on behalf of its Unitholders.

***Investment Policies & Restrictions*** The Declaration of Trust requires that at least 90% of the total net assets of 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 major Canadian banks.

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’s stock exchange listings provide readily quoted and liquid markets 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 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, 2014 were 98.5% invested in silver bullion. These silver holdings consisted of 3,119,023 ounces of silver bullion and 24,807 ounces of silver bullion certificates for a total of 3,143,830 at year-end.

The reporting currency of Silver Bullion Trust is the United States ("U.S.") dollar 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 17 through 23 inclusive, is provided by the Trust's officers to meet regulatory requirements.

Net assets decreased by \$11.4 million or 18.3% during the year to a total of \$50.9 million. This was primarily attributable to the 18.1% decrease in the market price of silver during the year, which caused the unrealized appreciation of holdings to decrease by \$11.1 million.

As a result of the above, the net asset value per Unit, as reported in U.S. dollars, decreased by 18.2% from \$11.40 to \$9.32. The net asset value per Unit, as reported in Canadian dollars, while subject to the same factors described above, decreased by a lesser rate of 10.9%, from \$12.13 to \$10.81, primarily due to a 9.1% increase in the value of the U.S. dollar relative to the Canadian dollar.

Despite the decrease in net assets during the year, expenses as a percentage of the average month-end net assets (the "expense ratio") for the 2014 fiscal year declined to 0.49% compared to 0.50% for the 2013 fiscal year.

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"<sup>TM</sup>.

Respectfully submitted,  
On behalf of the Board of Trustees,



*J.C. Stefan Spicer, President & CEO*

February 10, 2015

**STATEMENTS OF FINANCIAL POSITION**  
*(expressed in U.S. dollars)*

	<i>December 31, 2014</i>	<i>December 31, 2013</i>	<i>January 1, 2013</i>
	\$	\$	\$
<b>Assets:</b>			
Silver bullion at market (Notes 2(a) and 5)	50,206,965	61,304,685	94,157,709
Cash (Notes 2(b) and 6)	799,671	1,093,232	1,476,855
Other receivables and prepayments (Note 2(c))	40,310	40,350	45,815
<b>Total assets</b>	<b>51,046,946</b>	<b>62,438,267</b>	<b>95,680,379</b>
<b>Liabilities:</b>			
Accrued liabilities (Notes 2(c), 7 and 9)	97,832	96,722	112,272
<b>Total liabilities</b>	<b>97,832</b>	<b>96,722</b>	<b>112,272</b>
<b>Equity:</b>			
Capital (Notes 2(d) and 8)			
Units issued: 5,467,228	53,014,800	53,014,800	53,014,800
Retained earnings (deficit) inclusive of unrealized appreciation of holdings	(2,065,686)	9,326,745	42,553,307
<b>Total equity</b>	<b>50,949,114</b>	<b>62,341,545</b>	<b>95,568,107</b>
<b>Total liabilities and equity</b>	<b>51,046,946</b>	<b>62,438,267</b>	<b>95,680,379</b>
<b>Total equity per Unit (Notes 2(h) and 10)</b>	<b>9.32</b>	<b>11.40</b>	<b>17.48</b>
<b>Exchange rate:</b> U.S. \$1.00 = Cdn.	1.1601	1.0636	0.9949
<b>Total equity per Unit expressed in Canadian dollars</b>	<b>10.81</b>	<b>12.13</b>	<b>17.39</b>

See accompanying notes to financial statements.

*On behalf of the Board of Trustees:*

***“Ian M.T. McAvity”***

***“Bruce D. Heagle”***

**STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
*(expressed in U.S. dollars)*

	<i>Years ended December 31,</i>	
	<i>2014</i>	<i>2013</i>
	\$	\$
<b>Income:</b>		
Interest	2,240	3,035
<b>Total income</b>	<b>2,240</b>	<b>3,035</b>
<b>Expenses:</b>		
Safekeeping fees and bank charges	88,727	110,597
Administration fees (Note 9)	67,625	84,893
Auditors' fees	37,418	41,785
Regulatory filing fees	25,940	28,540
Trustees' fees and expenses (Note 9)	20,260	43,209
Legal fees (Note 9)	18,237	18,210
Registrar and transfer agent fees	15,123	14,963
Stock exchange fees	12,458	17,951
Unitholder information	6,412	12,395
Miscellaneous	40	82
<b>Total expenses</b>	<b>292,240</b>	<b>372,625</b>
<b>Net loss from Trust administration</b>	<b>(290,000)</b>	<b>(369,590)</b>
<b>Change in unrealized appreciation of holdings</b>	<b>(11,102,431)</b>	<b>(32,856,972)</b>
<b>Net income (loss) and comprehensive income (loss) inclusive of the change in unrealized appreciation of holdings</b>	<b>(11,392,431)</b>	<b>(33,226,562)</b>

See accompanying notes to financial statements.

**STATEMENTS OF CHANGES IN EQUITY**  
*(expressed in U.S. dollars)*

	<i>Number of Units o/s</i>	<i>Unit Capital</i>	<i>Retained Earnings (Deficit)</i>	<i>Total Equity</i>
		\$	\$	\$
<b>January 1, 2013</b>	5,467,228	53,014,800	42,553,307	95,568,107
Net income (loss) for the year			(33,226,562)	(33,226,562)
<b>December 31, 2013</b>	5,467,228	53,014,800	9,326,745	62,341,545
<b>January 1, 2014</b>	5,467,228	53,014,800	9,326,745	62,341,545
Net income (loss) for the year			(11,392,431)	(11,392,431)
<b>December 31, 2014</b>	5,467,228	53,014,800	(2,065,686)	50,949,114

See accompanying notes to financial statements.

*STATEMENTS OF CASH FLOWS*  
*(expressed in U.S. dollars)*

	<i>Years ended December 31,</i>	
	<i>2014</i>	<i>2013</i>
	\$	\$
<b>Cash flows from operating activities</b>		
Net income (loss)	(11,392,431)	(33,226,562)
Adjustment to reconcile net income (loss) to net cash from operating activities:		
Change in unrealized appreciation of holdings	11,102,431	32,856,972
Net changes in operating assets and liabilities:		
Decrease (increase) in other receivables and prepayments	40	5,465
Increase (decrease) in accrued liabilities	1,110	(15,550)
Effect of exchange rate change	(4,711)	(3,948)
<b>Net cash used in operating activities</b>	(293,561)	(383,623)
<b>Cash flows from investing activities</b>	-	-
<b>Cash flows from financing activities</b>	-	-
<b>Net decrease in cash</b>	(293,561)	(383,623)
Beginning of year cash	1,093,232	1,476,855
<b>Cash at December 31</b>	799,671	1,093,232

See accompanying notes to financial statements

## ***Notes to Financial Statements***

***For the years ended December 31, 2014 and 2013***

***(amounts expressed in U.S. dollars unless otherwise stated)***

### **1. Organization of the Trust:**

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

The purpose of the Trust is to acquire, hold and secure silver bullion on behalf of its Unitholders. All silver bullion bars are “Good Delivery Bars”, as defined by the London Bullion Market Association (“LBMA”), and are stored on an allocated and segregated basis in the highest rated (Level 3) underground treasury vaults of its Custodian, the Canadian Imperial Bank of Commerce, one of the largest banks in Canada.

The Trust’s registered office is located at 55 Broad Leaf Crescent, Ancaster, Ontario, Canada, L9G 3P2.

Silver Administrators Ltd. (the “Administrator”) acts as the administrator of the Trust pursuant to an Administrative Services Agreement with the Trust.

The financial statements of the Trust as at and for the year ended December 31, 2014 were authorized for issue by the Trustees of the Trust on February 10, 2015.

### **2. Summary of significant accounting policies:**

#### **Basis of Preparation**

The Trust’s financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), including IFRS 1 “First-time adoption of International Financial Reporting Standards” as issued by the International Accounting Standards Board (“IASB”).

The transition to IFRS has had no impact on the financial position or financial performance of the Trust and has affected only the presentation of the Trust’s financial statements. The presentation of a cash flow statement is new under IFRS as the Trust was not required to prepare this statement prior to the implementation of IFRS. Reconciliations of equity and comprehensive income (loss) have not been prepared as there are no material reconciling adjustments that resulted from the implementation of IFRS.

These financial statements have been prepared on a historical cost basis, except for silver bullion and financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value. The financial statements are presented in U.S. dollars and all values are rounded to the nearest dollar unless otherwise indicated.



**(a) Silver holdings:**

Silver bullion and silver certificates are measured at fair value by reference to the final London Bullion Market Association silver price, with realized gains and losses and unrealized appreciation or depreciation of holdings recorded in income based on the IAS 40 Investment Property fair value model, as IAS 40 is the most relevant standard to apply. Investment transactions are accounted for on the trade date. Realized gains and losses and unrealized appreciation and depreciation of holdings are calculated on an average cost basis.

**(b) Cash:**

Cash consists of deposits with the Trust's banker, which are not subject to restrictions.

**(c) Other receivables and accrued liabilities:**

- i) Other receivables include all financial assets other than cash and silver bullion. Prepaid expenses and accrued interest receivable would be included in this category.
- ii) Accrued liabilities include all financial liabilities. Administration fees payable, safekeeping fees payable and other accounts payable would be included in this category.

**(d) Unit capital:**

Classification of redeemable units:

Redeemable units are classified as equity instruments when:

- The units entitle the holder to a pro rata share of the Trust's equity ("net assets") in the event of the Trust's liquidation;
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments;
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features;
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Trust's net assets; and
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Trust over the life of the instrument.

In addition to the redeemable units having all of the above features, the Trust's capital may not include any financial instrument or contract that has:

- Total cash flows based substantially on the profits or losses, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Trust; and

- The effect of substantially restricting or fixing the residual return to the redeemable Unitholders.

The Trust meets all of the conditions to classify its Units as equity instruments. If the Trust's redeemable Units cease to have all the features or meet all the conditions set out to be classified as equity, the Trust will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized as equity.

**(e) Fees and other expenses:**

Fees and other expenses are recognized on an accrual basis.

**(f) Income taxes:**

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

**(g) Net loss from Trust administration:**

The Trust exists for the purpose of holding silver bullion, on an allocated and segregated basis, on behalf of its Unitholders. Silver holdings are intended to be permanent assets of the Trust and the unrealized appreciation of the silver holdings does not represent distributable earnings. There is no intention, currently, to sell any of the Trust's silver holdings unless it becomes necessary to generate cash to meet ongoing expenses. The Trust currently does not loan, lease or otherwise utilize its silver holdings to generate income, and, consequently, the Trust expects to incur a net loss from its administration activities.

**(h) Calculations per Unit:**

The calculation of total equity (or net asset value) per Unit is based on the number of Units outstanding at the end of the reporting period. The Trust has no dilutive instruments.

**(i) Functional and presentation currency:**

The Trust's functional and presentation currency is the U.S. dollar. The Trust's performance is evaluated and its liquidity is managed in U.S. dollars. Therefore, the U.S. dollar is considered to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Trust.

**3. Significant accounting judgments, estimates and assumptions:**

The preparation of the Trust's financial statements required the Senior Executive Officers to make judgments, estimates and assumptions that affect the amounts recognized in the financial statements. Uncertainty about these assumptions and

estimates could result in outcomes that may require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### ***Judgments***

In the process of applying the Trust's accounting policies, Senior Executive Officers have made the following judgments, which have the most significant effect on the amounts in the financial statements:

#### ***Going Concern***

The Trust's Senior Executive Officers have made an assessment of the Trust's ability to continue as a going concern and are satisfied that the Trust has the resources to continue in business for the foreseeable future. Furthermore, the Senior Executive Officers are not aware of any material uncertainties that may cast significant doubt upon the Trust's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

#### ***Estimates and Assumptions***

Estimation uncertainties in accounting assumptions at the recording date that could cause material adjustment to carrying amounts of assets and liabilities within the next financial year are discussed below. The Trust based its estimates and assumptions on information available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

For tax purposes, the Trust's policy is to treat any gains (or losses) from the disposition of silver bullion as capital gains (or losses), rather than as income (or loss), as the Trust is, and intends to continue to be, a long-term passive holder of silver bullion, and generally would only dispose of any portion of its holdings of silver bullion for the purposes of meeting redemptions (if any) and to pay expenses. The Canada Revenue Agency has, however, expressed its opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all circumstances.

#### **4. Segment information:**

For administrative purposes, the Trust is organized into one main segment, being the passive, long-term holding of silver bullion. It is not an active operating entity, and does not exist primarily to earn income. All of the Trust's activities are interrelated, and each activity is dependent upon the others. Accordingly, all significant administrative decisions are based upon an analysis of the Trust as one segment. The financial results from this segment are equivalent to the financial statements of the Trust as a whole. The Trust's income (or loss) is almost entirely made up of changes in the value of its silver holdings.

**5. Silver bullion:**

Details of silver bullion holdings are as follows:

<i>Silver holdings at</i>	<i>Dec. 31, 2014</i>	<i>Dec. 31, 2013</i>	<i>Jan. 1, 2013</i>
Ounces - 1,000 oz. bars	3,119,023	3,119,023	3,119,023
- Bank certificates	24,807	24,807	24,807
Total ounces of silver	3,143,830	3,143,830	3,143,830
Average cost – per ounce	\$ 16.02	\$ 16.02	\$ 16.02
Cost	\$50,354,443	\$50,354,443	\$50,354,443
Market price – per ounce	\$ 15.97	\$ 19.50	\$ 29.95
Market value	\$50,206,965	\$61,304,685	\$94,157,709

**6. Cash:**

As at December 31, 2014, cash deposits of \$799,671 (December 31, 2013: \$1,093,232; January 1, 2013: \$1,476,855) were held in a Schedule 1 Canadian bank bearing a variable interest rate of 0.25% per annum.

**7. Fair value of financial instruments:**

IFRS 13, Fair Value Measurement (“IFRS 13”) establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The application of IFRS 13 has not materially impacted the fair value measurement of the Trust.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability

Silver bullion is measured at fair value on a recurring basis. The fair value measurement of silver falls within Level 1 of the hierarchy, and is based on published price quotations.

As at December 31, 2014 and 2013, and January 1, 2013, due to the short-term nature of financial assets and financial liabilities recorded at cost, it is assumed that the carrying amount of those instruments approximates their fair value.

**8. Capital:**

Under the Declaration of Trust, an unlimited number of Units may be issued. There were 5,467,228 Units issued and outstanding at December 31, 2014 and 2013, and January 1, 2013. 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.

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.

The stated and recorded capital of Silver Bullion Trust as at December 31, 2014 and 2013 and January 1, 2013 was as follows:

	<i>Dec. 31, 2014</i>	<i>Dec. 31, 2013</i>	<i>Jan. 1, 2013</i>
<b>Stated capital</b>			
5,467,228 Units	\$53,419,136	\$53,419,136	\$53,419,136
Less: Unit issue costs	(404,336)	(404,336)	(404,336)
<b>Recorded capital</b>	\$53,014,800	\$53,014,800	\$53,014,800
<b>Weighted average</b>			
<b>Units outstanding</b>	5,467,228	5,467,228	5,467,228

**9. 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. The Administrator furnishes administrative, compliance and other 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. Administration fees remitted to the Administrator for the year ended December 31, 2014 decreased to \$67,625 from \$84,893 for the comparable period in 2013 due to the decrease in the average value of net assets under administration. Included in accrued liabilities at December 31, 2014 is \$4,798 (December 31, 2013: \$5,871; January 1, 2013: \$8,999) due to the Administrator. No Trustees' fees are paid by the Trust to the Trustees who are nominees of the Administrator of the Trust.

At the Trust's inception, the Administrator and the Trustees offered and accepted reduced fees at one-quarter of the stated rates to facilitate the initial stages of the Trust's development. This rate remained in effect until January 1, 2012. Effective January 1, 2012, Trustees fees were increased to one-half of the stated rates. Effective January 1, 2014, these rates were adjusted back to one-quarter of the stated rates as authorized by the Trustees. At the stated rates the Trustees' fees would have been \$82,000 (actual \$20,260) for the year ended December 31, 2014 compared to \$82,000 (actual \$43,209) for the year ended December 31, 2013.

The Trust incurred legal fees amounting to \$18,237 for the year ended December 31, 2014 (December 31, 2013: \$18,210; January 1, 2013: \$38,626), all of which was payable to a legal firm of which one of the Trust's Officers is the principal.

## 10. Financial highlights:

	<i>Years ended December 31,</i>	
	<i>2014</i>	<i>2013</i>
<i>Per Unit performance:</i>		
<b>Net asset value per Unit at beginning of year</b>	\$11.40	\$17.48
Net loss before the change in unrealized appreciation of holdings	(0.05)	(0.07)
Change in unrealized appreciation of holdings	(2.03)	(6.01)
Total increase (decrease) <sup>(1)</sup>	(2.08)	(6.08)
<b>Net asset value per Unit at end of year</b>	\$9.32	\$11.40
Total return for year	(18.2)%	(34.8)%
<i>Percentages and supplemental data:</i>		
<b>Ratios as a percentage of average net assets:</b>		
Expenses	0.49%	0.50%
Net loss before the change in unrealized appreciation of holdings	0.48%	0.49%

The increase (decrease) per Unit is based on the weighted average number of Units outstanding during the period. The term 'net asset value per Unit' is the same as 'total equity per Unit' used elsewhere in these financial statements. The net asset values per Unit are based on the actual number of Units outstanding at the end of the relevant reporting periods.

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

## 11. Management of financial risks:

The Trust has risk management policies and procedures in place to identify risks related to financial instruments and physical assets. The objectives of these policies and procedures are to identify and mitigate risk. The Trust's compliance with these policies and procedures is 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, 2014 of \$1.1601 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. \$0.92 (December 31, 2013: \$1.12; January 1, 2013: \$1.72) per Unit or Cdn. \$1.07 (December 31, 2013: \$1.19; January 1, 2013: \$1.71) per Unit.

*Currency risk*

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

When expressed in U.S. dollars, 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 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 the 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, 2014 and 2013, and January 1, 2013 would not have had any material impact on the net income (loss) for the year then ended, 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 dealing only 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 98% of its net assets are in the form of silver bullion which is readily marketable.

**12. 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 Senior Executive Officers and 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.

**13. Personnel:**

The Trust did not employ any personnel during the period, as its affairs were administered by the personnel of the Administrator, the Senior Officers and/or the Trustees, as applicable.

**14. Events after the reporting period:**

There were no material events after the reporting period.

## ***Independent auditors' report***

### **To the Unitholders of Silver Bullion Trust**

We have audited the accompanying financial statements of Silver Bullion Trust (the "Trust") which comprise the Statements of Financial Position as at December 31, 2014 and 2013, and as at January 1, 2013, and the Statements of Comprehensive Income (Loss), Statements of Unitholders' Equity and Statements of Cash Flows for the years ended December 31, 2014 and 2013, 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 International Financial Reporting Standards, 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 controls 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 controls. 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, 2014 and 2013, and as at January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

"Ernst & Young LLP"

Toronto, Canada  
February 10, 2015

Chartered Professional Accountants  
Licensed Public Accountants



## ***Responsibility for Financial Reporting and Effectiveness of Internal Control over Financial Reporting***

### **RESPONSIBILITY FOR 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 (the “Senior 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 Officers in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Financial statements may include certain amounts based on estimates and judgments. The Senior 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 and soft 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 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 on the annual audit. 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 audit and 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.

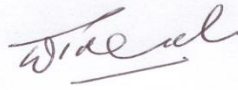
**RESPONSIBILITY FOR INTERNAL CONTROL OVER FINANCIAL REPORTING**

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 IFRS as issued by the International Accounting Standards Board.

Ancaster, Canada,  
February 10, 2015



**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 United States ("U.S.") dollars in accordance with International Financial Reporting Standards, otherwise known as IFRS as issued by the International Accounting Standards Board. Notes to the financial statements on pages 6 through 14 of this Annual Report 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 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 duties as delegated by an Administrative Services Agreement between the Trust and the Administrator 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.

### *Financial Results – 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 ("Cdn.") dollar will have an impact on net assets when reported in Cdn. dollars. The tables that follow summarize the net income (loss) including: the changes in unrealized appreciation of holdings (silver bullion) as well as the changes in net assets in U.S. dollars; silver prices; and the exchange rates between U.S. and Cdn. dollars on an annual or quarterly basis, as indicated (all figures in millions unless otherwise noted):

	<i>Years ended December 31,</i>	
	<i>2014</i>	<i>2013</i>
Change in unrealized appreciation of holdings	\$(11.1)	\$(32.9)
Net income (loss) inclusive of the change in unrealized appreciation of holdings	\$(11.4)	\$(33.2)
Net income (loss) per Unit inclusive of the change in unrealized appreciation of holdings	\$(2.08)	\$(6.08)
Total net assets	\$50.9	\$62.3
Change in net assets from prior year	\$(11.4)	\$(33.2)
% change from prior year	(18.3)%	(34.8)%
Net asset value per Unit	\$9.32	\$11.40
Change in net asset value per Unit from prior year	\$(2.08)	\$6.08
% change per Unit from prior year	(18.2)%	(34.8)%
Silver price (U.S. \$ per ounce)	\$15.97	\$19.50
% change from prior year	(18.1)%	(34.9)%
Exchange rate: \$1.00 U.S. = Cdn.	\$1.1601	\$1.0636
% change from prior year	9.1%	6.9%

In fiscal 2014, total net assets as reported in U.S. dollars decreased by \$11.4 million or 18.3% during the year to a total of \$50.9 million. The decrease in net assets was primarily attributable to the 18.1% decrease in the market price of silver during the year, which caused unrealized appreciation of holdings to decrease by \$11.1 million. This decrease was further affected by expenses of \$0.3 million incurred during the year.

As a result of the above, for fiscal 2014 the net asset value per Unit, as reported in U.S. dollars, decreased by 18.2%, from \$11.40 to \$9.32. The net asset value per Unit, as reported in Cdn. dollars, while subject to the same factors described above, decreased by a lesser rate of 10.9%, from \$12.13 to \$10.81 primarily due to a 9.1% increase in the value of the U.S. dollar relative to the Cdn. dollar.

<b>2014</b>	<i>Quarter ended</i>			
	<i>Dec. 31</i>	<i>Sept. 30</i>	<i>Jun. 30</i>	<i>Mar. 31</i>
Change in unrealized appreciation of holdings	\$(3.6)	\$(11.8)	\$2.8	\$1.5
Net income (loss) inclusive of the change in unrealized appreciation of holdings	\$(3.6)	\$(11.9)	\$2.7	\$1.4
Net income (loss) per Unit inclusive of the change in unrealized appreciation of holdings	\$(0.67)	\$(2.17)	\$0.50	\$0.26
Total net assets	\$50.9	\$54.6	\$66.5	\$63.7
Change in net assets from prior quarter	\$(3.6)	\$(11.9)	\$2.8	\$1.3
% change from prior quarter	(6.7)%	(17.9)%	4.3%	2.2%
Net asset value per Unit	\$9.32	\$9.99	\$12.16	\$11.66
Change in net asset value per Unit from prior quarter	\$(0.67)	\$(2.17)	\$0.50	\$0.26
% change from prior quarter	(6.7)%	(17.8)%	4.3%	2.3%
Silver price (U.S. \$ per ounce)	\$15.97	\$17.11	\$20.87	\$19.97
% change from prior quarter	(6.7)%	(18.0)%	4.5%	2.4%
Exchange rate: \$1.00 U.S. = Cdn	\$1.1601	\$1.1208	\$1.0676	\$1.1053
% change from prior quarter	3.5%	5.0%	(3.4)%	3.9%

In fiscal 2013, total net assets as reported in U.S. dollars decreased by \$33.2 million or 34.8% during the year to a total of \$62.3 million. The decrease in net assets was primarily attributable to the 34.9% decrease in the market price of silver during the year which decreased unrealized appreciation of holdings by \$32.9 million. This decrease was further affected by expenses of \$0.4 million incurred during the year.

As a result of the above, for fiscal 2013 the net asset value per Unit, as reported in U.S. dollars, decreased by 34.8%, from \$17.48 to \$11.40. The net asset value per Unit, as reported in Cdn. dollars, while subject to the same factors described above, decreased by a lesser rate of 30.2%, from \$17.39 to \$12.13 primarily due to a 6.9% increase in the value of the U.S. dollar relative to the Cdn. dollar.

2013	<i>Quarter ended</i>			
	<i>Dec. 31</i>	<i>Sept. 30</i>	<i>Jun. 30</i>	<i>Mar. 31</i>
Change in unrealized appreciation of holdings	\$(6.9)	\$8.9	\$(30.8)	\$(4.1)
Net income (loss) inclusive of the change in unrealized appreciation of holdings	\$(6.9)	\$8.8	\$(30.9)	\$(4.2)
Net income (loss) per Unit inclusive of the change in unrealized appreciation of holdings	\$(1.27)	\$1.61	\$(5.65)	\$(0.77)
Total net assets	\$62.3	\$69.3	\$60.5	\$91.3
Change in net assets from prior quarter	\$(7.0)	\$8.8	\$(30.8)	\$(4.2)
% change from prior quarter	(10.0)%	14.5%	(33.8)%	(4.4)%
Net asset value per Unit	\$11.40	\$12.67	\$11.06	\$16.71
Change in net asset value per Unit from prior quarter	\$(1.27)	\$1.61	\$(5.65)	\$(0.77)
% change from prior quarter	(10.0)%	14.6%	(33.8)%	(4.4)%
Silver price (U.S. \$ per ounce)	\$19.50	\$21.68	\$18.86	\$28.64
% change from prior quarter	(10.1)%	15.0%	(34.1)%	(4.4)%
Exchange rate: \$1.00 U.S. = Cdn	\$1.0636	\$1.0285	\$1.0512	\$1.0156
% change from prior quarter	3.4%	(2.2)%	3.5%	2.1%

### *Financial Results – Net Income*

The Trust's earned income objective is secondary to its purpose of holding almost all of its net assets in silver bullion. The Trust maintains adequate cash reserves to enable it to pay the expenses of maintaining the Trust. The Trust's realized revenues are a nominal percentage of its net assets.

The Trust expects to generate cash flow from its holdings of cash equivalents, and will only sell portions of its silver holdings if necessary to replenish cash reserves for purposes of paying expenses and to meet redemptions (if any).

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(f) to the financial statements on page 8, distributions may be made.

### *Fiscal 2014 Compared to Fiscal 2013*

Net loss, inclusive of the change in unrealized appreciation of holdings, was \$11.4 million for the 2014 fiscal year compared to \$33.2 million for the 2013 fiscal year. Virtually all of this decrease was a result of the change in unrealized appreciation of holdings which resulted from a lower silver price during the year as compared to the prior year.

The decrease in net assets during the year had an impact on several expense categories that are a function of net asset levels. Administration fees, which are calculated monthly based on the total net assets at each month-end, decreased during the year as a direct result of the lower level of net assets. Similarly, safekeeping fees, stock exchange fees

and some other expenses decreased, reflecting the decreased net assets under administration during the year.

Despite the decrease in net assets during the year, expenses as a percentage of the average of the month-end net assets (the “expense ratio”) for the 2014 fiscal year declined to 0.49% as compared to 0.50% for fiscal 2013.

### *Forward-looking and Market Risk Observations*

The Trust is almost entirely invested in pure refined silver bullion in LBMA international good delivery bar form. Therefore, the principal factors affecting the price of its Units are factors which affect the price of silver bullion as reflected in U.S. dollars, which are 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, 2014, the Trust’s assets were made up of 98.5% silver bullion and 1.5% in interest-bearing cash 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 market price fluctuations of silver bullion.

Silver bullion is traded internationally and its market prices may be affected by a variety of unpredictable, international, economic, monetary and political considerations. The Trust’s financial statements are prepared on a market price basis. 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, 2014 of \$1.1601 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. \$0.92 per Unit or Cdn. \$1.07 per Unit.

### *Currency risk*

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

When expressed in U.S. dollars, 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 in the form of silver bullion, 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 the change in the value of the U.S. dollar.

Due to the limited value of transactions initiated in Cdn. dollars throughout the year, a strengthening or weakening of the Cdn. dollar relative to the U.S. dollar applied to balances outstanding at December 31, 2014 would not have had any material impact on the net income (loss) for the year then ended, 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 dealing only 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 98% of its net assets are in the form of silver bullion, which is readily marketable.

#### *Liquidity and Capital Resources*

The Trust's liquidity objective is to hold cash and short-term deposits in a safe and conservative manner to generate income primarily to be applied towards expenses. At December 31, 2014, the Trust's cash reserves, including cash equivalents, were \$0.8 million compared to \$1.1 million at December 31, 2013. The ability of the Trust to have sufficient cash to pay its expenses 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, 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, 2014, the Trust's cash reserves decreased by \$0.3 million. The primary sources and uses of cash were as follows:

##### *Sources of Cash*

The only source of cash was interest on cash deposits which were nominal.

##### *Uses of Cash*

During fiscal 2014, cash outflows to pay expenses were \$0.3 million.

#### *Administrator and Other Related Party Information*

Please refer to Note 9 commencing on page 11 of this Annual Report.

### *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 fiscal year ended December 31, 2014.

### *Non-Market Risk Factors*

There are other risk factors affecting the Trust as set out in the Annual Information Form dated February 10, 2015. Prospective investors should carefully consider 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 20% 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. In addition, a gain from the disposition of Units may be subject to the 3.8% Medicare tax. 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.

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.

### *Additional Information*

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 Cdn. 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 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 MD&A is dated February 10, 2015. Additional information relating to the Trust, including Annual Information Forms, Notices of Annual Meetings and Information Circulars, Press Releases, financial and other information are available at [www.sedar.com](http://www.sedar.com) and [www.silverbulliontrust.com](http://www.silverbulliontrust.com).

## ***Corporate Information***

### ***Trustees***

Bruce D. Heagle (A) (C) (I)  
 Ian M.T. McAvity (C) (I) (L)  
 Michael A. Parente (A) (C) (I)  
 Jason A. Schwandt (A) (I)  
 J.C. Stefan Spicer (N)

### ***Officers***

J.C. Stefan Spicer, Chairman, 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***

CST Trust Company, Canada

### ***Legal Counsel***

Dentons Canada LLP  
 Toronto, Ontario, Canada

### ***Stock Exchange Listings***

TSX Symbols:     SBT.UN (Cdn \$)  
                       SBT.U (U.S. \$)

Dorsey & Whitney LLP  
 Seattle, Washington, U.S.A.

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](http://www.silverbulliontrust.com).



## **SILVER BULLION TRUST**

**“The Silver Bullion Trust”™**

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