

# **SILVER BULLION TRUST**



**Management's Discussion & Analysis**

**March 31, 2011**

## ***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 Accounting Guideline 18, Investment Companies ("AcG-18"). Notes to the financial statements on pages 5 through 9 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 and does not 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.

### ***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 three months ended March 31, 2011.

### ***Outstanding Units***

There were 5,467,228 Units issued and outstanding March 31, 2011.

### ***Results of Operations – Changes in Net Assets***

Net assets increased by \$22.7 million or 23.1% during the three months ended March 31, 2011 to a total of \$121.3 million. This increase was attributable to the increase in the market price of silver during the period.

### ***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.

Net income (inclusive of the change in unrealized appreciation of holdings) for the three months ended March 31, 2011 amounted to \$22.7 million (\$4.14 per Unit) compared to \$1.0 million (\$0.31 per Unit) for the same period in 2010 after deducting expenses of \$112,262 (2010: \$61,426).

Virtually all of the reported net income for the above periods is represented by the change in unrealized appreciation of holdings, which is not distributable income. However, it is reported in the Statements of Income in accordance with AcG-18.

The total expenses of maintaining the Trust expressed as a percentage of the average of the month-end net assets, were 0.11% for the three months ended March 31, 2011 compared with 0.18% during the same period in 2010. For the twelve months ended March 31, 2011, the expense ratio was 0.42% compared to 0.41% for the period from inception (June 8, 2009) to March 31, 2010.

The following table summarizes the quarterly financial information (amounts in millions except where stated on a per Unit basis):

	<i>Quarter ended (in US\$)</i>			
	<i>Mar. 31, 2011</i>	<i>Dec. 31, 2010</i>	<i>Sept. 30, 2010</i>	<i>Jun. 30, 2010</i>
Change in unrealized appreciation of holdings	\$22.8	\$26.9	\$10.5	\$2.5
Net income	\$22.7	\$26.8	\$10.4	\$2.5
Net income per Unit	\$4.14	\$4.91	\$1.9	\$0.49
Total net assets	\$121.3	\$98.5	\$71.7	\$61.3
	<i>Mar. 31, 2010</i>	<i>Dec. 31, 2009</i>	<i>Sept. 30, 2009</i>	<i>Jun. 30, 2009</i>
Change in unrealized appreciation of holdings	\$1.0	\$0.9	\$4.1	n/a
Net income	\$1.0	\$0.8	\$4.1	n/a
Net income per Unit	\$0.31	\$0.29	\$1.53	n/a
Total net assets	\$37.4	\$32.8	\$29.5	n/a

#### ***Liquidity and Capital Resources***

All of the Trust's assets are liquid. The Trust holds small cash reserves that generate interest income primarily to be applied towards expenses. 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 cash position and, if applicable, short-term deposits. 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.

For the three months ended March 31, 2011, the Trust's cash reserves decreased by \$58,397 to \$2,313,435. This decrease was a result of the amounts used to pay expenses. The Administrator and Senior Executive Officers monitor the Trust's cash position with an emphasis on maintaining its mandate to hold maximum amounts of silver bullion.

#### ***Related party information***

Please refer to Note 5 on pages 6 and 7 of this interim report.

#### ***Future accounting policy***

Please refer to Note 9 on page 9 of this report.

#### ***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 Canadian as well as U.S. currency. 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' equity interests. Additional Unit issues to enlarge 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 April 28, 2011, Annual Information Forms, Notices of Annual Meeting 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).