SILVER BULLION TRUST

Management's Discussion & Analysis

December 31, 2010

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 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.