

SILVER BULLION TRUST



Management's Discussion & Analysis

September 30, 2013

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 8 through 12 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. Its 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 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 nine months ended September 30, 2013.

Outstanding Units

There were 5,467,228 Units issued and outstanding at September 30, 2013 and December 31, 2012.

Financial Results – Changes in Net Assets

Net assets increased by \$8.8 million or 14.5% during the three months ended September 30, 2013. This increase was attributable to a 15.0% increase in the price of silver during the period.

However, net assets decreased by \$26.2 million or 27.5% during the nine months ended September 30, 2013. This decrease was attributable to a 27.6% decrease in the price of silver during the period.

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

	<i>Quarter ended</i>			
	<i>Sept. 30, 2013</i>	<i>Jun. 30, 2013</i>	<i>Mar. 31, 2013</i>	<i>Dec. 31, 2012</i>
Change in unrealized appreciation of holdings	\$8.9	\$(30.7)	\$(4.1)	\$(14.8)
Net income (loss) inclusive of the change in unrealized appreciation of holdings	\$8.8	\$(30.8)	\$(4.2)	\$(14.9)
Net income (loss) per Unit inclusive of the change in unrealized appreciation of holdings	\$1.61	\$(5.65)	\$(0.77)	\$(2.72)
Total net assets	\$69.3	\$60.5	\$91.3	\$95.6
	<i>Sept. 30, 2012</i>	<i>Jun. 30, 2012</i>	<i>Mar. 31, 2012</i>	<i>Dec. 31, 2011</i>
Change in unrealized appreciation of holdings	\$23.8	\$(16.8)	\$13.4	\$(7.1)
Net income (loss) inclusive of the change in unrealized appreciation of holdings	\$23.7	\$(16.9)	\$13.2	\$(7.2)
Net income (loss) per Unit inclusive of the change in unrealized appreciation of holdings	\$4.33	\$(3.09)	\$2.42	\$(1.32)
Total net assets	\$110.5	\$86.8	\$103.7	\$90.4

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.

AcG-18 requires the Trust to record the change in unrealized appreciation of holdings in income. Net income, inclusive of the change in unrealized appreciation of holdings, for the three months ended September 30, 2013 was \$8.8 million (\$1.61 per Unit) compared to \$23.7 million (\$4.33 per Unit) for the same period in 2012. Net loss, inclusive of the change in unrealized appreciation of holdings, for the nine months ended September 30, 2013 was \$26.3 million (\$4.81 per Unit) compared to net income of \$20.0 million (\$3.66 per Unit) for the same period in 2012. Virtually all of the reported net income or loss, as applicable, for both the three and nine-month periods represents the change in unrealized appreciation of silver holdings. Certain expenses, such as administration fees and safekeeping fees, have varied in proportion to net asset levels. Administration fees, which are scaled and are calculated monthly based on the total net assets at each month end, decreased during the three and nine-month periods ended September 30, 2013 as compared to the same periods in 2012. The decreases in administration fees were a direct result of the lower level of average net assets under administration during the periods.

Expenses as a percentage of the average of the month-end net assets (the "expense ratio") were 0.13% for the three months ended September 30, 2013 compared to 0.12% for the three-month period ended September 30, 2012. The expense ratio for the nine-month period ended September 30, 2013 was 0.36% compared to 0.34% for the same nine-month period in 2012. For the twelve-month period ended September 30, 2013, the expense ratio was 0.48% compared to 0.44% for the same twelve-month period ended September 30, 2012. The small increases in expense ratios were due to a lower net asset base over the current period.

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. 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/or to pay for redemptions (if any) of Units. Sales of silver could result in the Trust realizing either capital gains or losses.

For the nine months ended September 30, 2013, the Trust's cash and short-term deposits decreased by \$261,418 to \$1,215,437. This decrease was a result of the amounts used to pay expenses of the Trust. 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.

Administrator and Other Related Party Information

Please refer to Note 5 on page 9 of this interim report.

Future accounting policy

Please refer to Note 9 commencing on page 11 of this interim report.

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 Canadian currency 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 MD&A is dated October 23, 2013. 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 and www.silverbulliontrust.com.