

*This document is important and requires your **immediate attention**. If you are in doubt as to how to respond to the unsolicited offer made by Sprott Asset Management Silver Bid LP and described herein, you should consult with your investment dealer, stockbroker, lawyer or other professional advisor. Enquiries concerning the information in this document should be directed to D.F.King & Co., the Information Agent retained by Silver Bullion Trust, Toll-Free in North America at 1-800-398-2816; or via e-mail at [inquiries@dfking.com](mailto:inquiries@dfking.com).*



## TRUSTEES' CIRCULAR

RECOMMENDING

# REJECTION

OF THE UNSOLICITED EXCHANGE OFFER BY

## SPROTT ASSET MANAGEMENT SILVER BID LP

to exchange all the outstanding Units of

## SILVER BULLION TRUST

for units of **SPROTT PHYSICAL SILVER TRUST**

### RECOMMENDATION TO UNITHOLDERS

The Special Committee of Independent Trustees has UNANIMOUSLY concluded that the Sprott Offer is NOT in the best interests of Silver Bullion Trust Unitholders.

The Board of Trustees of Silver Bullion Trust has adopted the recommendation of the Special Committee and recommends that Silver Bullion Trust Unitholders REJECT the Sprott Offer; TAKE NO ACTION with respect to the Sprott Offer; and DO NOT TENDER their Units to the Offer.

Unitholders should DO NOTHING

NO ACTION IS REQUIRED to reject the Sprott Offer

We recommend you read the section entitled "Reasons for Rejecting the Sprott Offer" herein. For up to date information we strongly encourage Unitholders to please visit [www.silverbulliontrust.com](http://www.silverbulliontrust.com).

If you have already tendered your Units to the Sprott Offer, you can withdraw your Units by contacting your broker or D.F. King & Co. Inc., North American Toll Free at 1-800-398-2816 or by email at [inquiries@dfking.com](mailto:inquiries@dfking.com)

June 9, 2015

## **THE SPROTT DISADVANTAGE FOR SILVER BULLION TRUST UNITHOLDERS**

	<b>SPROTT PHYSICAL SILVER TRUST</b>	<b>SILVER BULLION TRUST</b>
<b>Low Total Expense Ratio</b>	<b>NO</b>	<b>YES</b>
<b>Sliding Scale Administration Fee</b>	<b>NO</b>	<b>YES</b>
<b>Silver Bullion Held in the Most Secure Canadian Underground Level 3 Rated Treasury Vault</b>	<b>NO</b>	<b>YES</b>
<b>Most Tax-Efficient Structure</b>	<b>NO</b>	<b>YES</b>
<b>Independent (4 of 5) Board of Trustees, Audit Committee, and Corporate Governance Committee</b>	<b>NO</b>	<b>YES</b>
<b>Trustees Elected by Unitholders, Annual Voting and Other Unitholder Rights</b>	<b>NO</b>	<b>YES</b>
<b>Ability to Replace Manager / Administrator</b>	<b>NO</b>	<b>YES</b>
<b>Long-Term Track Record of Soundly Stewarding Investor Capital</b>	<b>NO</b>	<b>YES</b>

**FOR UP TO DATE INFORMATION, WE STRONGLY ENCOURAGE UNITHOLDERS  
TO PLEASE VISIT [WWW.SILVERBULLIONTRUST.COM](http://WWW.SILVERBULLIONTRUST.COM).**

### **REJECT THE SPROTT OFFER TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

*If you have already tendered your Units to the Sprott Offer, you can withdraw your Units by contacting your broker or  
D. F. King & Co., North America Toll-Free at 1-800-398-2816; or via email at [inquiries@dfking.com](mailto:inquiries@dfking.com)*

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### **REJECT THE SPROTT OFFER**

#### **TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

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D. F. King & Co., North America Toll-Free at 1-800-398-2816; or via email at [inquiries@dfking.com](mailto:inquiries@dfking.com)*



June 9, 2015

Dear Fellow Unitholders,

On May 27, 2015 you were mailed an offer (the "Sprott Offer") by Sprott Asset Management Silver Bid LP to acquire all of the outstanding Units of Silver Bullion Trust ("SBT"). Sprott Asset Management Silver Bid LP is an affiliate of Sprott Asset Management LP and Sprott Inc., which we will collectively refer to as "Sprott". Sprott is offering to acquire all of the outstanding Units of SBT in exchange for units of Sprott Physical Silver Trust ("Sprott PSLV") on a net asset value ("NAV") for NAV basis, with the actual values to be finalized on the expiry date of the Sprott Offer, which is July 6, 2015 (unless extended or withdrawn).

At first glance, the Sprott Offer sounds simple and appears to be marginally attractive. The truth is that the Sprott Offer is anything but simple and the Board of Trustees believes that there is no assurance that it will ultimately benefit Unitholders. Upon careful review, the clear prime beneficiary of the Sprott Offer is in fact Sprott Asset Management LP, which stands to gain additional ongoing management fees by virtue of managing a larger pool of bullion assets on behalf of the Sprott PSLV entity and the elimination of a silver bullion investment alternative for investors.

Sprott is not offering compelling value to Unitholders. The Sprott Offer does not provide any meaningful premium, but asks Unitholders to exchange their Units for units of Sprott PSLV, which involve higher costs, increased tax risks, and reduced governance rights; all of which are completely at odds with the founding principles of SBT. These principles were carefully designed to provide the optimal structure for long-term silver bullion investors. On balance, your Trustees believe that any benefits claimed by Sprott regarding their offer are unproven and marginal at best, and are significantly outweighed by the increased costs, greater risks and loss of Unitholder rights associated with holding Sprott PSLV units.

**Attached to this letter is your Trustees' Circular which includes the formal recommendation of your Trustees that Unitholders should REJECT the Sprott Offer and NOT tender their Units.**

The accompanying Trustees' Circular includes considerable detail about why your Trustees have reached this recommendation.

Some of the reasons why your Trustees are recommending that Unitholders **REJECT the Sprott Offer** are summarized below:

**1. Sprott is not offering ANY meaningful premium and the ultimate price Unitholders would receive for their Units is unclear**

The Sprott Offer appears opportunistic and solely based on the current difference in trading prices relative to NAV of SBT Units and Sprott PSLV units, a difference which is small and a result of the current bear market for silver. SBT's Units have traded at significant premiums to NAV in strong silver markets and the Trustees believe the long-term outlook for silver is positive. Positive silver markets in the past have yielded significant improvement in the trading value of Units relative to their NAV.

In addition, the Sprott Offer provides no certainty of value for SBT Unitholders, as it is based on a future NAV for NAV exchange ratio determined on the expiry date of the Sprott Offer. Under the Sprott Offer, Unitholders would receive Sprott PSLV units on closing – if these units are trading at a discount to their NAV, as they have in the past, any value purported to be "unlocked" by the Sprott Offer could be materially reduced or eliminated.

**2. SBT Unitholders recently overwhelmingly rejected the adoption of a physical redemption feature, a material feature of the Sprott Offer**

Sprott PSLV has a physical bullion redemption feature, available only to investors with very large holdings, which Sprott claims limits trading discounts to NAV. Such a physical redemption feature would potentially expose certain non-redeeming U.S. Unitholders to increased future tax liabilities and effectively reduce leverage to rising silver prices. Sprott PSLV's physical redemption feature is substantially the same as the one that Polar Securities proposed that SBT adopt – a proposal that was overwhelmingly rejected by over 91% of votes cast (excluding Polar) at SBT's Annual and Special Meeting of Unitholders held just last month. Unitholders are encouraged to review SBT's Management Information Circular dated April 27, 2015, available on SEDAR at [www.sedar.com](http://www.sedar.com), as well as on SBT's website, [www.silverbulliontrust.com](http://www.silverbulliontrust.com), which provides detailed information regarding Polar's proposal, which the Trustees believe to be relevant to the Sprott Offer as well.

**3. Sprott PSLV charges investors significantly higher fees than SBT, which will erode NAV over time and materially reduce the purported "unlocked" value of the Sprott Offer**

Sprott PSLV's annual expense ratio is approximately 60% higher than SBT's, and includes a fixed management expense ratio, whereas SBT's is based on a sliding scale which passes on the benefits of asset growth to Unitholders. On a present value basis, the increase in fees relating to the Sprott Offer is equivalent to US\$3.3 million<sup>1</sup> in lost value for Unitholders, or approximately 6% of SBT's total NAV today.

SBT's low expense ratio has been maintained in large part due to both Messrs. Ian McAvity, Bruce Heagle, Jason Schwandt and Michael Parente (the "Independent Trustees") and Silver Administrators Ltd. (the "Administrator") voluntarily waiving the majority of the fees to which they have been entitled over the past six years, including waiving 75% of their total stated fees in 2014. The Trustees and Administrator have agreed to waive their fees in order to serve all Unitholders by maintaining SBT's competitiveness relative to comparable bullion investment entities.

**4. Sprott PSLV provides investors with almost no voting or other governance rights**

SBT is overseen by a Unitholder-elected, majority independent Board of Trustees and offers a Unitholder-friendly and responsible governance structure. In stark contrast to SBT, Sprott PSLV offers its investors virtually no voting or other governance rights. Sprott PSLV does not have an elected Board, does not hold annual meetings, requires minimum holdings of 50% of the NAV of Sprott PSLV to requisition a unitholder meeting and does not allow unitholders to elect Sprott PSLV's manager. If the Sprott Offer were successful, Sprott PSLV's limited governance rights would represent a complete deviation from SBT's best-in-class governance structure, including a complete disenfranchisement of voting rights.

**5. Sprott PSLV offers less bullion security and safeguards than SBT**

SBT stores its bullion on an unencumbered, fully allocated and physically segregated basis in an underground Level 3 (the highest security rating possible) Canadian chartered bank vault. Sprott

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<sup>1</sup> Based on a 5% discount rate, in perpetuity.

PSLV does not offer the same high level of bullion safeguards as SBT. SBT's industry-leading bullion safeguards are very important to many of SBT's long-term Unitholders.

**6. Sprott has a very poor track record of managing investor capital**

Sprott manages a large number of investment funds with a demonstrated track record of poor performance. As a manager of investor capital, Sprott has lost over \$1 billion of investor capital while at the same time receiving hundreds of millions in management fees from these same investors. Upon reviewing Sprott's investment performance, which is summarized in the accompanying Trustees' Circular, your Trustees believe that you will agree that Sprott does not seem suited to steward Unitholders' capital based on its historical performance.

**7. Sprott PSLV'S physical redemption feature may result in significant tax liabilities for certain non-redeeming U.S. Unitholders**

If the Sprott Offer is successful, Sprott PSLV's physical redemption feature would expose certain non-redeeming U.S. Unitholders to potentially increased ongoing future tax liabilities if Sprott PSLV delivers silver to satisfy a physical redemption request from a unitholder and the price of silver exceeds Sprott PSLV's undisclosed Canadian dollar cost base for its silver holdings. As a result, if any Unitholder elects to redeem when silver prices exceed the Canadian dollar cost base of Sprott PSLV's silver bullion, certain non-redeeming U.S. Unitholders could incur tax liabilities even though they took no action themselves. These potential tax liabilities would increase if the silver price were to increase in Canadian dollar terms due to a decrease in the Canadian / U.S. dollar exchange rate or increases in silver prices.

**8. The Exchange Offer Election and Merger Transaction may not qualify as a tax-deferred reorganization and, as a result, may be a fully taxable transaction for all U.S. Unitholders**

The Offeror states in its Offer Circular that "[b]ecause the determination of whether the exchange pursuant to the Exchange Offer Election and the Merger Transaction qualifies as a Reorganization [under Section 368 of the Code] depends on the resolution of complex issues and facts, some of which will not be known until the completion of the Offer and the Merger Transaction, there can be no assurance that the exchange pursuant to the Exchange Offer Election and the Merger Transaction will qualify as a Reorganization" (emphasis added).

**9. The Sprott Offer has been structured to bypass traditional statutory securityholder protections**

One of the key conditions to the Sprott Offer is the passing of a special resolution, using the powers of attorney granted by tendering Unitholders, making the Merger Election, that would amend the Declaration of Trust to lower the threshold required to be achieved by a bidder in order to effect a compulsory acquisition or redemption of remaining Units, from 90% to 66⅔%. The Declaration of Trust originally set the threshold at 90% to track the parallel requirements in corporate law designed to protect minority securityholders and their dissent rights. Sprott would lower this traditional threshold in order to be able to compel full completion of the Merger Transaction, having only obtained tenders from 66⅔%, in a single step.

The Sprott Offer appears opportunistic, being made at what is hopefully the bottom of a prolonged bear market for silver, and essentially asks Unitholders to accept materially higher ongoing fees, reduced bullion security and safeguards, increased tax risk and materially limited voting and governance rights. In return, the Sprott Offer provides no meaningful premium and only a theoretical, marginal benefit that cannot be determined by Unitholders as it is based on an unknown future exchange ratio.

SBT was created in 2009 with a singular, self-governing and passive purpose to provide all Unitholders, be they individual or institutional, with the safest, most secure and cost effective way to hold unencumbered, fully-allocated and physically segregated silver bullion and benefit from the long term appreciation in the price of silver. SBT continues to fulfill this mandate for Unitholders.

Your Trustees understand that the unusually elevated discounts to NAV at which SBT Units have recently traded are of concern to investors; however, Sprott's opportunistic offer is not the solution. Your Trustees are actively considering a number of potential measures, including possible amendments to the existing cash redemption feature of SBT, which could potentially reduce future trading price discounts to NAV. Among the factors guiding the Trustees' analysis of such measures are the accessibility of any amended features to all Unitholders, the necessity that any such measures be accretive to non-redeeming Unitholders and the potential tax liabilities to Unitholders in connection therewith. Upon completion of a favourable analysis by financial, legal and tax advisors, the Trustees will consider whether to adopt such measures if appropriate.

Your Trustees continue to believe that current economic conditions, which include ultra-low interest rates, unprecedented money-printing and debt creation by the major industrial economies and accelerating devaluation turbulence among global currencies are supportive factors for higher silver prices over time. Given our positive outlook for the silver price, we do not believe this is the time to be exchanging your SBT Units for alternative products which are at odds with the founding investment principles of SBT.

**As a result of the above and after very careful consideration of all available information, including the unanimous recommendation of the Special Committee of Independent Trustees, your Trustees are strongly recommending that all Unitholders REJECT the Sprott Offer.**

Thank you for your consideration of these concerns.

With great respect and appreciation for your confidence in Silver Bullion Trust,



J.C. Stefan Spicer,  
Founder, Chairman and CEO,  
Silver Bullion Trust



Ian M.T. McAvity,  
Lead Independent Trustee  
Silver Bullion Trust

## **REJECT THE SPROTT OFFER**

**Sprott's claims of "unlocking value" are disingenuous and Sprott offers no meaningful premium in exchange for increased fees, higher risk and reduced governance rights**

**SBT's Unitholders recently overwhelmingly rejected the adoption of a physical bullion redemption feature, available only to Unitholders with large holdings, a material structural difference between SBT and Sprott PSLV**

**Sprott charges significantly higher fees than SBT, which will erode net asset value over time and materially reduce the purported "unlocked" value of the Sprott Offer**

**Sprott PSLV, in stark contrast to SBT, provides investors with virtually no voting or governance rights**

**Sprott PSLV offers less bullion security and safeguards than SBT**

**SBT Units have traded at a premium to NAV during rising silver markets and only recently traded at a discount during a prolonged bear market in silver**

**Sprott has a very poor track record as a manager of investor capital and solicits investors with conflicting, self-serving messages**

**Accepting the Sprott Offer could expose certain non-redeeming U.S. Unitholders to potential future tax liabilities due to Sprott PSLV's physical bullion redemption feature**

**The Exchange Offer Election and Merger Transaction may not qualify as a tax-deferred reorganization for United States federal income tax purposes as stated by Sprott and, as a result, may be a fully taxable transaction for all U.S. Unitholders**

**The Sprott Offer has been structured to circumvent traditional legal statutory securityholder protections**

### **REJECT THE SPROTT OFFER**

### **TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

*If you have already tendered your Units to the Sprott Offer, you can withdraw your Units by contacting your broker or D. F. King & Co., North America Toll-Free at 1-800-398-2816; or via email at [inquiries@dfking.com](mailto:inquiries@dfking.com)*



## QUESTIONS AND ANSWERS ABOUT THE SPROTT OFFER

*Capitalized terms used in this Q&A have the meanings ascribed to them in the Glossary or elsewhere in this Trustees' Circular.*

### *Should I accept or reject the Sprott Offer?*

The Special Committee of Independent Trustees **UNANIMOUSLY** recommends that Unitholders **REJECT** the Sprott Offer, **TAKE NO ACTION** with respect to the Sprott Offer and **DO NOT TENDER** their Units for exchange, and the Board of Trustees has adopted that recommendation.

A summary of the reasons for the recommendation of the Board of Trustees is included above, and a fulsome description is included below under the heading "Reasons for Rejecting the Sprott Offer" of this Trustees' Circular.

### *How do I reject the Sprott Offer?*

**DO NOTHING.**

Unless you have already tendered your Units to the Sprott Offer, you do not need to do anything to reject the Sprott Offer. If you are solicited by Sprott or its solicitation agent about your Units of Silver Bullion Trust, **DO NOT TENDER** your Units. Do not complete a Letter of Transmittal or any other document that Sprott or its solicitation agent may provide.

### *Can I withdraw my Units if I have already tendered to the Sprott Offer?*

**YES.** According to the Sprott Offer and the Offer Circular:

- if you have tendered your Units and made the Exchange Offer Election (as defined in the Offer Circular), you can withdraw your Units: (i) at any time before your Units have been taken up by the Offeror pursuant to the Sprott Offer; (ii) at any time if your Units have not been paid for by the Offeror within three business days after having been taken up; or (iii) at any time before the expiration of ten days from the date upon which certain notices of change or notices of variation in the terms of the Sprott Offer that may be required are delivered to you by the Offeror; and
- if you have tendered your Units and made the Merger Election, unlike a traditional take-over bid your operative consenting action with respect to the Sprott Offer is not the tendering of your Units but the granting of the power of attorney to the Offeror to complete the Merger Transaction. As a result, your operative withdrawal action is not the withdrawal of your tendered Units, but the withdrawal of your power of attorney. The power of attorney becomes irrevocable at 4:58 p.m. (Toronto time) on the Expiry Date, and so **in order to effectively withdraw consent to the Sprott Offer and Merger Transaction, tendering Unitholders who have made the Merger Election must withdraw prior to 4:58 p.m. (Toronto time) on the Expiry Date. If the conditions to the Sprott Offer are met or waived, withdrawals of tendered Units thereafter will not be effective to withdraw such Unitholders' consent to the Sprott Offer.**

## **REJECT THE SPROTT OFFER** **TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

*If you have already tendered your Units to the Sprott Offer, you can withdraw your Units by contacting your broker or D. F. King & Co., North America Toll-Free at 1-800-398-2816; or via email at [inquiries@dfking.com](mailto:inquiries@dfking.com)*

***How do I withdraw my Units if I have already tendered to the Sprott Offer?***

We recommend you contact D. F. King & Co., Inc. ("**D.F. King**"), SBT's information agent, at 1-800-398-2816 or [inquiries@dfking.com](mailto:inquiries@dfking.com), or your broker or dealer directly, for information on how to withdraw your Units.

***Why does the Board believe that the Sprott Offer should be rejected?***

The Board believes that the Sprott Offer is not in the best interests of Silver Bullion Trust and its Unitholders. The Board took into account numerous factors including, but not limited to, the Board's reasons set out under the heading "Reasons for Rejecting the Sprott Offer" in adopting the **UNANIMOUS** recommendation of the Special Committee of Independent Trustees that Unitholders **REJECT** the Sprott Offer and **NOT TENDER** their Units into the Sprott Offer.

Unitholders are strongly encouraged to carefully review the full explanation of the reasons for the Board's recommendation set out in this Trustees' Circular.

***My broker advised me to tender my Units. Should I?***

While the investment decision is between you and your investment advisor, the Special Committee of Independent Trustees has **UNANIMOUSLY** recommended that Unitholders **REJECT** the Sprott Offer and **NOT TENDER** their Units into the Sprott Offer, and the Board has adopted that recommendation. **The Offer Circular states that Sprott may pay brokers a fee for soliciting tenders to the Sprott Offer, so their advice with respect to a decision to tender may not be impartial.**

***The media has referred to this as a "hostile" take-over bid. Is that true?***

**YES.** In a friendly take-over, the two trusts or companies work together to come to an agreement that would enhance securityholder value. However, Sprott did not contact or approach SBT or its representatives with respect to the proposed bid prior to the date on which it announced its intention to make its offer, and it initiated its offer without the support of the Board. As such, the Sprott Offer should be considered a hostile offer, and the Board, together with its financial and legal advisors, has been working to provide Unitholders with a recommendation consistent with SBT's focus on achieving a result that is in the best interests of ALL Unitholders.

***Have other Unitholders indicated an intention NOT to tender to the Sprott Offer?***

**YES.** Each of the Trustees and Senior Officers and other insiders of SBT that owns or exercises control or direction over Units of SBT has indicated that he or she intends to **REJECT** the Sprott Offer and **WILL NOT TENDER** any of his or her Units.

***Do I have to decide now?***

**NO.** Unless you have already tendered your Units, you do not have to take any action at this time. The Sprott Offer is scheduled to expire at 5:00 p.m. (Toronto time) on July 6, 2015 (unless extended or withdrawn), and is subject to a number of conditions that have not yet been satisfied. In any event, the Board of Trustees recommends that Unitholders take no action with respect to the Sprott Offer.

**REJECT THE SPROTT OFFER**  
**TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

*If you have already tendered your Units to the Sprott Offer, you can withdraw your Units by contacting your broker or D. F. King & Co., North America Toll-Free at 1-800-398-2816; or via email at [inquiries@dfking.com](mailto:inquiries@dfking.com)*

If you have already tendered your Units to the Sprott Offer and decide to withdraw those Units, you must allow sufficient time to complete the complicated withdrawal process prior to the expiry of the Sprott Offer. For more information on how to withdraw your Units, see "Rights of Withdrawal" in the accompanying Trustees' Circular, contact your broker or dealer, or contact D. F. King at 1-800-398-2816 or [inquiries@dfking.com](mailto:inquiries@dfking.com).

*Who do I ask if I have more questions?*

**ANY QUESTIONS OR REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO SBT'S INFORMATION AGENT:**



**North American Toll Free Phone:**

**1-800-398-2816**

Email: [inquiries@dfking.com](mailto:inquiries@dfking.com)

**For up to date information we strongly encourage Unitholders to please visit  
[www.silverbulliontrust.com](http://www.silverbulliontrust.com)**

**REJECT THE SPROTT OFFER**  
**TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

*If you have already tendered your Units to the Sprott Offer, you can withdraw your Units by contacting your broker or D. F. King & Co., North America Toll-Free at 1-800-398-2816; or via email at [inquiries@dfking.com](mailto:inquiries@dfking.com)*

## TRUSTEES' CIRCULAR

*This Trustees' Circular should be read carefully and in its entirety by Unitholders as it provides important information regarding Silver Bullion Trust, Sprott and the Sprott Offer. All capitalized terms in this Trustees' Circular have the meanings ascribed to such terms in the Glossary attached hereto as Appendix "A" or elsewhere in this Trustees' Circular.*

This Trustees' Circular is issued by the Board of Trustees (the "**Board**", "**Trustees**" or "**Board of Trustees**") of Silver Bullion Trust ("**SBT**") in connection with the unsolicited offer (the "**Sprott Offer**") made by Sprott Asset Management Silver Bid LP (the "**Offeror**"), which is owned and controlled by Sprott Asset Management LP ("**SAM**", and collectively with the Offeror and their respective general partners, Sprott Asset Management GP Inc. and Sprott Asset Management Silver Bid GP Inc., "**Sprott**"), which is controlled by Sprott Inc., to exchange all of the issued and outstanding trust units (the "**Units**") of SBT for trust units of Sprott Physical Silver Trust ("**Sprott PSLV**") on a net asset value ("**NAV**") to NAV basis, upon the terms and subject to the conditions set out in the Sprott Offer and accompanying circular of Sprott dated May 27, 2015 (the "**Offer Circular**") and the related letter of transmittal.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Trustees' Circular, including the discussion in the summaries, Letter to Unitholders and the Questions and Answers About the Sprott Offer that accompany this Trustees' Circular, contains information that may constitute "forward-looking statements" under United States federal securities laws or "forward-looking information" under Canadian securities laws, including, without limitation, those related to: the reasons of the Board of Trustees for recommending to Unitholders the rejection of the Sprott Offer, not tendering any Units to the Sprott Offer and withdrawing any Units already tendered to the Sprott Offer; the anticipated costs, risks and uncertainties associated with the Sprott Offer; any potential adoption by SBT of an enhanced cash redemption feature and any anticipated impact on SBT, Unitholders, the market price for Units and any trading discount to NAV resulting from the adoption of such cash redemption feature; the anticipated timing, mechanics, completion and settlement of the Sprott Offer; the value of the Sprott PSLV units that would be received as consideration under the Sprott Offer; the ability of the Offeror to complete the transactions contemplated by the Sprott Offer; any anticipated results or performance of Sprott PSLV, the Offeror, or any other affiliates of Sprott; any anticipated changes to the market price of Sprott PSLV units or any other securities of Sprott and its affiliates; and any anticipated impact of current economic conditions on the future prices of silver and the Units. These statements and information relate to future performance, opportunities or events and SBT cautions that factors could cause actual results, events or achievements to differ materially from those expressed or implied in any such statements and information included in this Trustees' Circular.

Forward-looking statements or information is frequently, but not always, characterized by words such as "will", "plan", "expect", "project", "intend", "believe", "anticipate", "schedule", "estimate", "plan" and similar expressions, or statements that certain events or conditions "may", "should", "could", "might" or "will" occur. The forward-looking statements or information contained in this Trustees' Circular is based on the reasonable expectations and beliefs of SBT, its Senior Officers and Trustees as at the date of this Trustees' Circular and involves numerous assumptions, known and unknown risks and uncertainties, both general and specific to SBT and the bullion markets generally. Such assumptions, risks and uncertainties include, but are not limited to, those factors disclosed in SBT's documents filed from time to time with applicable securities regulators in Canada. Should one or more of these risks and uncertainties

### **REJECT THE SPROTT OFFER** **TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

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materialize, or should underlying assumptions prove incorrect, actual results, achievements or events or market performance of SBT may differ materially from those described in this Trustees' Circular. For further details, reference is made to the risk factors discussed or referred to in SBT's annual and interim management's discussion and analyses and Annual Information Form on file with Canadian securities regulatory authorities and available under Silver Bullion Trust's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

There can be no assurance that forward-looking statements or information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements or information. Such forward-looking statements and information are made or given as to SBT's expectations or beliefs at the date of this Trustees' Circular and SBT disclaims any intention or obligation to update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required under applicable securities law. The reader is cautioned not to place undue reliance on forward-looking statements or information.

### **CURRENCY AND EXCHANGE RATES**

Unless otherwise indicated, all dollar amounts in this Trustees' Circular are in Canadian dollars and references to "\$" or "dollars" in this Trustees' Circular refer to Canadian dollars. On June 8, 2015, the last business day prior to the date of this Trustees' Circular, the noon rate of exchange as reported by the Bank of Canada for the conversion of U.S. dollars was US\$1:\$1.2435.

### **NOTICE REGARDING CERTAIN INFORMATION**

Silver Bullion Trust is a reporting issuer or equivalent in all the Provinces of Canada other than Quebec and files its continuous disclosure documents and other documents with such provincial securities regulatory authorities. Certain information in this Trustees' Circular has been taken from or is based on documents that are expressly referred to in this Trustees' Circular. All summaries of, and references to, documents that are specified in this Trustees' Circular as having been filed, or that are contained in documents specified as having been filed, on SEDAR are qualified in their entirety by reference to the complete text of those documents as filed, or as contained in documents filed, under Silver Bullion Trust's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com). Unitholders are urged to read carefully the full text of those documents, which may also be obtained on request without charge from SBT at 55 Broad Leaf Crescent, Ancaster, Ontario L9G 3P2 or by telephone at 1 (905) 304-4653.

Information contained in this Trustees' Circular concerning Sprott and the Sprott Offer, including forward-looking statements or forward-looking information related to Sprott or the Sprott Offer, is based solely upon, and the Board of Trustees has relied, without independent verification, exclusively upon, information contained in the Offer Circular, or upon information that is otherwise publicly available. Neither SBT nor any of its Senior Officers or Trustees assumes any responsibility for the accuracy or completeness of such information or for any failure by Sprott to disclose events or facts that may have occurred or may affect the significance or accuracy of any such information.

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## NOTICE TO NON-CANADIAN UNITHOLDERS

This Trustees' Circular has been prepared by SBT in accordance with disclosure requirements under applicable Canadian law. Non-resident Unitholders should be aware that these requirements may be different from those of other jurisdictions.

### THE SPROTT OFFER

#### Background and Overview

##### *Formation of Silver Bullion Trust*

On June 8, 2009, SBT was established by Philip Spicer, J.C. Stefan Spicer, Bruce Heagle, Ian McAvity, and Robert Sale, and simultaneously, SBT entered into the Administrative Services Agreement dated June 8, 2009 (the "**Administration Agreement**") between SBT and its administrator, Silver Administrators Ltd. (the "**Administrator**"). SBT was created with a singular, self-governing and passive purpose to provide all Unitholders with the safest, most secure and cost effective way to hold unencumbered, fully-allocated and physically segregated silver bullion and benefit from the long term appreciation in the price of silver. Prior to filing the prospectus for SBT's initial public offering ("**IPO**"), members of the Board of Trustees considered the optimal structure for SBT. In arriving at the optimal structure, several potential features were identified and considered, including the adoption of a physical bullion redemption feature. Such a feature was ultimately not adopted by SBT's founders due to, in particular, potential adverse tax consequences to both SBT and non-redeeming Unitholders.

##### *Proxy Contest with Polar Securities*

On February 3, 2015, the Board of Trustees received a Unitholder meeting requisition (the "**Polar Requisition**") from Polar Securities Inc. ("**Polar Securities**") on behalf of its Cayman Islands-based hedge fund North Pole Capital Master Fund (the "**North Pole Fund**" and, collectively with Polar Securities, "**Polar**"). The Polar Requisition required that SBT submit two matters to Unitholders for consideration: (i) a series of related ordinary resolutions, the effect of which would have been to replace SBT's existing Independent Trustees with Polar's own handpicked nominees; and (ii) a special resolution **seeking to amend SBT's Amended and Restated Declaration of Trust dated July 9, 2009 (the "Declaration of Trust") to incorporate a physical redemption feature (substantially the same as that of Sprott PSLV)** and to change SBT's existing cash redemption feature (the "**Polar Proposal**"). The Trustees recommended that Unitholders vote against the Polar Proposal, which the Trustees viewed as self-serving and not in the best interests of all Unitholders, and recommended that Unitholders reject the Polar nominees.

During the lead-up to SBT's Annual and Special Meeting of Unitholders on May 20, 2015 (the "**SBT Meeting**"), Sprott announced on April 23, 2015 its intention to put forth an unsolicited bid to acquire all of the Units of SBT via a unit for unit exchange on a NAV to NAV basis. The announcement came less than one month prior to the SBT Meeting, and appeared to have been intended to influence the proxy contest vote in favour of Polar. At no time prior to the announcement did Sprott PSLV or any other Sprott representative approach the Trustees or its advisors regarding any proposal to acquire all the Units of SBT. In the Offer Circular, which was filed more than a month after Sprott's announcement, Sprott stated

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that SAM had engaged in discussions with Polar regarding "various possibilities" concerning Polar's actions and the proxy contest in the period leading up to Sprott's announcement of the Sprott Offer.

On May 20, 2015, the SBT Meeting took place. The Polar Proposal, which was focused primarily on the adoption of a new physical bullion redemption feature, was overwhelmingly rejected by Unitholders, with over 91% of votes cast (other than Polar) voting against its adoption. Unitholders also voted to re-elect all of SBT's Trustee nominees, with none of Polar's nominees being elected.

#### *Commencement of the Sprott Offer and Formation of Special Committee*

The Sprott Offer formally commenced on May 27, 2015 and it is open to Unitholders for acceptance and tender until 5:00 p.m. (Toronto time) on July 6, 2015 (the "**Expiry Date**") unless extended or withdrawn. The Offer Circular states that if the number of issued and outstanding SBT Units tendered to the Sprott Offer on the Expiry Date, together with any Units owned or controlled by the Offeror on the Expiry Date, is greater than 66⅔% of the issued and outstanding Units (the "**Threshold Condition**"), subject to the satisfaction of certain other conditions set out in the Offer Circular, Sprott intends to effect the merger of SBT and Sprott PSLV on a NAV to NAV unit exchange basis.

In response to the commencement of the Sprott Offer, on May 27, 2015 the Board of Trustees re-convened its special committee, composed entirely of independent Trustees (the "**Special Committee**"), which had been originally established in March 2015 in response to the actions of Polar, including the Polar Proposal, leading up to the SBT Meeting. The Special Committee is composed of Messrs. Bruce Heagle, Jason Schwandt, Ian McAvity and Michael Parente.

The focus of the re-convened Special Committee in respect of the Sprott Offer was to review and consider, among other things: (i) the unsolicited Sprott Offer and any alternatives thereto, and (ii) any alternative actions to be taken by SBT and to make recommendations to the Board of Trustees.

In fulfilling its mandate, the Special Committee was authorized by the Board of Trustees to, among other things:

- retain an independent financial advisor to advise the Special Committee;
- retain independent legal counsel to advise the Special Committee;
- report to the Board of Trustees; and
- take such other actions as the Special Committee considers necessary or appropriate in order to carry out its mandate.

In respect of the foregoing mandate, the Special Committee retained CIBC World Markets Inc. ("**CIBC**") as its financial advisor, and Bennett Jones LLP as its legal counsel.

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## Terms of the Sprott Offer

The following summary of the terms of the Sprott Offer is drawn from the information contained in the Offer Circular and is presented here **for information purposes only**. Unitholders are encouraged to review the Offer Circular for full details regarding the Sprott Offer.

### *Exchange Offer Election and Merger Election*

The Sprott Offer is open for acceptance by Unitholders until 5:00 p.m. (Toronto time) on the Expiry Date, unless extended or withdrawn. Unitholders who tender to the Sprott Offer will be required to make one of two elections: the "**Exchange Offer Election**" or the "**Merger Election**." Tendering Unitholders who fail to make a valid election will be deemed to have made the Merger Election.

Unitholders that make the Exchange Offer Election will tender their Units for acceptance of the Sprott Offer and take-up by the Offeror, and will, following the expiration of the Sprott Offer and take-up of tendered Units, receive trust units of Sprott PSLV on the basis of the NAV to NAV Exchange Ratio (as defined below). Such exchange will be deemed to be a taxable disposition of such Units for Canadian income tax purposes that will give rise to a gain or loss for Canadian income tax purposes and not a tax-deferred rollover. Such exchange will also be a taxable disposition of such Units for U.S. income tax purposes if the Merger Transaction (as defined below) does not occur, if the Merger Transaction together with the Exchange Offer Election is not considered to be a single integrated transaction that qualifies as a tax-deferred reorganization for U.S. Federal income tax purposes or if the "passive foreign investment company" ("**PFIC**") rules require gain recognition with respect to the exchange. See "Certain United States Income Tax Considerations" herein.

Tendering Unitholders that make or are deemed to make the Merger Election will tender their Units for acceptance of the Sprott Offer, but such tendered Units will not be taken up by the Offeror. Instead, the acceptance of the Sprott Offer by a tendering Unitholder who has made the Merger Election will be accompanied by a power of attorney granted in favour of the Offeror. Effective at 4:58 p.m. (Toronto time) on the Expiry Date, provided certain conditions are met, including the Threshold Condition, the Offeror intends to use the **powers of attorney** granted to it by tendering Unitholders who have made the Merger Election to pass, by written consent, certain special resolutions, the effect of which would be to allow the Offeror to effect a merger of SBT and Sprott PSLV (the "**Merger Transaction**"). If the Merger Transaction occurs, all Unitholders who have not made the Exchange Offer Election, whether they have made the Merger Election or not, will receive trust units of Sprott PSLV on compulsory redemption of all the issued and outstanding SBT Units at the NAV to NAV Exchange Ratio. The Merger Transaction will be a "qualifying exchange" for Canadian income tax purposes resulting in a tax-deferred rollover for Unitholders other than Unitholders who have made the Exchange Offer Election. **Sprott states that, for U.S. federal income tax purposes, the exchange of SBT Units for trust units of Sprott PSLV pursuant to the Exchange Offer Election or the Merger Transaction is "intended" to qualify as a tax-deferred reorganization but that Sprott can provide "no assurance" of such tax treatment. According to Sprott, such redemption may be a fully taxable transaction for all U.S. holders of SBT Units as stated in the Offer Circular on pages 62 and 63. See "Certain United States Income Tax Considerations" herein.**

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### *Conditions of the Offer*

The completion of the Offer, including the take-up and payment for tendered Units for which the Exchange Offer Election was made and the completion of the Merger Transaction, is conditional on the satisfaction of, among other things, the following:

- the Threshold Condition being met;
- all tendering Unitholders that have made the Merger Election having validly granted a power of attorney to Sprott Asset Management GP Inc. (the "**Manager**"), the general partner and manager of SAM, an affiliate of the Offeror, thereby permitting the Manager to pass the Special Resolutions (as defined below) required to effect the Merger Transaction;
- the Special Resolutions being validly passed;
- the receipt of all required governmental or regulatory approvals;
- SBT and the Offeror not being prohibited by law or their respective constating documents from completing the Merger Transaction; and
- no Material Adverse Change (as defined in the Offer Circular) in relation to SBT having occurred.

### *Exchange Value*

Tendering Unitholders under either the Exchange Offer Election or Merger Election will receive trust units of Sprott PSLV based on the "**NAV to NAV Exchange Ratio**". The number of Sprott PSLV units to be distributed to each SBT Unitholder will be, for each SBT Unit held, such number of Sprott PSLV units as is equal to: (A) the NAV per SBT Unit on the Expiry Date, (calculated in accordance with the Declaration of Trust) divided by (B) the NAV per Sprott PSLV unit on the Expiry Date (calculated in accordance with the Amended and Restated Trust Agreement between SAM and RBC Investor Services Trust, as trustee for Sprott PSLV, dated February 27, 2015 (the "**Sprott Trust Agreement**")). **No fractional Sprott PSLV units will be issued pursuant to the Sprott Offer or the Merger Transaction. Where the aggregate number of Sprott PSLV units to be issued to a Unitholder under the Sprott Offer would result in a fraction of a Sprott PSLV unit being issuable, the number of Sprott PSLV units to be received by such SBT Unitholder will be rounded down to the nearest whole Sprott PSLV unit.**

### *Special Resolution Power of Attorney*

The Offeror states that it only intends to take up and pay for those SBT Units that have been tendered and for which the tendering Unitholder made the Exchange Offer Election. Those tendering Unitholders who make the Merger Election are, in essence, granting the Offeror a proxy to effect certain fundamental changes to the structure of SBT by passing certain resolutions (the "**Special Resolutions**"), the effect of which will be to allow the Offeror to carry out the Merger Transaction.

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The power of attorney to pass the Special Resolutions becomes effective at 4:58 p.m. (Toronto time) on the Expiry Date. Once the Special Resolutions are passed, at 4:59 p.m. (Toronto time) on the Expiry Date, tendering Unitholders that have made the Merger Election will be deemed to withdraw their tendered Units from the Sprott Offer and such Units will not be taken up and paid for by the Offeror. Instead, the Offeror will, as a result of the passing of the Special Resolutions, be able to effect the Merger Transaction at 5:00 p.m. (Toronto time) on the Expiry Date.

The Special Resolutions provide for the following:

- the amendment of Section 13.6 of the Declaration of Trust to provide that a compulsory acquisition of all issued and outstanding SBT units may be effected if the Offeror and its affiliates, after the take-up of SBT Units deposited for acceptance of the Sprott Offer, hold not less than 66⅔% of the issued and outstanding Units on a fully-diluted basis, Section 13.6 of the Declaration of Trust currently provides, among other things, that the Sprott Offer could only be effected in the event the Sprott Offer were to be accepted by Unitholders in respect of at least 90% of the Units, other than the Units held by the Offeror;
- the authorization of the Offeror to execute a merger agreement (the "**Merger Agreement**") on behalf of SBT with Sprott PSLV, and any ancillary matters in connection therewith, on substantially the terms described in the Offer Circular;
- the amendment of the Declaration of Trust to provide, in connection with the Merger Transaction, following the transfer of substantially all of the assets and liabilities of SBT (other than the Administration Agreement) to Sprott PSLV in exchange for Sprott PSLV units, for the retention or reacquisition of one SBT Unit by the Offeror as provided in the Merger Agreement, if advisable, and subject to the foregoing, for the redemption of all issued and outstanding Units and the distribution of such Sprott PSLV units to Unitholders on the basis of the NAV to NAV Exchange Ratio in full and final satisfaction of such Unitholders' rights;
- the amendment of the Declaration of Trust to permit the Offeror, notwithstanding anything to the contrary contained therein, to vote, execute and deliver any instruments of proxy, authorizations, requisitions, resolutions or consents in respect of any Units taken up under the Sprott Offer or otherwise acquired which are at the time beneficially owned by the Offeror, if determined necessary or appropriate by the Offeror;
- the removal of the incumbent Independent Trustees from office;
- the appointment of a Sprott-controlled Board of Trustees, made up of **certain undisclosed nominees** of the Offeror together with the nominees of the Administrator under the Administration Agreement;
- the amendment of the Declaration of Trust to enable the Offeror, notwithstanding anything to the contrary contained therein, to take such acts as are determined by the Offeror to be necessary or appropriate to give effect to the Special Resolutions and the Merger Transaction; and
- the authorization of the general partner of the Offeror, Sprott Asset Management Silver Bid GP Inc. and any other persons designated by the Offeror in writing, to execute and deliver all

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documents and do all acts or things, on behalf of SBT or otherwise, as may be necessary or desirable to give effect to the Special Resolutions.

*The Merger Transaction*

Provided the conditions to the Sprott Offer are met or, where applicable, waived by the Offeror, the Offeror intends to complete the Merger Transaction. Pursuant to the Merger Agreement, SBT would transfer all of its assets and liabilities (other than any liabilities pursuant to the Administration Agreement) to Sprott PSLV in exchange for Sprott PSLV units. Thereafter, and in accordance with the Special Resolutions, SBT would effect a compulsory redemption of all issued and outstanding Units in exchange for Sprott PSLV units on the basis of the NAV to NAV Exchange Ratio.

**No fractional Sprott PSLV units would be issued pursuant to the Sprott Offer or the Merger Transaction. Where the exchange would result in a fractional Sprott PSLV unit being issuable, the number of Sprott PSLV units to be received by the SBT Unitholder will be rounded down, to the benefit of Sprott, to the nearest whole Sprott PSLV unit.**

Subject to applicable law, the Offeror has reserved the right to withdraw or terminate the Sprott Offer and not take up and pay for any SBT Units deposited under the Offer, complete the Merger Transaction and/or to extend the period of time during which the Sprott Offer is open for acceptance in the event that any of the Offeror's conditions to closing are not satisfied or waived.

**REJECT THE SPROTT OFFER**

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## RECOMMENDATION TO UNITHOLDERS

After a thorough review of the Sprott Offer, and following the receipt of advice from its financial, tax and legal advisors, and the **UNANIMOUS** recommendation of the members of the Special Committee, the Board of Trustees reached the conclusion that the Sprott Offer is opportunistic, not in the best interests of SBT and its Unitholders, and simply represents a self-serving attempt by SAM to increase assets under management and generate higher management fees, while subjecting Unitholders to the significant tax and other risks associated with the Sprott Offer and the holding of Sprott PSLV units. Accordingly your Trustees are of the view that the Sprott Offer should be **REJECTED** by Unitholders.

**The Special Committee of Independent Trustees of Silver Bullion Trust has UNANIMOUSLY concluded that the Sprott Offer is NOT in the best interests of SBT Unitholders.**

**The Board of Trustees has adopted the recommendation of the Special Committee and recommends that Unitholders:**

- ☒ REJECT the Sprott Offer;**
- ☒ TAKE NO ACTION with respect to the Sprott Offer; and**
- ☒ DO NOT TENDER their Units to the Sprott Offer**

See "Reasons for Rejecting the Sprott Offer" below.

**For up to date information we strongly encourage Unitholders to please visit [www.silverbulliontrust.com](http://www.silverbulliontrust.com)**

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## REASONS FOR REJECTING THE SPROTT OFFER

After a thorough review of the Sprott Offer, and following the receipt of advice from its financial, tax and legal advisors, and the UNANIMOUS recommendation of the members of the Special Committee, the Board of Trustees reached the conclusion that the Sprott Offer is opportunistic, not in the best interests of SBT and its Unitholders and simply represents a self-serving attempt by SAM to increase assets under management and generate higher management fees, while subjecting Unitholders to the significant tax and other risks associated with the Sprott Offer and the holding of Sprott PSLV units. Accordingly your Trustees are of the view that the Sprott Offer should be REJECTED by Unitholders.

### REJECT THE SPROTT OFFER

Sprott's claims of "unlocking value" are disingenuous and Sprott offers no meaningful premium in exchange for increased fees, higher risk and reduced governance rights
SBT's Unitholders recently overwhelmingly rejected the adoption of a physical bullion redemption feature, available only to Unitholders with large holdings, a material structural difference between SBT and Sprott PSLV
Sprott charges significantly higher fees than SBT, which will erode net asset value over time and materially reduce the purported "unlocked" value of the Sprott Offer
Sprott PSLV, in stark contrast to SBT, provides investors with virtually no voting or governance rights
Sprott PSLV offers less bullion security and safeguards than SBT
SBT Units have traded at a premium to NAV during rising silver markets and only recently traded at a discount during a prolonged bear market in silver
Sprott has a very poor track record as a manager of investor capital and solicits investors with conflicting, self-serving messages
Accepting the Sprott Offer could expose certain non-redeeming U.S. Unitholders to potential future tax liabilities due to Sprott PSLV's physical bullion redemption feature
The Exchange Offer Election and Merger Transaction may not qualify as a tax-deferred reorganization for United States federal income tax purposes as stated by Sprott and, as a result, may be a fully taxable transaction for all U.S. Unitholders
The Sprott Offer has been structured to circumvent traditional legal statutory securityholder protections

### REJECT THE SPROTT OFFER

### TAKE NO ACTION - DO NOT TENDER YOUR UNITS

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In recommending that Unitholders **REJECT** the Sprott Offer by **TAKING NO ACTION** and **NOT TENDERING** SBT Units to the Sprott Offer, the Board of Trustees considered, among other things, the following significant factors:

**1. Sprott's claims of "unlocking value" are disingenuous and Sprott offers no meaningful premium in exchange for increased fees, higher risk and reduced governance rights**

Sprott claims that its offer will unlock value of US\$0.91 per Unit, or US\$5.0 million in aggregate, for SBT Unitholders. Sprott's claim presents an incomplete picture, and Sprott conveniently omits several factors which materially reduce the purported value of the Sprott Offer:

- Sprott's annual expense ratio is approximately 60% higher than SBT's – on a present value basis, this increased expense ratio is equivalent to US\$3.3 million<sup>2</sup> in lost value for Unitholders, representing approximately 68% of Sprott's purported "unlocked value", and 6% of SBT's NAV.
- In addition, the Sprott Offer provides no certainty of value for SBT Unitholders, as it is based on a future NAV for NAV exchange ratio to be calculated on the Expiry Date. Under the Sprott Offer, Unitholders would receive Sprott PSLV units on the Expiry Date – if these units are trading at a discount to their NAV, as they have in the past, any value purported to be "unlocked" by the Sprott Offer could be materially reduced or eliminated.
- If the Sprott Offer is successful, certain non-redeeming Unitholders resident in the U.S. could be exposed to ongoing increased tax liabilities going forward as a result of Sprott PSLV's physical bullion redemption feature. This potential tax liability would increase if the silver price were to increase over time.

**On balance, your Trustees believe that any benefits claimed by Sprott regarding its offer are unproven and marginal at best, and are significantly outweighed by the increased costs, greater risks and loss of unitholder rights associated with holding Sprott PSLV units.**

**2. Unitholders recently overwhelmingly rejected the adoption of a physical bullion redemption feature, a key tenet of the Sprott Offer**

One of the key structural characteristics that distinguishes Sprott PSLV from SBT is that Sprott PSLV offers a physical bullion redemption feature, one that is substantially the same as the redemption feature proposed by Polar to be adopted by SBT at the SBT Meeting. **At the SBT Meeting, the Polar Proposal**

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<sup>2</sup> US\$3.3 million in lost value calculated based on the difference between Sprott PSLV and SBT's total expense ratio for the last twelve months as of March 31, 2015, applied to SBT's average end of month NAV over the same period, into perpetuity, and discounted at a 5% discount rate. Expenses relating to the SBT Meeting have been excluded from this calculation as they are extraordinary expenses.

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**was overwhelmingly rejected by Unitholders, with over 91% of votes cast by Unitholders (other than Polar) recommending against its adoption.**

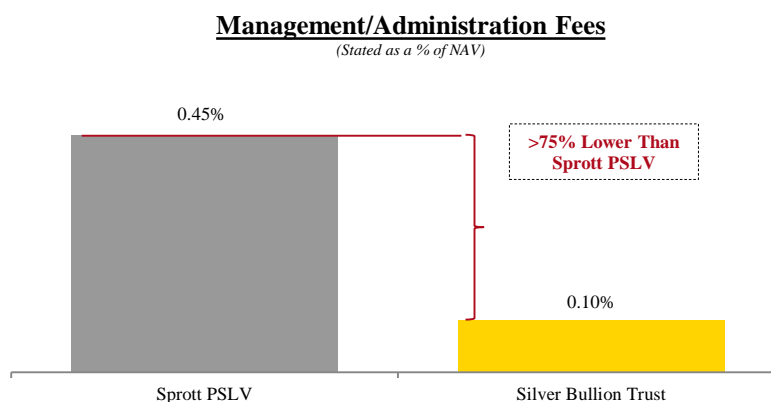
The Trustees believe that the result of the vote at the SBT Meeting clearly demonstrates the attitude of Unitholders towards a physical bullion redemption feature, yet Sprott has put this feature forward as a primary reason to accept the Sprott Offer. Instead of accepting the very recent, clear, public result of the vote at the SBT Meeting, Sprott has decided to immediately re-open the physical redemption issue, at significant cost to SBT and its Unitholders.

### **3. Sprott PSLV charges investors significantly higher fees than SBT, which erode asset value over time and materially reduce the claimed value of the Sprott Offer**

If the Sprott Offer were successful, **SBT Unitholders would be faced with significantly higher ongoing expenses as Sprott PSLV unitholders, which would increase the erosion of the NAV of Sprott PSLV over time and reduce leverage to increasing silver prices.** This is in direct contrast to SBT's existing low-cost structure, which the Trustees believe provides long-term investors with maximum leverage to rising bullion prices.

As illustrated below, **SBT's administration fee is the lowest among alternative products, and is over 75% lower than that of Sprott PSLV.** SBT's administration fee also covers investor relations expenses, whereas Sprott PSLV's investor relations expenses are paid by unitholders in addition to their significantly higher management fee.

In addition, SBT is the only entity among competing products with a sliding scale structure for administration fees, reducing administration fees to 0.20% of NAV for total assets above US\$200 million. This administration fee structure passes on the benefits of asset growth to Unitholders in the form of progressively lower fees. **Sprott PSLV, on the other hand, has a fixed management fee of 0.45% of NAV, meaning that the primary beneficiary of growth in their asset base is their manager, SAM. The acquisition of the underlying assets of SBT would increase the annual management fee payable by Sprott PSLV to SAM by over US\$250,000<sup>3</sup>.**



<sup>3</sup> US\$250,000 in annual management fees calculated based on Sprott PSLV's stated 0.45% management expense ratio applied to SBT's average of the end of month net asset values over the last twelve months as of March 31, 2015.

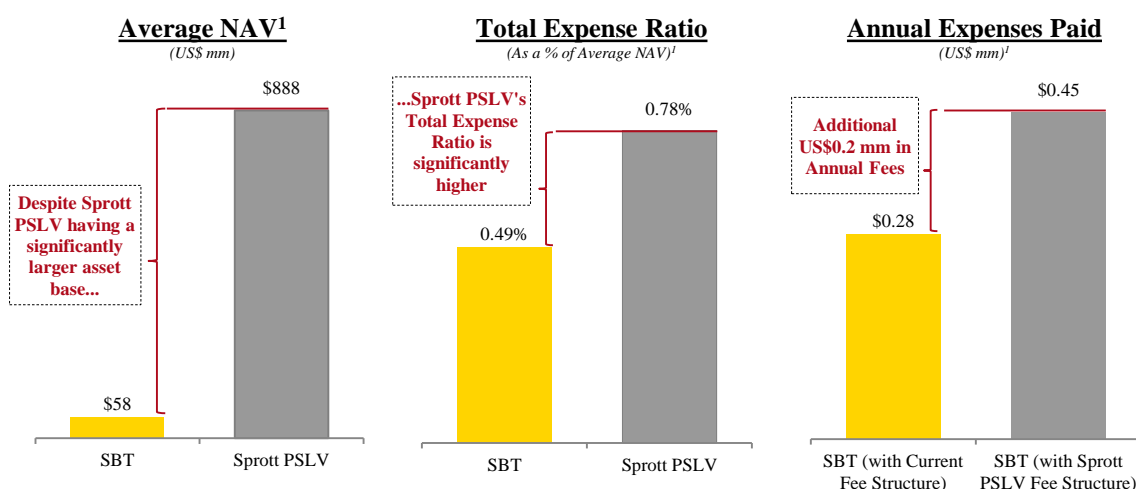
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<sup>1</sup>. Calculated based on expenses incurred over the last twelve months as of March 31, 2015, and "Average NAV" calculated as the average end-of-month NAVs over the same period  
(Source: Public filings.)

<sup>2</sup> The above figure for SBT reflects waiver by the Administrator of its administration fee, as disclosed above.

SBT's total expense ratio for the twelve months ended March 31, 2015 of 0.49%<sup>4</sup> of NAV is **over 35% lower than Sprott PSLV's expense ratio of 0.78% of NAV over the same period**, even though Sprott PSLV's asset base is over fifteen times larger than SBT's and Sprott PSLV does not incur costs related to an Independent Board of Trustees, Audit Committee, and Corporate Governance and Nominating Committee. **If the Sprott Offer were successful, SBT Unitholders would be subject to additional annual fees and expenses of approximately US\$0.2 million. On a present value basis, this increase in annual expenses is equivalent to approximately US\$3.3 million<sup>5</sup> in lost value, or approximately 6% of SBT's current NAV as of June 5, 2015.**



<sup>1</sup>. Total Expense Ratio calculated based on expenses incurred over the last twelve months as of March 31, 2015, divided by "Average NAV" calculated as the average of the end of month's net asset values over the same period.  
(Source: Bloomberg Financial Markets and public disclosure.)

#### 4. Unitholders would lose significant voting and governance rights under Sprott PSLV

In stark contrast to SBT's Unitholder-friendly governance structure, Sprott PSLV offers its investors virtually no voting or other governance rights. Under the Sprott Trust Agreement, Sprott PSLV is not required to (and does not) hold annual meetings of unitholders, nor does it have independent trustees elected by unitholders. In order to requisition a meeting of Sprott PSLV unitholders, a minimum unit position of 50% of the NAV of Sprott PSLV is required. Finally, Sprott PSLV unitholders do not have the right to elect the trust's manager, and have the right to remove the current manager (SAM) only in exceptionally limited circumstances.

<sup>4</sup> Excludes costs associated with the SBT Meeting, as they are extraordinary expenses.

<sup>5</sup> Based on a 5% discount rate, in perpetuity.

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Sprott PSLV has been structured to limit investor governance rights and investor input, which would represent a complete deviation from SBT's investor-friendly governance structure, as evidenced by SBT's recent proxy contest with Polar. In that situation, Polar, a holder of 10.02 % of the outstanding Units, requisitioned a Unitholder meeting, as was its right, to consider the Polar Proposal. SBT Unitholders, including Polar, were able to cast binding votes on the Polar Proposal as well as vote on the election of Trustee nominees proposed by both SBT and Polar.

<b>THE SPROTT SILVER DISADVANTAGE</b>		
	<b>SILVER BULLION TRUST</b>	<b>SPROTT PHYSICAL SILVER TRUST</b>
<i>Annual Meetings of Unitholders</i>	☑	☒
<i>Meeting Requisition Threshold</i>	10%	50%
<i>Unitholder Election of Trustees</i>	☑	☒
<i>Audit Committee</i>	☑	☒
<i>Corporate Governance Committee</i>	☑	☒
<i>Unitholder Ability to Obtain Securityholder List</i>	☑	☒
<i>Unitholder Vote to Terminate Trust</i>	☑	☒
<i>Trustee Performance Inspector Requisition Threshold</i>	25%	☒

## 5. **SBT's industry-leading bullion safeguards are superior to those offered by Sprott PSLV**

SBT's silver bullion is currently held on an unencumbered, fully allocated and physically segregated basis in an underground Level 3 (the highest security rating possible) Canadian chartered bank vault. The segregated area within this vault is closed and the caging within it houses SBT's bullion, which is sealed with the exception of when bullion inspections take place in the presence of SBT's independent external auditor. Many Unitholders consider the high level of security, safeguards and internal controls maintained by SBT to be paramount.

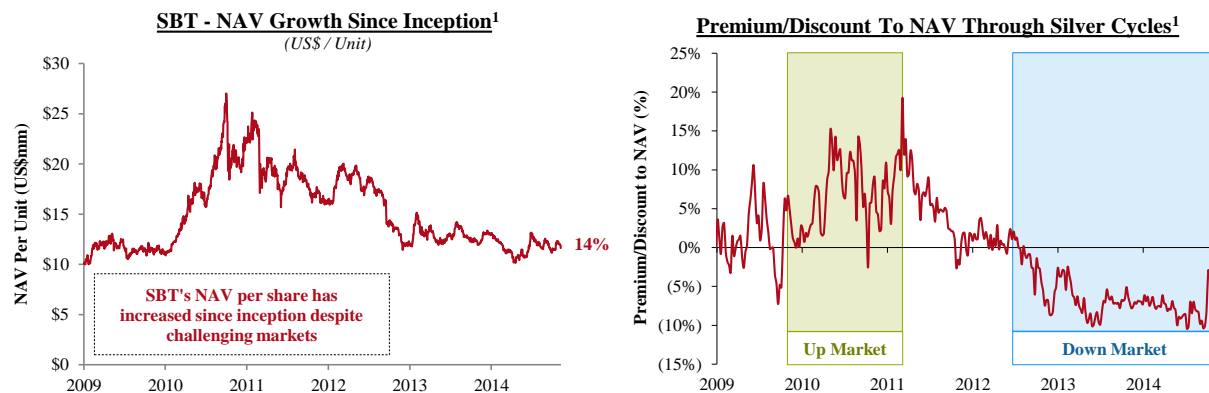
By comparison, Sprott PSLV outsources custodial and bullion storage services to the Royal Canadian Mint (the "**Mint**") and it is unclear whether this arrangement involves the same level of physical security as SBT offers. The Mint also has discretion to appoint a sub-custodian to hold Sprott PSLV's physical bullion and fulfill its other obligations under the Sprott Trust Agreement, without Sprott PSLV unitholder approval, which could have further implications for the security of the physical bullion.

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**6. SBT Units have traded at a premium to NAV during rising silver markets and only recently traded at a discount during a prolonged bear market in silver**

SBT historically has traded at substantial premiums to NAV in strong silver markets and at discounts to NAV in weak silver markets as illustrated below. Historically, weak silver markets were short-lived and Units rarely traded at discounts for extended periods. However, as a result of the current prolonged bear market for silver, SBT Units have traded at a greater discount to NAV than has been previously observed. Similarly, silver equities have fallen by approximately 50% over the past three years and over 32% over the past two years. In spite of this, the Trustees remain confident that SBT remains best positioned to benefit from any future recovery in silver prices given its tax-efficient, low cost, and secure structure. Even in light of the recent depressed market for silver and silver investments, Unitholders have experienced material NAV per Unit growth of 14% since SBT's inception.



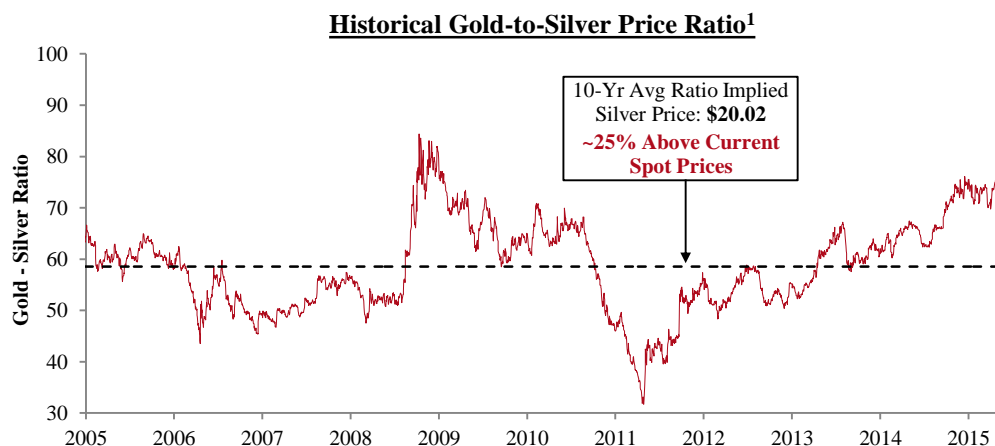
<sup>1</sup> Period shown from July 28, 2009, when SBT was listed in the U.S., to June 5, 2015.  
(Source: Bloomberg Financial Markets.)

The Board of Trustees continue to believe that current economic conditions, which include ultra-low interest rates, unprecedented money-printing and debt creation by the major industrial economies and accelerating devaluation turbulence among global currencies are supportive factors for higher silver prices over time.

Silver prices are driven by similar market factors as gold prices and typically trend in similar directions. As such, another positive indicator for higher future silver prices is the ratio of the gold and silver prices, which is currently well above historical averages. Precious metals investors often look to this ratio to detect relative over or underpricing of one metal relative to the other. **Applying the ten year average gold-to-silver ratio to the current gold price would imply a silver price of US\$20.02 per ounce, approximately 25% above the current spot price of silver.**

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<sup>1</sup>. "Gold-to-Silver Price Ratio" calculated by dividing the US\$ price per ounce for gold by the US\$ price per ounce for silver. Market data as of June 5, 2015. (Source: Bloomberg Financial Markets.)

**Given our positive outlook for the silver price and its positive effect on the trading price of SBT Units, we believe that the Sprott Offer, which would result in, among other things, less bullion security and safeguards, higher ongoing expenses and exposure to potential future tax liabilities, is not in the best interests of Unitholders.**

## **7. Sprott has a poor track record as a manager of investor capital**

Sprott Inc., the parent company of SAM, has a poor track record as a fund manager, having lost over \$1 billion in investor capital while at the same time pocketing hundreds of millions of dollars in management fees. Given Sprott's poor record of performance, Sprott's assertion that SAM has a proven track record of value creation and a "best in class platform" is highly dubious. When combined with the governance structure of Sprott PSLV, which severely limits voting and other governance rights, the Trustees believe that Sprott is not well suited to serve as stewards of SBT Unitholders' capital.

The following table illustrates this pattern and summarizes some examples which include Sprott Inc., the publicly-traded parent entity, actively managed Sprott funds still in existence, as well as other Sprott funds that have been terminated or merged due to their poor performance.

	<b>Total Value Lost by Investors</b>	<b>Fees / Proceeds to Sprott<sup>1</sup></b>
Sprott Inc. (Since Initial Public Offering) <sup>2</sup>	<b>(\$1,068 million)</b>	<b>\$200 million</b>
Select Group of Poorly Performing Sprott Funds	<b>(\$467 million)<sup>3,4</sup></b>	<b>\$112 million<sup>5,6</sup></b>
Select Group of Defunct Sprott Funds <sup>7</sup>	<b>(\$209 million)<sup>8</sup></b>	<b>\$50 million<sup>9</sup></b>
<b>Total</b>	<b>(\$1,744 million)</b>	<b>\$362 million</b>

<sup>1</sup>. Fees / Proceeds to Sprott based on public disclosure.

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<sup>2</sup> Figures shown only reflect the initial public offering in May 15, 2008, and exclude subsequent private placements.

<sup>3</sup> Includes the following Sprott funds: Resource Class, Canadian Equity Fund, Strategic Fixed Income Fund, Silver Equities Fund, and Gold & Precious Minerals Fund.

<sup>4</sup> "Value Lost" is shown for the last three years (as of June 5, 2015) and is calculated as the product of i) the percent change in the fund's NAV per share (or share price if publicly traded) on its Series A shares and ii) the fund's average shares outstanding. Average shares outstanding based on semi-annual filings available for the same period.

<sup>5</sup> Includes the following Sprott funds: Resource Class, Canadian Equity Fund, Strategic Fixed Income Fund, Silver Equities Fund, Gold & Precious Minerals Fund, Hedge Fund LP, and Hedge Fund LP II.

<sup>6</sup> Fees are shown on an aggregate basis for the last three fiscal years as disclosed in financial statements.

<sup>7</sup> Includes Sprott Molybdenum Participation Corp., Sprott Growth Fund, and Sprott Global Equity Fund.

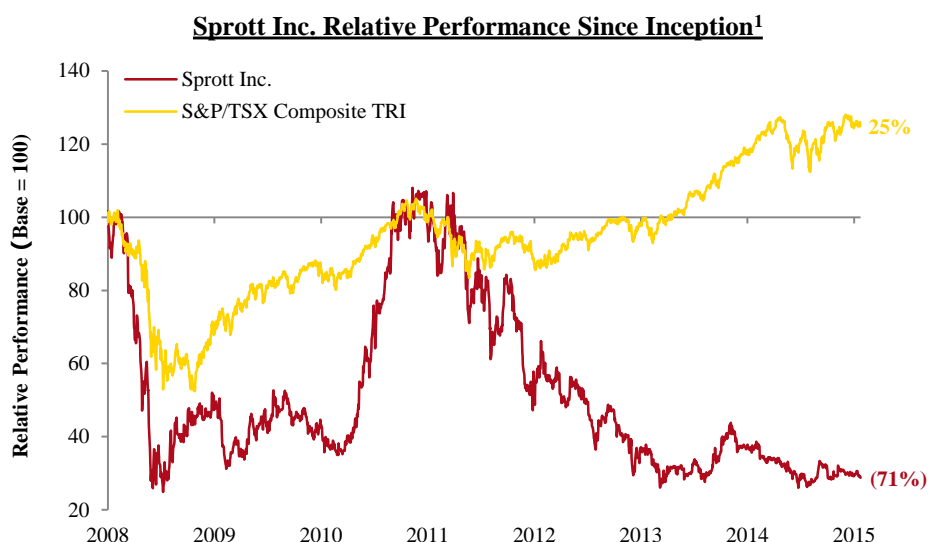
<sup>8</sup> "Value Lost" is shown from inception to termination and is calculated as the product of (i) the percent change in the fund's NAV per share (or share price if publicly traded) on its Series A shares and (ii) its average shares outstanding.

<sup>9</sup> Fees are shown on an aggregate basis from inception to termination as disclosed in financial statements.

(Source: Bloomberg Financial Markets and public disclosure)

Sprott Inc. completed its initial public offering on May 15, 2008, in which Eric Sprott and other employees of SAM sold their own shares to the public, raising \$200 million in proceeds, none of which was reinvested in Sprott Inc at that time. Those same shares sold to the public are worth only approximately \$58 million today. Overall, Sprott Inc. has lost approximately \$1.1 billion or 71% of its total market capitalisation since its IPO in 2008.

Shares of Sprott Inc. have also persistently underperformed the S&P/TSX Composite Index (Total Return Index) since its IPO in 2008, with a cumulative underperformance of nearly 100% to date. A \$100 investment in Sprott Inc. at its inception would now be worth approximately \$29, while a \$100 investment in the S&P/TSX Composite Index would now be worth approximately \$125.



<sup>1</sup>. Period shown from May 15, 2008 to current, as of June 5, 2015.

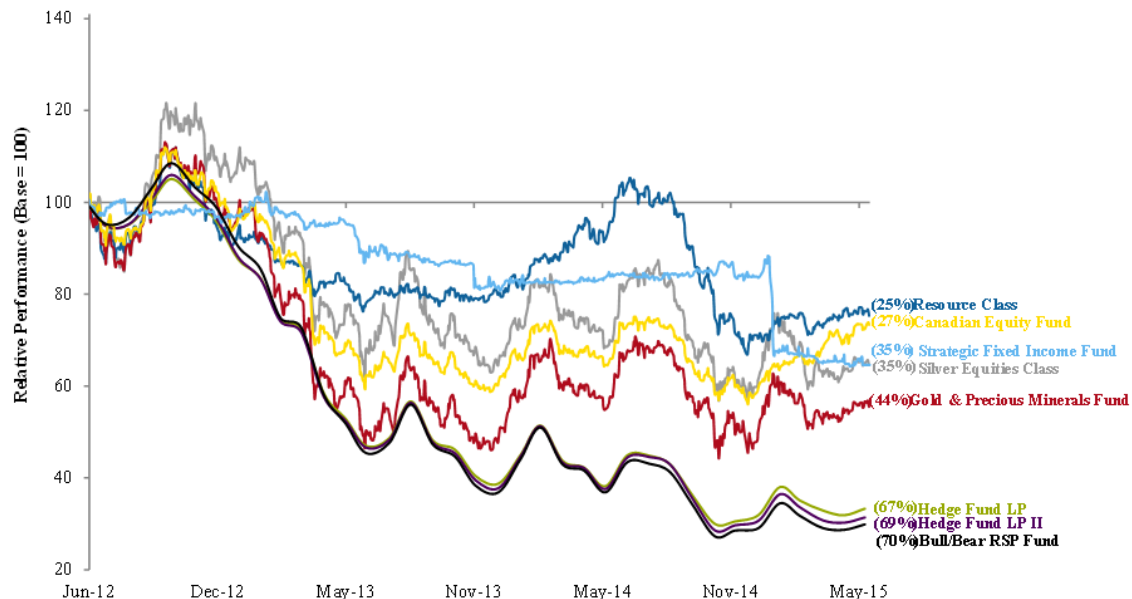
(Source: Bloomberg Financial Markets and public disclosure.)

A large number of Sprott Inc. actively managed funds also suffer from chronic underperformance, while Sprott Inc. continues to generate very significant management fees from these funds. The table below shows that over the past three years the selected group of poorly performing Sprott funds underperformed by approximately 13% on average against their respective Sprott-selected benchmark indices, while Sprott Inc. and SAM have collected over approximately \$110 million in management fees from these funds over the same three year period.

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**Relative Performance of Select Actively Managed Sprott Funds<sup>1</sup>**  
(Last 3 Years)



Fund	Performance		Perf. Relative to Benchmark	Fees Earned <sup>3,4</sup>	Value Lost <sup>5</sup>	Fund Size (\$ mm) <sup>6</sup>
	Fund	Benchmark <sup>2</sup>				
	(%)	(%)	(%)	(C\$ mm)	(C\$ mm)	(C\$ mm)
Resource Class	(25%)	(19%)	(6%)	\$2	(\$4)	\$15
Canadian Equity Fund	(27%)	43%	(69%)	\$59	(\$202)	\$321
Strategic Fixed Income Fund	(35%)	(24%)	(11%)	\$1	(\$40)	\$29
Silver Equities Class	(35%)	(54%)	19%	\$1	(\$9)	\$33
Gold and Precious Minerals Fund	(44%)	(49%)	5%	\$23	(\$211)	\$177
Hedge Fund LP	(67%)	-	-	\$14	not avail.	\$84
Hedge Fund LP II	(69%)	-	-	\$13	not avail.	\$43
Bull/Bear RSP Fund	(70%)	-	-	-	not avail.	\$10
	<b>Avg. Perf.</b>		<b>Avg. Rel. Perf.</b>	<b>Total Fees</b>	<b>Total Growth / (Loss)</b>	
	<b>(46%)</b>		<b>(13%)</b>	<b>\$112</b>	<b>(\$467)</b>	

<sup>1</sup> Market data as of June 5, 2015. Hedge Funds and Bull/Bear RSP Fund as at May 29, 2015.

<sup>2</sup> Resource Class comparative benchmark relative performance based on 50/50 weighting of S&P/TSX Materials TRI and S&P/TSX Capped Energy TRI. Canadian Equity Fund comparative benchmark relative performance based on S&P/TSX Composite TRI. Strategic Fixed Income Fund comparative benchmark relative performance based on the 3-Month Canadian Bankers' Acceptance Rate. Silver Equities Class comparative benchmark relative performance based on MSCI ACWI Select Silver Miners Investable Market Index. Gold and Precious Minerals Fund comparative benchmark relative performance based on S&P/TSX Global Gold TRI.

<sup>3</sup> Fees Earned are based on the last three fiscal years reported and include both management fees and incentive/performance fees. Based on company disclosure.

<sup>4</sup> Fees Earned by Hedge Fund LP and Hedge Fund LP II have been estimated based on the 2% management fee applicable to the funds' average assets under management, estimated for each of the last three fiscal years using data from Bloomberg.

<sup>5</sup> "Value Lost" is shown for the last three years (as of June 5, 2015) and is calculated as the product of (i) the percent change in the fund's NAV per share (or share price if publicly traded) on its Series A shares and (ii) the fund's average shares outstanding. Average shares outstanding based on semi-annual filings available for the same period.

<sup>6</sup> Fund size based on AUM as of April 30, 2015 and from fund filings.

(Source: Bloomberg Financial Markets, Thomson One Analytics and public disclosure.)

In fact, as illustrated in the table below, several Sprott funds were wound up or merged into other Sprott funds following persistent poor performance. Despite the significant underperformance and loss of value experienced by investors in these instances, Sprott still managed to extract approximately \$50 million in fees from these defunct funds. **Based on Sprott PSLV's fixed management fee of 0.45% of NAV,**

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**SAM stands to gain approximately US\$250,000<sup>6</sup> in additional annual management fees if it is successful in taking over the underlying assets of SBT to the detriment of SBT's Unitholders.**

Fund	Description	Inception Date	Wind-up / Merger Date	Fund Size <sup>1</sup> (\$ mm)	Value Lost (\$ mm) <sup>2</sup>	Fees Earned (\$ mm)	Performance Chart <sup>3</sup>
Sprott Molybdenum Participation Corp.	<ul style="list-style-type: none"> <li>Designed to invest in Molybdenum assets</li> <li>Impacted by crash in Molybdenum prices during late 2008</li> </ul>	Apr 2007	Jul 2009	\$262.9 (\$68.1)	(\$168)	\$23.3	
Sprott Absolute Return Fund	<ul style="list-style-type: none"> <li>Multi-strategy long/short fixed income and currency fund designed to maximize absolute returns with low volatility</li> <li>Suffered a loss of 18% as a result of the Swiss National Bank's unpegging of the Swiss Franc to the Euro</li> </ul>	Aug 2010	Jan 2015	n.a. (n.a.) <sup>4</sup>	n.a.	n/a	
Sprott Growth Fund	<ul style="list-style-type: none"> <li>Objective was to achieve long term capital growth by investing in growth oriented equities</li> <li>Impacted by global financial crisis in 2008/2009</li> <li>In 2011, the Sprott Growth Fund was merged into the Sprott Small Cap Equity Fund</li> </ul>	Jan 2006	Aug 2011	\$81.8 (\$50.9)	(\$24)	\$23.6	
Sprott Global Equity Fund	<ul style="list-style-type: none"> <li>Objective was to achieve long term capital growth by investing primarily in equities and equity-related securities of companies around the world</li> <li>Impacted by volatility in global markets and re-positioned in 2009 to be more defensive by overweighting materials and investing in gold bullion</li> <li>In 2010, the Sprott Global Equity Fund was merged into the Sprott All Cap Fund, which was subsequently rolled into the Sprott Canadian Equity Fund in 2012</li> </ul>	Apr 2007	Nov 2010	\$67.9 (\$10.4)	(\$17)	\$3.1	

<sup>1</sup> Fund size at inception based on the first year-end report. Figure in brackets represents fund size near merger/liquidation, based on the last quarterly filing.

<sup>2</sup> "Value Lost" is shown from inception to liquidation/amalgamation and is calculated as the product of (i) the percent change in the fund's NAV per share (or share price if publicly traded) on its Series A shares and (ii) it's average shares outstanding.

<sup>3</sup> Performance chart for Sprott Growth Fund and Global Equity Fund show performance of surviving funds after merger.

<sup>4</sup> No filings available at inception or termination date.

(Source: Bloomberg Financial Markets and public disclosure.)

When looking at the broader group of Sprott funds where information is publicly available, similarly poor returns were observed relative to their respective benchmarks. As shown below, these funds over the past three years have underperformed, on average, 11% below their respective benchmarks.

<sup>6</sup> US\$250,000 in annual management fees calculated based on Sprott PSLV's stated 0.45% management expense ratio applied to Silver Bullion Trust's average of the end of month net asset values over the last twelve months as of March 31, 2015.

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**Relative Performance of All Sprott Funds (Where Disclosure is Available)**

	<b>Sprott Performance<sup>1</sup></b> <i>(%)</i>	<b>Benchmark Performance<sup>1,2</sup></b> <i>(%)</i>	<b>Relative Underperformance</b> <i>(%)</i>
<b>All Sprott Funds<sup>3</sup></b> <i>(Where Disclosure is Available)</i>	(9.3%)	1.2%	(10.5%)
<b>Excluding Bond Funds<sup>4</sup></b>	(12.4%)	(0.2%)	(12.1%)

<sup>1</sup>. Based on last three years of performance as at December 31, 2014. Sprott Fund performance calculated based on fund filings and benchmark performance calculated based on Bloomberg data. Fund performance calculated based on NAV per share of the Class A Shares, where multiple series of shares exist.

<sup>2</sup>. Benchmarks are based on those used by Sprott in determining the performance fees for its funds. For those without a stated benchmark, comparable benchmarks were selected.

<sup>3</sup>. "All Sprott Funds" include: Canadian Equity Fund, Canadian Equity Class, Enhanced Equity Class, Small Cap Equity Fund, Energy Fund, Global Infrastructure Fund, Gold & Precious Minerals Fund, Gold & Precious Minerals Class, Real Asset Class, Resource Class, Silver Equities Class, Timber Fund, Enhanced Balanced Fund, Enhanced Balanced Class, Tactical Balanced Fund, Tactical Balanced Class, Diversified Bond Fund, Diversified Bond Class, Short-term Bond Fund, Short-term Bond Class and Strategic Fixed Income Fund.

<sup>4</sup>. Includes funds within "All Sprott Funds," with the exception of the following: Diversified Bond Fund, Diversified Bond Class, Short-term Bond Fund, Short-term Bond Class and Strategic Fixed Income Fund.

(Source: Bloomberg Financial Markets and public disclosure.)

## 8. Sprott pitches investors conflicting and self-serving messages

There have been numerous occasions where Sprott has provided conflicting and contradictory messages to investors, which brings into question whether Sprott is indeed truly aligned with investors.

### *Conflicting Price Predictions*

In October 2014, John Embry, Chief Portfolio Strategist at SAM, stated with regards to gold: **"In my opinion, what it has set up is probably the finest buying opportunity I have seen in my 51 years in the business"**<sup>7</sup>.

Despite this recent statement, and with the current price of gold being largely unchanged from October 2014, Sprott's offer circular for Central GoldTrust, issued concurrently with the Sprott Offer for SBT, asserts that a bull market similar to the most recent one experienced was extreme, and that there is no **"reasonable reason to believe that a [similar] bull market" for gold would exist in the "near or long-term future"**. The Trustees find it difficult to reconcile statements made by Sprott representatives when promoting their own investment vehicles with those made in an effort to discredit the future prospects of Central GoldTrust and by inference the prospects of Sprott's own bullion funds. Given the high correlation between gold and silver prices, the Trustees are of the view that such statements are also relevant to SBT Unitholders.

<sup>7</sup> Sprott Precious Metals Roundtable, October 2014.

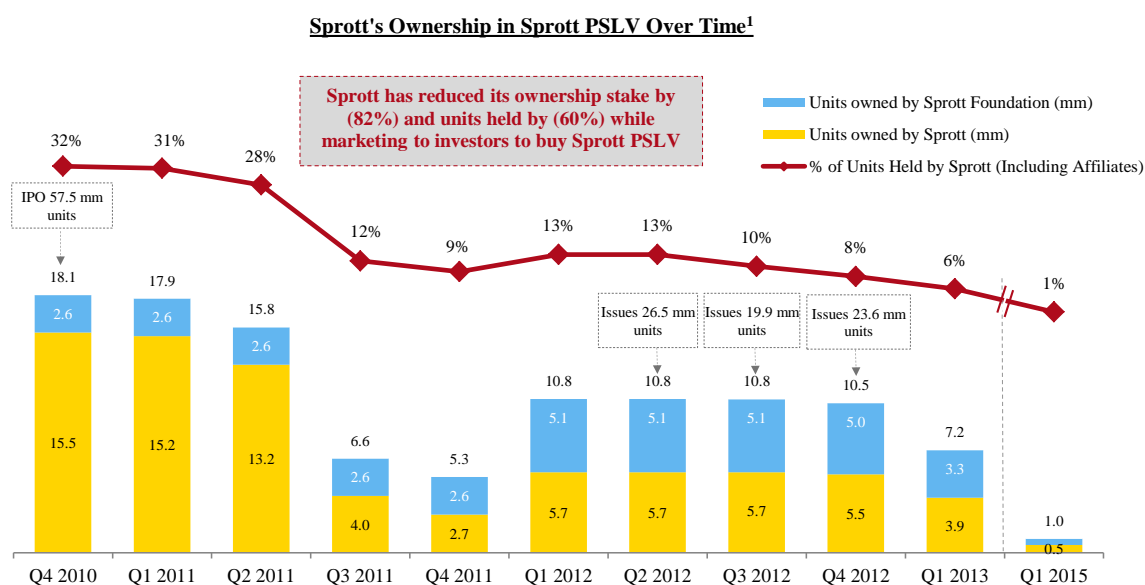
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## Contradictory Actions

Over the period from 2010 to 2013, various Sprott entities were selling their unit positions in Sprott PSLV while at the same time Sprott was actively marketing Sprott PSLV to public investors in order to raise new capital. This is yet another example of Sprott's misalignment with the interests of its investors. The chart below shows the declining positions in Sprott PSLV units of certain Sprott entities and affiliated persons, alongside issuance of Sprott PSLV units from 2010 through to 2013. **Sprott Inc., along with affiliated entities, decreased their ownership in Sprott PSLV units by 82% while marketing and encouraging other investors to purchase no fewer than four public new issues of Sprott PSLV units over the same time frame.**



## 9. SBT's Trustees and Senior Officers have a long, successful track record of stewarding silver bullion investment vehicles

SBT's administrative team and certain of SBT's Trustees have been stewarding and administering silver bullion investments for over 30 years.

The Administrator's staff and its consultants have almost 200 years of collective proven experience in soundly administering publicly traded precious metals entities. **The Board of Trustees has in excess of**

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**25 years' collective experience in proven stewardship of SBT.** Since inception, SBT has consistently had a strong, majority-independent Board of Trustees which has adopted sound governance practices. SBT has always served all of its Unitholders and it will continue to secure the hard earned capital entrusted to it by its owners at all times.

The Trustees understand that the unusually elevated discounts to NAV at which SBT Units have recently traded are of concern to investors; however, Sprott's opportunistic offer is not the solution. Your Trustees are actively considering a number of potential measures, including possible amendments to the existing cash redemption feature of SBT, which could potentially reduce future trading price discounts to NAV. Among the factors guiding the Trustees' analysis of such measures are the accessibility of any amended features to all Unitholders, the necessity that any such measures be accretive to non-redeeming Unitholders and the potential tax liabilities to Unitholders in connection therewith. Upon completion of a favourable analysis by financial, legal and tax advisors, the Trustees will consider whether to adopt such measures if appropriate.

**10. Accepting the Sprott Offer could expose certain non-redeeming U.S. SBT Unitholders to future U.S. tax liabilities due to Sprott PSLV's physical redemption feature**

*SBT specifically determined not to institute a physical bullion redemption feature when SBT was founded due to the risk of negative tax consequences*

When SBT was initially structured, a physical bullion redemption option was deliberately excluded from the structure of SBT because, among other things, it would have resulted in material adverse tax consequences for certain non-redeeming U.S. Unitholders. The adverse tax consequences inherent to the adoption of a physical redemption feature are the same today as they were in 2009 when SBT was founded.

**The Sprott Offer Circular does not include a tax opinion on U.S. tax consequences upon which U.S. Unitholders (as defined below) can rely in making their determination as to the risk of tendering their Units from a tax perspective, meaning that all such risk is borne entirely by a tendering Unitholder.**

*Redemptions that require a disposition of silver bullion, whether upon physical redemption or upon a sale to generate proceeds to pay a cash redemption, could result in tax liability for certain non-redeeming U.S. Unitholders*

Any redemption by a Sprott PSLV unitholder that requires the sale and/or delivery of physical bullion by Sprott PSLV will result in a taxable event for certain non-redeeming U.S. Unitholders due to the deemed disposition (sale) by Sprott PSLV as it exchanges physical bullion for units redeemed and/or when it is required to sell its silver bullion to satisfy a cash redemption. This deemed disposition by Sprott PSLV will give rise to a taxable gain on the physical bullion dependent on the amount of realized proceeds (in Canadian dollars) from the sale and/or delivery of silver bullion and adjusted Canadian dollar tax base that Sprott PSLV has recorded for its silver bullion. To date, the Board understands that since Sprott PSLV has been in a loss position on its bullion holdings, redemptions by unitholders have resulted in losses; therefore Sprott PSLV's investors have yet to be exposed to any negative tax consequences. However, this will change at higher silver prices, or lower Canadian/U.S. exchange rate levels, as any

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gains generated by Sprott units being redeemed at silver prices above the Canadian dollar cost base of Sprott's silver bullion would be subject to taxation and the resultant negative tax consequences would be borne by certain non-redeeming U.S. Unitholders. **As a result, if any Unitholder elects to redeem when silver prices exceed the Canadian dollar cost base of Sprott's silver bullion, certain non-redeeming U.S. Unitholders would incur a tax liability even though they took no action themselves.** Non-redeeming U.S. Unitholders that recognize a gain as a result of a redemption will be able to increase the basis in their Units by the amount of gain taken into income.

Sprott has not disclosed, in the Offer Circular or anywhere in its public disclosure or to its unitholders, the Canadian dollar cost base of Sprott PSLV's silver bullion holdings. Failing to disclose the Canadian dollar cost base of its bullion holdings denies ALL Unitholders the opportunity to fully analyze the potential tax consequences of the Sprott Offer.

*A physical bullion redemption option increases the risk that capital gains tax treatment for Unitholders could be called into question by U.S. tax authorities*

Should all SBT's Units be exchanged for Sprott PSLV units, there is a risk that the IRS could take the position for U.S. federal income tax purposes that gains recognized on future dispositions of units by QEF Electing Unitholders who are individuals, estates and trusts are subject to the 28% "collectibles" rate, rather than the 20% long-term capital gains rate, based on certain substance over form or other theories that might support re-characterization of the units of Sprott PSLV. There is no clear authority on this issue and U.S. Unitholders should consult their own tax advisors regarding this risk.

#### *Further Information on Tax Considerations*

For further details, see "Certain United States Tax Considerations". See also under the heading "Canadian Federal Income Tax Considerations" and "United States Federal Income Tax Considerations" in SBT's Management Information Circular dated April 24, 2015 in respect of the Annual and Special Meeting of Unitholders dated May 20, 2015, as well as the Annual Information Form for the year ended December 31, 2014, dated February 10, 2015.

### **11. The Exchange Offer Election and Merger Transaction may not qualify as a tax-deferred reorganization for United States federal income tax purposes and, as a result, may be a fully taxable transaction for all U.S. Unitholders**

Sprott states in its Offer Circular that "[b]ecause the determination of whether the exchange pursuant to the Exchange Offer Election and the Merger Transaction qualifies as a Reorganization [under Section 368(a) of the Code] depends on the resolution of complex issues and facts, some of which will not be known until the completion of the Offer and the Merger Transaction, there can be **no assurance** that the exchange pursuant to the Exchange Offer Election and the Merger Transaction will qualify as a Reorganization" (emphasis added).

If a gain is required to be recognized by a U.S. Unitholder because the Exchange Offer Election and the Merger Transaction fail to qualify as a tax-free reorganization, U.S. Unitholders that exchange their SBT

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Units for Sprott PSLV units would generally recognize any gain on such exchange equal to the difference, if any, between:

- (i) the fair market value of the Sprott PSLV units (determined as of the Expiry Date) received in exchange for SBT Units; and
- (ii) the U.S. Unitholder's adjusted tax basis in the SBT Units exchanged therefor. Any gain realized on the exchange would be subject to the PFIC (as defined under the heading "The Sprott Offer – Terms of the Sprott Offer" above) excess distribution rules discussed in the next paragraph.

Generally, under the excess distribution rules, if SBT were treated as a PFIC for any taxable year during which a U.S. Unitholder held or holds SBT Units, unless the U.S. Unitholder has made a timely and effective Mark-to-Market Election (as defined below) or a QEF Election:

- (i) any gain recognized by a U.S. Unitholder on the exchange of SBT Units pursuant to the Exchange Offer Election or the Merger Transaction would be allocated ratably over the U.S. Unitholder's holding period for its SBT Units;
- (ii) the amounts allocated to the taxable year of the gain would be taxed as ordinary income in the current year; and
- (iii) the amount allocated to each other taxable year would be subject to tax at the highest ordinary income rate in effect for individuals or corporations in such taxable year, as appropriate, and an interest charge would be imposed on the amount allocated to that taxable year. Such interest charge is not deductible by non-corporate U.S. Unitholders.

The highest combined U.S. federal, state, local and Medicare surcharge tax rate applicable to ordinary income for 2015 is approximately 51.1% for individuals who reside in New York City. For QEF Electing Unitholders the highest combined U.S. federal, state, local and Medicare surcharge tax rate is approximately 31.5% for individuals who reside in New York City with respect to long-term capital gains.

For further details, see "Certain United States Tax Considerations" below.

**12. Even if the Exchange Offer Election and Merger Transaction qualify as a reorganization for United States federal income tax purposes the PFIC rules may cause such transactions to be fully taxable, thereby causing certain U.S. Unitholders to incur tax at the highest federal and state ordinary income tax rates**

Sprott states in its Offer Circular that "U.S. [Unit]holders may be required to recognize gain, if any, on the exchange [under the PFIC rules], even if the exchange pursuant to the Exchange Offer Election and the Merger Transaction otherwise qualifies as a Reorganization" (emphasis added). If a gain is required to be recognized as a result of the PFIC rules, U.S. Unitholders (other than QEF Electing Unitholders) that exchange their SBT Units for Sprott PSLV units would generally recognize any gain on such exchange equal to the difference, if any, between:

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- (i) the fair market value of the Sprott PSLV units (determined as of the Expiry Date) received in exchange for SBT Units; and
- (ii) the U.S. Unitholder's adjusted tax basis in the SBT Units exchanged therefor. Any gain realized on the exchange would be subject to the PFIC excess distribution rules discussed in the next paragraph.

Generally, under the excess distribution rules, if SBT were treated as a PFIC for any taxable year during which a U.S. Unitholder held or holds SBT Units, unless the U.S. Unitholder, as referred to above, has made a timely and effective Mark-to-Market Election or a QEF Election:

- (i) any gain recognized by a U.S. Unitholder on the exchange of SBT Units pursuant to the Exchange Offer Election or the Merger Transaction would be allocated ratably over the U.S. Unitholder's holding period for its SBT Units;
- (ii) the amounts allocated to the taxable year of the gain would be taxed as ordinary income in the current year; and
- (iii) the amount allocated to each other taxable year would be subject to tax at the highest ordinary income rate in effect for individuals or corporations in such taxable year, as appropriate, and an interest charge would be imposed on the amount allocated to that taxable year. Such interest charge is not deductible by non-corporate U.S. Unitholders.

The highest combined U.S. federal, state, local and Medicare surcharge tax rate applicable to ordinary income for 2015 is approximately 51.1% for individuals who reside in New York City.

For further details, see "Certain United States Tax Considerations" below.

### **13. The Sprott Offer has been structured to bypass traditional statutory protections typically available to securityholders.**

#### *Circumvention of Squeeze-Out Threshold*

Notwithstanding that SBT is a mutual fund trust, and therefore not subject to the provisions of corporate statutes that govern corporations and the rights afforded to shareholders thereof, the Declaration of Trust was drafted based on the same governance principles that underlie such statutes, most notably the *Canada Business Corporations Act*. ("CBCA"). The Trustees believe these provisions are based upon corporate governance best practices and that certain aspects of the Sprott Offer are clearly designed to circumvent such best practices, which is not in the best interests of Unitholders.

In particular, the compelled and compulsory acquisition provisions set out in Section 13.6 of the Declaration of Trust, entitling an offeror who has made an offer that is accepted by at least 90% of the Units of SBT to acquire or redeem the remaining 10% of Units, is explicitly based upon and tracks the parallel provisions of Section 206 of the CBCA. However, the structure of the Merger Transaction proposed by Sprott would allow the Offeror, using the irrevocable power of attorney granted by a

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tendering Unitholder that has made the Merger Election, to amend the Declaration of Trust to lower this threshold to 66 $\frac{2}{3}$ %, thereby allowing Sprott PSLV to effect a compulsory acquisition or redemption at a threshold far lower than what is permitted under the parallel corporate laws.

### *Circumvention of Withdrawal Rights*

The Trustees believe that making the Merger Election, which Sprott states has been made available to tendering Unitholders in order to effect a tax-deferred rollover of their SBT Units to Sprott PSLV units attempts to convince Unitholders into giving up certain fundamental rights to withdraw their tendered Units enshrined in securities law under the *Securities Act* (Ontario). Under normal circumstances – and indeed in the case of a tendering Unitholder making the Exchange Offer Election – a tendering Unitholder has the right to withdraw tendered Units: (i) at any time before they are taken up by an offeror; (ii) at any time before the expiration of 10 days from the date of a notice of change to a take-over bid circular, such as the Offer Circular; or (iii) if, after they are taken up, they are not paid for within three business days.

Tendering SBT Unitholders who make the Exchange Offer Election do retain such withdrawal rights. **However Sprott has characterized the Merger Election as, in effect, a tender to the Offer, when in fact tendering Unitholders making the Merger Election are granting the Offeror a proxy over their tendered Units to effect fundamental structural changes to SBT and its Declaration of Trust that the Offeror deems necessary to complete the Merger Transaction. Units 'tendered' by Unitholders making the Merger Transaction are never intended to be taken up by the Offeror, because it is necessary that they be withdrawn to complete the tax-deferred rollover exchange for Sprott PSLV units.**

In a typical take-over bid subject to the *Securities Act* (Ontario) and the U.S. *Securities Exchange Act of 1934* (the "**U.S. Exchange Act**"), the operative action for a target securityholder is the act of tendering voting securities to an offer. The withdrawal rights set out in the *Securities Act* (Ontario) and U.S. Exchange Act are intended to protect securityholders who have taken such action but wish to subsequently withdraw. However under the Sprott Offer, the operative act for Unitholders making the Merger Election is not, in fact, a 'tender', but rather the granting of a power of attorney, which **becomes irrevocable at 4:58 p.m. (Toronto time)** on the Expiry Date. Thereafter, a Unitholder who has made the Merger Election will be unable to withdraw his or her consent to the passing of the Special Resolutions or completion of the Merger Transaction.

As a result, a Unitholder that wishes to withdraw tendered Units for which the Merger Election has been made, and prevent such Units from being counted towards the Threshold Condition, must do so **before 4:58 p.m. (Toronto time)** on the Expiry Date. If the Merger Transaction fails to be completed within three business days of the Expiry Date, for example, tendering Unitholders who made the Merger Election would not, technically, have been paid for their Units, but would not have the traditional securities law rights of withdrawal, because such Units were never actually taken up.

The Trustees believe that the disclosure with respect to the foregoing in the Offer Circular does not present a clear picture of the mechanics to Unitholders. With respect to the Merger Election, Sprott has disguised a power of attorney proxy solicitation, which would otherwise require a meeting of Unitholders, as a take-over bid exchange offer in an attempt to convince Unitholders to give up their withdrawal rights in respect of the period following 4:58 p.m. (Toronto time) on the Expiry Date.

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#### 14. The Offer Circular contains inadequate disclosure regarding certain conditions and contingencies of the Sprott Offer

##### *Waiver and Take-Up*

The Offer Circular contemplates a scenario in which the Offeror waives the Threshold Condition and takes up tendered SBT Units in an amount less than the required 66⅔%. However, there are numerous potential legal impediments to doing so and Sprott has not disclosed the structure or manner in which it would do so.

If the Offeror waived the Threshold Condition, it would also be required to waive the condition that the Special Resolutions be passed. This arises because, pursuant to the Declaration of Trust, the Offeror would not have power of attorney over sufficient voting rights to pass any resolutions effecting amendments to the Declaration of Trust (which require approval by Unitholders representing more than 66⅔% of the outstanding Units represented in person or by a proxy at a meeting of Unitholders duly called for the purposes of considering such resolutions or approved in writing by Unitholders holding more than 66⅔% of the outstanding Units). As a result, the Merger Transaction could not be completed.

First, it is unclear and Sprott has failed to disclose whether it is possible under the structure of SAM and Sprott PSLV for the Offeror to take up and pay for any Units if the conditions are not met. Pursuant to the Sprott Trust Agreement, Sprott PSLV must hold not less than 90% of its total net assets in physical silver bullion in London Good Delivery Bar form. Were Sprott able to complete the Merger Transaction, this consideration would be satisfied by the transfer of SBT's bullion at the NAV to NAV Exchange Ratio. However if the Threshold Condition is not met, the Offeror may still take up SBT Units, which Sprott PSLV is not permitted to hold under the Sprott Trust Agreement.

Second, if it were possible for the Offeror to hold the taken up SBT Units on behalf of Sprott PSLV, it is still unclear whether it is possible for the Offeror to take up and pay for any Units, since Sprott PSLV would not have received the required consideration under the Sprott Trust Agreement to issue the Sprott PSLV units required to effect the exchange.

The Trustees believe the waiver by the Offeror of certain of its bid conditions could create a resulting transaction drastically different from the one described in the Offer Circular, and that such resulting transaction has not been adequately described to Unitholders.

##### *Replacement of Trustees*

One of the Special Resolutions proposed to be passed by the Offeror using the power of attorney granted by tendering Unitholders making the Merger Election is the removal of the incumbent Independent Trustees from office and their replacement with undisclosed appointees of Sprott, with a mandate to complete the Sprott Offer and the Merger Transaction. However on April 22, 2015 the Trustees adopted an advance notice rule (the "**Advance Notice Rule**"), which was subsequently ratified and confirmed by Unitholders at the SBT Meeting.

The purpose of the Advance Notice Rule is to require any Unitholder that is not proceeding by way of Unitholder requisition (under Section 11.2 of the Declaration of Trust) to give to SBT advance notice of

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any Trustee or Trustees that such Unitholder proposes to nominate at any meeting of Unitholders at which Trustees are to be elected (including certain prescribed information about such nominees). The intention is to ensure that all Unitholders (including those participating by proxy) receive adequate information about nominated Trustees so that they can make informed voting decisions, at a Unitholder meeting at which Trustees are to be elected. The Advance Notice Rule also helps to ensure orderly Unitholder meetings by providing a structured and transparent framework for the nomination of Trustees by Unitholders.

The Advance Notice Rule does not permit Trustees to be nominated or elected in any manner other than pursuant to the provisions of the Advance Notice Rule itself, which requires Trustees to be nominated for election at a meeting of Unitholders called for that purpose. The Advance Notice Rule does not contemplate or permit the appointment of Trustees by written resolution, as one of the Special Resolutions proposed by Sprott purports to do.

**The Special Committee of Independent Trustees of Silver Bullion Trust has UNANIMOUSLY concluded that the Sprott Offer is NOT in the best interests of SBT Unitholders.**

**The Board of Trustees has adopted the recommendation of the Special Committee and recommends that Unitholders:**

**☒ REJECT the Sprott Offer;**

**☒ TAKE NO ACTION with respect to the Sprott Offer; and**

**☒ DO NOT TENDER their Units to the Sprott Offer**

The summary of the information and factors considered by the Board of Trustees includes the material information, factors and analysis considered by the Board of Trustees in reaching its conclusion and recommendations. The members of the Board of Trustees evaluated various factors which are summarized in this Trustees' Circular in light of their own knowledge of the affairs and outlook of SBT and based upon the advice of its financial and legal advisors. The conclusion and unanimous recommendation of the Special Committee of Independent Trustees, and the adoption of the Special Committee's recommendation by the Board of Trustees, was made after considering all of the available information and factors believed by the Board of Trustees to be relevant in their consideration of the Sprott Offer. Notwithstanding the foregoing, Unitholders should consider the terms of the Sprott Offer carefully together with their own advisors and come to their own decision as to whether to tender their Units in response to the Sprott Offer.

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## **RIGHTS OF WITHDRAWAL**

**IF YOU ARE A UNITHOLDER THAT HAS ALREADY TENDERED TO THE SPROTT OFFER, PLEASE READ THE FOLLOWING CAREFULLY.**

The following section outlines the rights of Unitholders to withdraw Units previously tendered to the Offer. **Unitholders who have tendered Units to the Sprott Offer and made the Merger Election should review the following very carefully, as your rights of withdrawal differ from traditional rights of withdrawal under securities laws.** See "Reasons for Rejecting the Sprott Offer" above.

Unitholders may withdraw any Units tendered and deposited pursuant to the Sprott Offer at any time in the following circumstances, unless otherwise permitted by applicable laws:

- (a) tendering Unitholders that have made the Merger Election may withdraw their Units and withdraw the Special Resolution power of attorney at any time prior to 4:58 p.m. (Toronto time) on the Expiry Date;
- (b) all other tendering Unitholders may withdraw their Units at any time before the Units have been taken up by the Offeror pursuant to the Sprott Offer;
- (c) all other tendering Unitholders may withdraw their Units if the tendered Units that are taken up have not been paid for by the Offeror within three business days after having been taken up; or
- (d) at any time before the expiration of ten calendar days from the date upon which either: (i) a notice of change relating to a change that has occurred, prior to the expiry of all rights to withdraw Units deposited under the Sprott Offer, in the information contained in the Offer Circular, that would reasonably be expected to affect the decision of a Unitholder to accept or reject the Sprott Offer (other than a change that is not within the control of Sprott, unless it is a change in a material fact relating to the units of Sprott PSLV); or (ii) a notice of variation concerning a variation in the terms of the Sprott Offer (other than a variation in the terms of the Sprott Offer consisting only of an increase in the value of the consideration offered for the Units where the Expiry Time (as defined below) is not extended for more than ten calendar days), is mailed, delivered or otherwise properly communicated to Unitholders, and, in each case, only if such deposited Units have not been taken-up by Sprott PSLV before the date of such notice of change or notice of variation.

**The Board of Trustees recommends that Unitholders who have already tendered Units to the Sprott Offer contact their broker or dealer, or contact D. F. King, the information agent retained by SBT, at the appropriate telephone number on the back page of this Trustees' Circular for information on how to withdraw Units.**

**The Sprott Offer is open until 5:00 p.m. (Toronto time) on July 6, 2015 (the "Expiry Time") unless extended or withdrawn. Unless you have already tendered Units to the Sprott Offer, there is no need for Unitholders to take any action with respect to the Sprott Offer at this time. If you have already tendered Units to the Sprott Offer, the Board of Trustees urges you to immediately withdraw.**

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## CERTAIN UNITED STATES TAX CONSIDERATIONS

In the opinion of Dorsey & Whitney LLP, the following discussion summarizes certain potentially adverse U.S. federal income tax consequences to certain U.S. Unitholders (as defined below) of the exchange of SBT Units for Sprott PSLV units pursuant to the Sprott Offer, and to the ownership and disposition of the Sprott PSLV units received pursuant to the Exchange Offer Election and the Merger Transaction. Dorsey & Whitney LLP provides no opinion as to whether the Exchange Offer Election and Merger Transaction, if consummated, will or will not qualify as a tax-deferred reorganization pursuant to Section 368(a) of the U.S. Internal Revenue Code of 1986, as amended ("the **Code**"). This summary addresses only U.S. Holders that hold SBT Units as "capital assets" (generally, assets held for investment purposes). This summary does not discuss all U.S. federal income tax consequences arising from the Sprott Offer that may be relevant to U.S. Unitholders. Unitholders should refer to the detailed discussion of U.S. federal income tax considerations of the acquisition, ownership and disposition of the Units set forth in SBT's filings with the Securities and Exchange Commission, including the Form 40-F Annual Report.

SBT believes it has been for each year of its entire existence, and expects to continue to be, a PFIC as defined under Section 1297(a) of the Code, for U.S. federal income tax purposes. A U.S. Unitholder can generally mitigate certain adverse U.S. federal income tax consequences of holding interests in a PFIC by making a timely and effective qualified electing fund election (a "**QEF Election**", and a U.S. Unitholder that makes a QEF Election, a "**QEF Electing Unitholder**"). SBT understands that a significant number of its U.S. Unitholders have made QEF Elections.

*The Exchange Offer Election and Merger Transaction May Not Qualify as a Tax-Deferred Reorganization and, As a Result, May be a Fully Taxable Transaction for All U.S. Unitholders*

The Offeror states in its Sprott Offer that "[b]ecause the determination of whether the exchange pursuant to the Exchange Offer Election and the Merger Transaction qualifies as a Reorganization [under Section 368(a) of the Code] depends on the resolution of complex issues and facts, some of which will not be known until the completion of the Sprott Offer and the Merger Transaction, there can be no assurance that the exchange pursuant to the Exchange Offer Election and the Merger Transaction will qualify as a Reorganization."

If gain is required to be recognized by a U.S. Unitholder because the Exchange Offer Election and the Merger Transaction fail to qualify as a tax-free reorganization under Section 368(a) of the Code (a "**Reorganization**"), U.S. Unitholders that exchange their SBT Units for Sprott PSLV units would generally recognize any gain on such exchange equal to the difference, if any, between:

- (i) the fair market value of the Sprott PSLV units (determined as of the expiry date) received in exchange for SBT Units; and
- (ii) the U.S. Unitholder's adjusted tax basis in the SBT Units exchanged therefor. Any gain realized on the exchange would be subject to the PFIC excess distribution rules discussed in the next paragraph.

## **REJECT THE SPROTT OFFER** **TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

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Generally, under the excess distribution rules, if SBT were treated as a PFIC for any taxable year during which a U.S. Unitholder held or holds SBT Units, unless the U.S. Unitholder has made a timely and effective mark-to-market election ("**Mark-to-Market Election**") or a QEF Election:

- (i) any gain recognized by a U.S. Unitholder on the exchange of SBT Units pursuant to the Exchange Offer Election or the Merger Transaction would be allocated ratably over the U.S. Unitholder's holding period for the SBT Units;
- (ii) the amounts allocated to the taxable year of the gain would be taxed as ordinary income in the current year; and
- (iii) the amount allocated to each other taxable year would be subject to tax at the highest ordinary income rate in effect for individuals or corporations in such taxable year, as appropriate, and an interest charge would be imposed on the amount allocated to that taxable year. Such interest charge is not deductible by non-corporate U.S. Unitholders.

The highest combined U.S. federal, state, local and Medicare surcharge tax rate applicable to ordinary income for 2015 is approximately 51.1% for individuals who reside in New York City. For QEF Electing Unitholders the highest combined U.S. federal, state, local and Medicare surcharge tax rate applicable to long-term capital gains for 2015 is approximately 31.5% for individuals who reside in New York City.

*Even if the Exchange Offer Election and Merger Transaction Qualify as a Reorganization, the PFIC Rules May Cause Such Transactions to be a Fully Taxable Transaction Causing Certain U.S. Unitholders to Incur Tax at the Highest Federal and State Ordinary Income Tax Rates Plus an Interest Charge*

The Offeror states in its Sprott Offer that "U.S. Unitholders may be required to recognize gain, if any, on the exchange [under the PFIC rules], even if the exchange pursuant to the Exchange Offer Election and the Merger Transaction otherwise qualifies as a Reorganization." If gain is required to be recognized as a result of the PFIC rules, U.S. Unitholders (other than QEF Electing Unitholders) that exchange their SBT Units for Sprott PSLV units would generally recognize any gain on such exchange equal to the difference, if any, between:

- (i) the fair market value of the Sprott PSLV units (determined as of the expiry date) received in exchange for SBT Units; and
- (ii) the U.S. Unitholder's adjusted tax basis in the SBT Units exchanged therefor. Any gain realized on the exchange would be subject to the PFIC excess distribution rules discussed in the next paragraph.

Generally, under the excess distribution rules, if SBT were treated as a PFIC for any taxable year during which a U.S. Unitholder held or holds SBT Units, unless the U.S. Unitholder has made a timely and effective Mark-to-Market Election or a QEF Election:

- (i) any gain recognized by a U.S. Unitholder on the exchange of SBT Units pursuant to the Exchange Offer Election or the Merger Transaction would be allocated ratably over the U.S. Unitholder's holding period for the SBT Units;

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- (ii) the amounts allocated to the taxable year of the gain would be taxed as ordinary income in the current year; and
- (iii) the amount allocated to each other taxable year would be subject to tax at the highest ordinary income rate in effect for individuals or corporations in such taxable year, as appropriate, and an interest charge would be imposed on the amount allocated to that taxable year. Such interest charge is not deductible by non-corporate U.S. Unitholders.

The highest combined U.S. federal, state, local and Medicare surcharge tax rate applicable to ordinary income for 2015 is approximately 51.1% for individuals who reside in New York City.

*Redemptions by Large Holders of Sprott PSLV Units May Result in Significant Tax Liabilities for Non-Redeeming QEF Electing Unitholders*

A QEF Electing Unitholder will generally be required each taxable year in which Sprott PSLV is a PFIC to recognize, as ordinary income, a *pro rata* share of the earnings of Sprott PSLV, and to recognize, as capital gain, a *pro rata* share of the net capital gain of Sprott PSLV. Except in unexpected circumstances, because SBT invests substantially all of its assets in silver bullion with the purpose of achieving long-term appreciation in the value of its assets, it is not anticipated that SBT will generate significant net capital gain or ordinary income and it is not expected that a QEF Electing Unitholder who continues to hold SBT Units will have significant income inclusions as a result of the QEF Election.

Any gains recognized by Sprott PSLV upon a sale of silver bullion or a transfer of silver bullion to a Sprott PSLV unitholder as a result of a redemption of Sprott PSLV units will be allocated among the Sprott PSLV units on a *pro rata* basis, and QEF Electing Unitholders who are individuals, estates or trusts will generally be subject to tax at the "collectibles" rate of 28% on their *pro rata* share of such gain. **Accordingly, QEF Electing Unitholders who hold Sprott PSLV units and who are not the redeeming Unitholder will be subject to tax on their *pro rata* share of any gains recognized by Sprott PSLV as a result of the sale or transfer of silver bullion by Sprott PSLV pursuant to a redemption.** QEF Electing Unitholders will be able to increase the tax basis in their Units by the amount of gain taken into income. **By contrast, gains recognized on the sale or other taxable disposition of units by QEF Electing Unitholders who hold Sprott PSLV units and who are individuals, estates, or trusts and who have held such units as capital assets for longer than twelve months are generally eligible for the lower tax rates applicable to long-term capital gains (20% plus the 3.8% Medicare surtax, if applicable).**

**BENEFICIAL OWNERS OF UNITS ARE ENCOURAGED TO SEEK ADVICE FROM THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE EXCHANGE OFFER ELECTION AND MERGER TRANSACTION AND HOLDING OF SPROTT PSLV UNITS BASED ON THEIR PARTICULAR CIRCUMSTANCES.**

This summary is based upon the Code, United States Department of the Treasury ("**Treasury**") regulations, rulings of the Internal Revenue Service ("**IRS**"), and judicial decisions in existence on the date hereof, all of which are subject to change. Any such change could apply retroactively and could adversely affect the tax consequences described above. No assurance can be given that the IRS will agree with the consequences described in this summary, or that a court will not sustain any challenge by the IRS

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in the event of litigation. No advance tax ruling has been sought or obtained from the IRS regarding the tax consequences of the transactions described herein.

This summary is based in part on representation letters provided by SBT and on customary factual assumptions. If any of those assumptions or representations is inaccurate, incomplete, or untrue, the conclusions stated above could be affected. Dorsey & Whitney LLP is under no obligation to update this summary as a result of a change in law or discovery of any inaccuracy in those representations. The summary above assumes that the terms and conditions of the transactions contemplated by the Sprott Offer are as described in this Circular and the Sprott Offer and will not have been waived or modified in any respect prior to consummation, if consummation should occur.

For purposes of this summary, a "**U.S. Unitholder**" is a beneficial owner of SBT Units or Sprott PSLV units, as applicable, that is (a) an individual who is a citizen of the United States or who is resident in the United States for U.S. federal income tax purposes, (b) an entity that is classified for U.S. federal income tax purposes as a corporation and that is organized under the laws of the United States, any state thereof, or the District of Columbia, or is otherwise treated for U.S. federal income tax purposes as a domestic corporation, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (d) a trust (i) whose administration is subject to the primary supervision of a court within the United States and all substantial decisions of which are subject to the control of one or more United States persons as described in Section 7701(a)(30) of the Code ("**United States persons**"), or (ii) that has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

If an entity classified for U.S. federal income tax purposes as a partnership or as an entity disregarded from its owner owns Units, the tax treatment of an owner of the entity will depend on the status of the owner and the activities of the entity. The tax treatment of such an entity, and the tax treatment of any owner of such an entity, are not addressed in this summary. Any entity that is classified for U.S. federal income tax purposes as a partnership or as an entity disregarded from its owner and that owns Units, and any owners of such an entity, are encouraged to consult their own tax advisors.

This summary does not discuss all U.S. federal income tax considerations that may be relevant to U.S. Unitholders in light of their particular circumstances or that may be relevant to certain beneficial owners that may be subject to special treatment under U.S. federal income tax law (for example, tax-exempt organizations, insurance companies, banks and other financial institutions, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting, real estate investment trusts, regulated investment companies (except as specifically discussed above), individual retirement accounts, qualified pension plans, persons who hold Units as part of a straddle, hedging, constructive sale, conversion, or other integrated transaction, persons who acquired Units as a result of the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan, U.S. Unitholders whose functional currency is not the U.S. dollar, controlled foreign corporations, passive foreign investment companies, and corporations that accumulate earnings to avoid U.S. federal income tax). Furthermore, this summary does not discuss any alternative minimum tax consequences, and does not address any aspects of U.S. state or local taxation.

## **OWNERSHIP OF SECURITIES OF SBT**

As at the date hereof, SBT has outstanding 5,467,228 Units without nominal or par value, each carrying the right to one vote per Unit.

### **REJECT THE SPROTT OFFER TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

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To the knowledge of the Board and the Senior Officers of SBT, Polar Securities, on behalf of the North Pole Fund, is the only person or company that beneficially owns, directly or indirectly, or exercises control or direction over Units carrying over ten per cent (10%) of the voting rights attached to the Units of SBT.

On June 8, 2015, the last trading day prior to the date of this Trustees' Circular, the closing price of the Units on the TSX was \$10.81 per Unit.

The names of the Trustees and Senior Officers of SBT, the positions held by them with SBT and the number and percentage of Units beneficially owned or over which control or direction is exercised, as of the date hereof, by each of them and, where known after reasonably inquiry, by their respective associates or affiliates, are as follows:

<b>Name</b>	<b>Position</b>	<b>Number of Units Beneficially Owned or over which Control or Direction is Exercised as of June 9, 2015</b>
Bruce D. Heagle	Independent Trustee	1,000
Ian M. T. McAvity	Lead Independent Trustee	2,000
Michael A. Parente	Independent Trustee	Nil
Jason A. Schwandt	Independent Trustee	1,000
J.C. Stefan Spicer	Chairman, Trustee, Chief Executive Officer	10,000 <sup>1</sup>
William L. Trench	Chief Financial Officer	1,000
Krystyna Bylinowski	Treasurer	Nil

<sup>1</sup> The Spicer family holds a total of 50,000 Units, inclusive of those noted above. Units in the amounts of 20,000 are held by Central Group Administrators Inc., which is owned by Joanne Spicer, the mother of J. C. Stefan Spicer, 8,000 are owned by Philip Spicer, the father of J.C. Stefan Spicer, 8,000 are held by FutureFunds Inc. owned by the family of Stefan Spicer, 2,000 are owned by his sister, Michele Spicer and 2,000 are owned by her company Accrete Corporation Limited. A further 400 Units are owned by an associate of Krystyna Bylinowski, Treasurer of SBT.

To the knowledge of the Trustees and Senior Officers of SBT, after reasonable inquiry, no associate or affiliate of SBT, no insider of SBT, any of such insider's associates or affiliates or any person or company acting jointly or in concert with SBT, beneficially owns, or exercises control or direction over, directly or indirectly, any securities of SBT, except as otherwise disclosed in this Trustees' Circular.

### **TRADING IN SECURITIES OF SBT**

During the six months preceding the date of this Trustees' Circular, none of SBT, the Trustees or Senior Officers of SBT, or other insiders of SBT nor, to the knowledge of the Trustees and Senior Officers of SBT, after reasonable enquiry, any of their respective associates or affiliates, or any person or company acting jointly or in concert with SBT, has traded any securities of SBT.

### **REJECT THE SPROTT OFFER** **TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

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## ISSUANCES OF SECURITIES OF SBT

No Units have been issued or granted during the two years preceding the date of this Trustees' Circular.

### INTENTION OF INSIDERS WITH RESPECT TO SPROTT OFFER

Each of the Trustees and Senior Officers of SBT that owns or exercises control or direction over Units of SBT has indicated that he or she intends to **REJECT** the Sprott Offer and **WILL NOT TENDER** any of his or her Units.

To the knowledge of the Trustees and Senior Officers of SBT, only Polar Securities, on behalf of the North Pole Fund, holding approximately 10% of the issued and outstanding Units of SBT, has indicated that it intends to tender its Units to the Sprott Offer.

For the purposes of all votes of the Board of Trustees related to matters concerning the Sprott Offer, including the recommendations of the Board of Trustees with respect to the Sprott Offer described in this Trustees' Circular, Mr. Stefan Spicer abstained from voting in respect of all such matters due to his potential conflict of interest as an insider of the Administrator. Sprott indicated in the Offer Circular that in the event that the Sprott Offer were to be successful, the Administration Agreement would be excluded from among the assets and liabilities of SBT that would be transferred to the Offeror as part of the Merger Transaction.

### ARRANGEMENTS BETWEEN SBT, TRUSTEES AND SENIOR OFFICERS

There are no agreements, commitments or understandings made or proposed to be made between SBT and any of its Trustees, Senior Officers or affiliates, including any agreement, commitment or understanding pursuant to which any payment or other benefit is proposed to be made or given by way of compensation for loss of office or as to any such person remaining in or retiring from office if the Sprott Offer is successful.

J.C. Stefan Spicer, a trustee and the Chairman and CEO of SBT, is a director and officer of the Administrator, which is controlled by members of the Spicer family. In the event the Sprott Offer were successful, the Administration Agreement would not be transferred to Sprott PSLV and the fees and benefits derived by the Administrator from SBT would cease.

Please see the information set forth in the sections entitled "Executive Compensation", "Management Contracts" and "Interest of Certain Persons in Material Transactions" of SBT's Notice of Meeting and Management Information Circular, dated April 24, 2015, which was sent to Unitholders in connection with the SBT Meeting.

The Administration Agreement governs the terms upon which the Administrator administers the affairs of SBT. Section 2(vi) of the Administration Agreement provides the Administrator with the right to approve any changes in the Declaration of Trust that could affect the rights of the Administrator or the performance of its duties under the Administration Agreement as a condition to the effectiveness of such changes to the Declaration of Trust. At this time, the intention of the Administrator in this regard is not known to the Board.

### **REJECT THE SPROTT OFFER**

### **TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

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If the Trustees and Senior Officers of SBT were to tender any Units they own to the Sprott Offer, and all of the conditions to the Sprott Offer were met or, where applicable, waived, they would receive Sprott PSLV units in consideration for their Units on the same terms and conditions as other Unitholders. As at the date of this Trustees' Circular, the Trustees and Senior Officers of SBT together with their affiliates owned, or exercised direction and control over, an aggregate of 55,000 Units. If the Trustees and Senior Officers of SBT were to tender all of their Units to the Sprott Offer, (which they have indicated that they do not intend to do) and such Units were accepted for tender and taken up and paid for by Sprott or else subject to redemption pursuant to the Merger Transaction, the Trustees and Senior Officers would receive that number of Sprott PSLV units as would be determined by Sprott on the Expiry Date based on the NAV to NAV Exchange Ratio. If the NAV to NAV Exchange Ratio were calculated as at May 22, 2015, the Trustees and Senior Officers of SBT together with their affiliates would receive, collectively, approximately 82,549 Sprott PSLV units in connection with the Merger Transaction. See "Ownership of Securities of SBT".

### **OWNERSHIP OF SECURITIES OF SPROTT**

None of SBT, its Trustees or Senior Officers nor, to the knowledge of the Trustees and Senior Officers of SBT, after reasonable enquiry, any associate or affiliate of SBT, insider of SBT or any of such insider's associates or affiliates, nor any person or company acting jointly or in concert with SBT, beneficially owns, or exercises control or direction over, any securities of Sprott.

### **ARRANGEMENTS WITH SPROTT**

There are no agreements, commitments or understandings made or, to the knowledge of the Trustees and Senior Officers of SBT, proposed to be made between Sprott, or its affiliates, or any of their directors, officers or affiliates, and SBT or any of its Trustees, Senior Officers or affiliates, including any agreement, commitment or understanding pursuant to which a payment or other benefit is proposed to be made or given by way of compensation for loss of office or as to any such person remaining in or retiring from office if the Sprott Offer is successful. No Trustee or Senior Officer of SBT is a director or officer of Sprott or any affiliates.

See "The Sprott Offer – Background and Overview".

### **INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS WITH SPROTT**

No Trustee or Senior Officer of SBT or any associate thereof has any interest in any material transaction to which Sprott or any of their affiliates is a party.

### **OTHER TRANSACTIONS**

Except as disclosed in this Trustees' Circular, SBT has not entered into any transaction or agreement in principle, or signed any contract or passed any Trustees' resolution in response to the Sprott Offer, nor are there any negotiations in response to the Sprott Offer, which would relate to or would result in: (a) an extraordinary transaction such as a merger or reorganization involving SBT; (b) the purchase, sale or transfer of a material portion of assets by SBT; (c) a competing take-over bid; (d) a bid by SBT for its own securities or for those of another issuer; or (e) any material change in the present capitalization of

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SBT. Notwithstanding the foregoing, the Board of Trustees may engage in negotiations in response to the Sprott Offer that could have one or more of the effects specified in the preceding paragraph.

### **MATERIAL CHANGES IN THE AFFAIRS OF SBT**

Except as publicly disclosed or otherwise described in this Trustees' Circular, none of the Trustees or Senior Officers of SBT is aware of any information that indicates any material change in the affairs or prospects of SBT since the date of its last published financial statements, being its interim unaudited consolidated financial statements and management's discussion and analysis for the three months ended March 31, 2015, each of which is available under Silver Bullion Trust's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **OTHER INFORMATION**

Except as otherwise described or disclosed in this Trustees' Circular or otherwise publicly disclosed, none of the Trustees or Senior Officers of SBT is aware of any other information that would reasonably be expected to affect the decision of the Unitholders to accept or reject the Sprott Offer.

### **PERSONS OR ASSETS EMPLOYED, COMPENSATED OR USED**

In addition to its legal counsel discussed below, the Special Committee has retained CIBC as its financial advisor. Pursuant to the engagement agreement entered into with CIBC, CIBC agreed to provide various financial advisory services and advice to the Board of Trustees in connection with the Sprott Offer and the response of the Board of Trustees thereto (collectively, the "**Advisory Services**"). Pursuant to the terms of the engagement agreement, the Special Committee has agreed to pay certain fees to CIBC, including fees of which a portion is dependent on the outcome of the Sprott Offer. The Special Committee has also agreed to reimburse CIBC for reasonable expenses related to CIBC's engagement and to indemnify it against certain liabilities relating to or arising out of the performance of the Advisory Services.

SBT has engaged D.F.King & Co. to assist it in connection with SBT's communications with Unitholders in connection with the Sprott Offer. SBT has agreed to pay customary compensation to D.F.King & Co. for such services. In addition, SBT has agreed to reimburse D.F. King for its reasonable expenses and to indemnify it against certain liabilities relating to or arising out of the engagement.

Except as set forth above, neither SBT nor any person acting on its behalf has or currently intends to employ, retain or compensate any person to make solicitations or recommendations to the Unitholders on its behalf with respect to the Sprott Offer.

Due to the extraordinary, non-recurring expenses incurred in connection with the Polar Requisition and the Sprott Offer, SBT has limited available cash resources, and the Board is considering a number of alternatives to enable SBT to satisfy its ongoing cash requirements. These alternatives include: the sale of all or a portion of SBT's silver certificates and/or a sale of a portion of its silver bullion assets; one or more private placements of Units; and/or the issuance of Units to certain service providers in lieu of making payment in cash; subject in each case to any required regulatory approvals.

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## **LEGAL MATTERS**

Certain Canadian legal matters relating to this Trustees' Circular have been reviewed by Bennett Jones LLP, counsel to the special committee of independent Trustees of SBT and by Dentons Canada LLP, counsel to SBT. Certain United States legal matters relating to this Trustees' Circular have been reviewed by Dorsey & Whitney LLP, United States legal counsel to SBT.

## **STATUTORY RIGHTS**

Securities legislation in the provinces and territories of Canada provides security holders of Silver Bullion Trust with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

## **TRUSTEES' APPROVAL**

The contents and the sending of this Circular have been approved by the Board of Trustees of Silver Bullion Trust.

## **REJECT THE SPROTT OFFER**

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**CONSENT OF BENNETT JONES LLP**

To the Board of Trustees of Silver Bullion Trust ("**SBT**")

We hereby consent to the references in the Trustees' Circular of SBT dated June 9, 2015 to our firm name.

DATED at Toronto, Ontario, Canada this 9th day of June, 2015.

(signed) "*Bennett Jones LLP*"

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**BENNETT JONES LLP**

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**CONSENT OF DORSEY & WHITNEY LLP**

To the Board of Trustees of Silver Bullion Trust ("**SBT**")

We hereby consent to the references in the Trustees' Circular of SBT dated June 9, 2015 to our firm name.

DATED at Seattle, Washington, USA this 9th day of June, 2015.

(signed) "*Dorsey & Whitney LLP*"

**DORSEY & WHITNEY LLP**

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**CONSENT OF DENTONS CANADA LLP**

To the Board of Trustees of Silver Bullion Trust ("**SBT**")

We hereby consent to the references in the Trustees' Circular of SBT dated June 9, 2015 to our firm name.

DATED at Toronto, Ontario, Canada this 9th day of June, 2015.

(signed) "*Dentons Canada LLP*"

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**DENTONS CANADA LLP**

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D. F. King & Co., North America Toll-Free at 1-800-398-2816; or via email at [inquiries@dfking.com](mailto:inquiries@dfking.com)*

## CERTIFICATE

June 9, 2015

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

### On behalf of the Board of Trustees

(signed) *"Ian M.T. McAvity"*

Ian M. T. McAvity

(signed) *"Bruce D. Heagle"*

Bruce D. Heagle

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## **APPENDIX "A"**

### **GLOSSARY OF TERMS**

*In this Trustees' Circular, the following terms shall have the meanings set forth below and grammatical variations thereof will have the corresponding meanings, unless the subject matter or context is inconsistent therewith or such terms are otherwise defined in the Trustees' Circular. Words importing the singular include the plural and vice versa and words importing any gender include all genders.*

**"Administration Agreement"** means the Administrative Services Agreement dated June 8, 2009 between SBT and the Administrator;

**"Administrator"** means Silver Administrators Ltd., the administrator of SBT;

**"Advance Notice Rule"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "Recommendation to Unitholders";

**"Advisory Services"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "Financial Advisors";

**"affiliate"** has the meaning ascribed to that term in the *Securities Act* (Ontario), as amended, supplemented or replaced from time to time;

**"Annual Information Form"** means the annual information form of SBT for the year ended December 31, 2014, dated February 10, 2015;

**"associate"** has the meaning ascribed to that term in the *Securities Act* (Ontario), as amended, supplemented or replaced from time to time;

**"Board"**, **"Trustees"** or **"Board of Trustees"** means the board of Trustees of SBT;

**"CBCA"** means the *Canada Business Corporations Act*;

**"CIBC"** means CIBC World Markets Inc.;

**"Code"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "Certain United States Tax Considerations";

**"Declaration of Trust"** means the Amended and Restated Declaration of Trust of SBT dated July 9, 2009;

**"D.F. King"** means D.F. King & Co., SBT's information agent;

**"Exchange Offer Election"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "The Sprott Offer – Terms of the Sprott Offer";

**"Expiry Date"** means July 6, 2015, or any subsequent date set out in any notice of Sprott as provided in Section 2 of the Offer Circular;

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**"Expiry Time"** means 5:00 p.m. (Toronto time) on the Expiry Date, or any subsequent time set out in any notice of Sprott as provided in Section 2 of the Offer Circular;

**"Independent Trustees"** means Messrs. Ian McAvity, Bruce Heagle, Jason Schwandt and Michael Parente;

**"IPO"** means initial public offering;

**"IRS"** means the Internal Revenue Service;

**"Manager"** means Sprott Asset Management GP Inc.;

**"Mark-to-Market Election"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "Certain United States Tax Considerations";

**"Merger Agreement"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "The Sprott Offer – Terms of the Sprott Offer – Special Resolution Power of Attorney";

**"Merger Election"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "The Sprott Offer – Terms of the Sprott Offer";

**"Merger Transaction"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "The Sprott Offer – Terms of the Sprott Offer";

**"Mint"** means the Royal Canadian Mint;

**"NAV"** means net asset value;

**"NAV to NAV Exchange Ratio"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "The Sprott Offer – Terms of the Sprott Offer – Exchange Value";

**"North Pole Fund"** means North Pole Capital Master Fund;

**"Offer Circular"** means the Sprott Offer and the accompanying take-over bid circular of the Sprott dated May 27, 2015;

**"Offeror"** means Sprott Asset Management Silver Bid LP;

**"PFIC"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "Certain United States Tax Considerations";

**"Polar"** means, collectively, Polar Securities and the North Pole Fund;

**"Polar Proposal"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "The Sprott Offer – Background and Overview";

**"Polar Requisition"** has the meaning ascribed to that term in the section of this Trustees' Circular entitled "The Sprott Offer – Background and Overview";

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"**Polar Securities**" means Polar Securities Inc.;

"**QEF Election**" has the meaning ascribed to that term in the section of this Trustees' Circular entitled "Certain United States Tax Considerations";

"**QEF Electing Unitholder**" has the meaning ascribed to that term in the section of this Trustees' Circular entitled "Certain United States Tax Considerations";

"**Reorganization**" has the meaning ascribed to that term in the section of this Trustees' Circular entitled "Certain United States Tax Considerations";

"**SAM**" means Sprott Asset Management LP;

"**SBT Meeting**" means the Annual and Special Meeting of Unitholders of SBT held on May 20, 2015;

"**SEC**" means the U.S. Securities and Exchange Commission;

"**SEDAR**" means the Systems for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators;

"**Senior Officers**" means J.C. Stefan Spicer (President and CEO), William L. Trench (CFO) and Krystyna Bylinowski (Treasurer), the executive officers of SBT;

"**Silver Bullion Trust**" or "**SBT**" means Silver Bullion Trust, a trust established under the laws of the Province of Ontario;

"**Special Committee**" means the special committee of independent Trustees composed of Messrs. Bruce Heagle, Ian McAvery, Michael Parente and Jason Schwandt;

"**Special Resolutions**" has the meaning ascribed to that term in the section of this Trustees' Circular entitled "The Sprott Offer – Terms of the Sprott Offer – Special Resolution Power of Attorney";

"**Sprott**" means the Offeror, SAM, and, where the context requires, other affiliates of Sprott Inc. including Sprott PSLV;

"**Sprott Offer**" means the offer to acquire all the outstanding Units of SBT, upon the terms and subject to the conditions set forth in the Offer Circular;

"**Sprott PSLV**" means Sprott Physical Silver Trust;

"**Sprott Trust Agreement**" means the trust agreement between SAM and RBC Investor Services, as trustee, dated as of August 28, 2009, as amended and restated as of February 27, 2015;

"**Threshold Condition**" has the meaning ascribed to that term in the section of this Trustees' Circular entitled "The Sprott Offer – Background and Overview – Commencement of the Sprott Offer and Formation of Special Committee";

**REJECT THE SPROTT OFFER**  
**TAKE NO ACTION - DO NOT TENDER YOUR UNITS**

*If you have already tendered your Units to the Sprott Offer, you can withdraw your Units by contacting your broker or D. F. King & Co., North America Toll-Free at 1-800-398-2816; or via email at [inquiries@dfking.com](mailto:inquiries@dfking.com)*



"**Treasury**" means the United States Department of the Treasury;

"**Trustees' Circular**" means this Trustees' circular of SBT;

"**TSX**" means the Toronto Stock Exchange;

"**United States persons**" has the meaning ascribed to that term in the section of this Trustees' Circular entitled "Certain United States Tax Considerations";

"**Unitholders**" means, collectively, the holders of Units and "**Unitholder**" means one of them;

"**Units**" means the trust units of SBT;

"**U.S. Exchange Act**" means the U.S. *Securities Exchange Act of 1934*, as amended; and

"**U.S. Unitholder**" has the meaning ascribed to that term in the section of this Trustees' Circular entitled "Certain United States Tax Considerations".

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**If you have any questions or require any assistance, please call D.F. King  
Canada at:**



**North American Toll Free Phone:**

**1-800-398-2816**

Email: [inquiries@dfking.com](mailto:inquiries@dfking.com)

**For up to date information we strongly encourage Unitholders to please visit  
[www.silverbulliontrust.com](http://www.silverbulliontrust.com)**