

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. **These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws and may not be offered or sold in the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the U.S. Securities Act) or persons in the United States unless an exemption from registration is available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See “Plan of Distribution”.**

## PROSPECTUS

*Initial Public Offering*

July 9, 2009



## SILVER BULLION TRUST

**U.S.\$20,000,000 (2,000,000 Units) Minimum**

**U.S.\$200,000,000 (20,000,000 Units) Maximum**

**U.S.\$10.00 per Unit**

Silver Bullion Trust (the “Trust”) is hereby qualifying for distribution a minimum of 2,000,000 units and a maximum of 20,000,000 units (the “Units”) of the Trust (the “Offering”) at a price of U.S.\$10.00 per Unit. Each Unit will be comprised of one redeemable, transferable, trust unit of the Trust (a “Trust Unit”) and one warrant of the Trust (a “Warrant”). This prospectus qualifies the issuance of the Trust Units and the Warrants. The Units will separate into the Trust Units and Warrants immediately upon the closing of the Offering (the “Closing”). Each Warrant will entitle the holder thereof to acquire one Trust Unit (a “Warrant Unit”) at an exercise price of U.S.\$10.00 at any time before 5:00 p.m. (Toronto time) on the date that is nine (9) months following the Closing Date (as defined herein) (the “Expiry Time”). **Warrants not exercised by the Expiry Time will be void and of no value.** See “Description of the Securities Distributed”.

The Trust is a passive, self-governing, single purpose, closed-end trust established by a declaration of trust dated June 8, 2009, as amended and restated on July 9, 2009 (the “Declaration of Trust”) under the laws of the Province of Ontario. The Trust has been created to buy and hold substantially all of its assets in silver bullion and, incidental thereto, minor amounts of silver certificates, if any. The objective of the Trust is to provide a secure, convenient, low cost, exchange-tradeable investment alternative for investors interested in holding an investment in silver bullion for long-term appreciation.

The net proceeds of the Offering will be used to acquire and hold silver bullion and, incidental thereto, minor amounts of silver certificates, in accordance with the objective and the policies and restrictions of the Trust contained in the Declaration of Trust. All of the physical silver bullion owned by the Trust will be stored on an allocated and segregated basis in Canada, in the treasury vaults of a Schedule 1 Canadian chartered bank. See “Rationale of the Trust – Objective of the Trust” and “Use of Proceeds”.

Silver Administrators Ltd. (the “Administrator”), an Ontario company incorporated on June 8, 2009, will be the Administrator of the Trust and will be responsible for the administration of the Trust.

**In this prospectus, except where indicated, all dollar amounts are in U.S. dollars.**

**There is currently no market through which the Units (including the securities underlying the Units) may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Units (including the securities underlying the Units) in the secondary market, the transparency and availability of trading prices, the liquidity of the Units (including the securities underlying the Units), and the extent of issuer regulation. An investment in the Units is subject to a number of risks that should be considered by a prospective purchaser. See “Risk Factors”.**

**The primary objective of the Trust is to provide a secure, convenient, low cost, exchange-tradeable investment alternative for investors interested in holding an investment in silver bullion for long-term appreciation. Accordingly, the Trust does not anticipate paying regular distributions to the holders of its Trust Units. Any cash distributions will generally be based on the amount of net capital gains, if any, realized in such year and the amount of net income (excluding net capital gains) for the year, if any. See “Risk Factors”.**

**See “Risk Factors” for a discussion of certain considerations relevant to an investment in the Units offered hereby. In the opinion of Fraser Milner Casgrain LLP, counsel to the Trust, and Cassels Brock & Blackwell LLP, counsel to the Agent, the Trust Units and the Warrants will, on the date of Closing, be qualified investments for certain funds, plans and accounts under the *Income Tax Act (Canada)* (the “Tax Act”) as set out under the heading “Eligibility for Investment”, subject to the qualifications contained in this section.**

**The Trust is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Neither the Trust Units nor the Warrants are “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under provisions of that Act or any other legislation.**

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Trust Units and the Warrants under the symbols “SBT.UN” and “SBT.W”, respectively. Listing is subject to the Trust fulfilling all of the listing requirements of the TSX on or before September 25, 2009.

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**PRICE U.S.\$10.00 PER UNIT**

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	<b>Price to the Public <sup>(1)</sup></b>	<b>Agent’s Fee</b>	<b>Net Proceeds to the Trust <sup>(2)</sup></b>
Per Unit.....	U.S.\$10.00	U.S.\$0.50	U.S.\$9.50
Total Minimum Offering <sup>(3)</sup> .....	U.S.\$20,000,000	U.S.\$1,000,000	U.S.\$19,000,000
Total Maximum Offering <sup>(4)</sup> .....	U.S.\$200,000,000	U.S.\$10,000,000	U.S.\$190,000,000

**Notes:**

- (1) The Offering price of the Units has been determined by negotiation between the Trust and the Agent (as hereinafter defined).
- (2) Before deducting expenses of the Offering, estimated at U.S.\$500,000, which, together with the Agent’s fee, will be paid by the Trust out of the proceeds of the Offering.
- (3) The Offering will not be completed unless a minimum of 2,000,000 Units are sold. If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Units on or before such date.
- (4) The Trust has granted the Agent an over-allotment option (the “Over-Allotment Option”), exercisable until 30 days after the Closing, to purchase a maximum of 15% of the aggregate number of Trust Units issued at the Closing at a price of U.S.\$9.25 per Trust Unit (the “Option Trust Units”) and to purchase a maximum of 15% of the aggregate number of Warrants issued at the Closing at a price of U.S.\$0.75 per Warrant (the “Option Warrants”) This prospectus qualifies both the grant of the Over-Allotment Option and distribution

of the Option Trust Units and Option Warrants issuable on the exercise thereof. A purchaser who acquires Option Trust Units and Option Warrants forming part of the Over-Allotment Option acquires those Option Trust Units and Option Warrants under this prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum Offering will be U.S.\$230,000,000, the Agent's fee will be U.S.\$11,500,000 and the net proceeds to the Trust (before deducting expenses of the Offering) will be U.S.\$218,500,000. See "Plan of Distribution".

Trust Units are redeemable at any time on demand by the holders thereof. As the Trust Units will be issued in book entry form only (see "Organization and Administration Details of the Trust – Book Entry Only and Book Based System"), a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer, who will be required to deliver the completed redemption notice form to CDS Clearing and Depository Services Inc. ("CDS"). Upon receipt of the redemption notice by the Trust from CDS, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive an amount per Trust Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the "market price" on the principal market or exchange on which the Trust Units are quoted for trading during the 10 trading day period commencing immediately following the date on which the Trust Units were tendered for redemption (the "Redemption Date"); and (ii) 100% of the "closing market price" on the principal market on which the Trust Units are quoted for trading on the Redemption Date. See "Redemptions".

CIBC World Markets Inc. (the "Agent") offers the Units, on a best efforts basis, if, as and when issued by the Trust in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Trust by Fraser Milner Casgrain LLP, and on behalf of the Agent by Cassels Brock & Blackwell LLP. See "Plan of Distribution".

<u>Agent's Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	3,000,000 Option Trust Units	Within 30 days of Closing	U.S.\$9.25 per Option Trust Unit
Over-Allotment Option	3,000,000 Option Warrants	Within 30 days of Closing	U.S.\$0.75 per Option Warrant

Subscriptions for the Units will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. Book entry and book based only certificates representing the Trust Units and the Warrants, respectively, will be issued in registered form to CDS or its nominee and will be deposited with CDS on the date of the Closing, which is expected to occur on or about July 29, 2009, or such other date as the Trust and the Agent may agree, but in any event no later than August 12, 2009. A beneficial owner of Units, Trust Units and Warrants will not have the right to receive physical certificates evidencing its ownership. Therefore, a purchaser of Units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the Units were purchased. See "Plan of Distribution" and "Organization and Administration Details of the Trust – Book Entry Only and Book Based System".

The principal and head office of the Trust is located at 55 Broadleaf Crescent, Ancaster, Ontario, Canada L9G 3P2. The Trust's mailing address is P.O. Box 10106 Meadowlands, Ancaster, Ontario, Canada L9K 1P3.

## TABLE OF CONTENTS

<p>ELIGIBILITY FOR INVESTMENT ..... v</p> <p>EXCHANGE RATES ..... v</p> <p>FORWARD LOOKING STATEMENTS ..... v</p> <p>PROSPECTUS SUMMARY ..... 1</p> <p>STRUCTURE OF THE TRUST ..... 7</p> <p>RATIONALE OF THE TRUST ..... 7</p> <p style="padding-left: 20px;">Objective of the Trust ..... 7</p> <p style="padding-left: 20px;">Convenient, Lower-Cost Alternative to Purchasing Silver Bullion Directly ..... 7</p> <p style="padding-left: 20px;">Direct Leverage to Silver Prices ..... 7</p> <p style="padding-left: 20px;">Low Cost Relative to Silver Mining Equities ..... 7</p> <p style="padding-left: 20px;">Lower Risk Relative to Silver Mining Equities ..... 8</p> <p style="padding-left: 20px;">Conservative Management with Forty- Five Year Track Record ..... 9</p> <p style="padding-left: 20px;">Low Administration Fees ..... 9</p> <p style="padding-left: 20px;">Investment Safety ..... 10</p> <p style="padding-left: 20px;">Investment Policies of the Trust ..... 10</p> <p>OVERVIEW OF THE SILVER MARKET ..... 11</p> <p style="padding-left: 20px;">Introduction ..... 11</p> <p style="padding-left: 20px;">World Silver Supply and Demand ..... 11</p> <p style="padding-left: 20px;">Uses of Silver ..... 11</p> <p style="padding-left: 20px;">Recent Price History ..... 12</p> <p>FEES AND EXPENSES ..... 15</p> <p style="padding-left: 20px;">Initial Expenses ..... 15</p> <p style="padding-left: 20px;">Ongoing Fees and Expenses ..... 15</p> <p>STEWARDSHIP OF THE TRUST ..... 16</p> <p style="padding-left: 20px;">Trustees and Officers of the Trust ..... 16</p> <p style="padding-left: 20px;">Executive Compensation ..... 18</p> <p style="padding-left: 20px;">Cease Trade Orders, Bankruptcies, Penalties or Sanctions ..... 19</p> <p style="padding-left: 20px;">Conflict of Interest ..... 19</p> <p>AUDIT COMMITTEE MATTERS ..... 19</p> <p>GOVERNANCE MATTERS ..... 23</p> <p style="padding-left: 20px;">Board Mandate and Code of Ethics ..... 23</p> <p style="padding-left: 20px;">Composition of Board ..... 24</p> <p style="padding-left: 20px;">Lead Trustee ..... 24</p> <p style="padding-left: 20px;">Board Activities ..... 24</p> <p style="padding-left: 20px;">Committees ..... 24</p> <p style="padding-left: 20px;">Expectations of Executive Officers ..... 25</p> <p>USE OF PROCEEDS ..... 25</p> <p>DESCRIPTION OF THE TRUST ..... 26</p> <p style="padding-left: 20px;">Business of the Trust ..... 26</p> <p style="padding-left: 20px;">Establishment of Trust ..... 27</p> <p style="padding-left: 20px;">Trustees of the Trust ..... 27</p> <p style="padding-left: 20px;">Meetings of Unitholders ..... 28</p> <p style="padding-left: 20px;">Amendments to the Declaration of Trust ..... 29</p> <p style="padding-left: 20px;">Term of the Trust ..... 29</p>	<p style="padding-left: 20px;">Take-over Bids ..... 30</p> <p style="padding-left: 20px;">Information and Reports ..... 30</p> <p>DESCRIPTION OF THE SECURITIES</p> <p>DISTRIBUTED ..... 30</p> <p style="padding-left: 20px;">Trust Units ..... 30</p> <p style="padding-left: 20px;">Issuance of Trust Units ..... 30</p> <p style="padding-left: 20px;">Warrants ..... 31</p> <p>DISTRIBUTION POLICY ..... 33</p> <p>REDEMPTIONS ..... 33</p> <p>ORGANIZATION AND ADMINISTRATION DETAILS OF THE TRUST ..... 34</p> <p style="padding-left: 20px;">Administrative Services Agreement ..... 34</p> <p style="padding-left: 20px;">Directors and Officers of the Administrator ..... 36</p> <p style="padding-left: 20px;">Principal Holders of Shares of the Administrator ..... 36</p> <p style="padding-left: 20px;">Auditors ..... 37</p> <p style="padding-left: 20px;">Registrar and Transfer Agents ..... 37</p> <p style="padding-left: 20px;">Warrant Agent ..... 37</p> <p style="padding-left: 20px;">Promoter ..... 37</p> <p style="padding-left: 20px;">Book Entry Only and Book Based System ..... 37</p> <p>PLAN OF DISTRIBUTION ..... 38</p> <p>CAPITALIZATION OF THE TRUST ..... 39</p> <p>CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS ..... 39</p> <p>RISK FACTORS ..... 44</p> <p style="padding-left: 20px;">Risks Related to the Trust’s Activities and the Industry ..... 44</p> <p style="padding-left: 20px;">Risks Related to the Structure of the Trust and this Offering ..... 45</p> <p>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS ..... 48</p> <p>MATERIAL CONTRACTS ..... 48</p> <p>LEGAL MATTERS ..... 48</p> <p>EXPERTS ..... 49</p> <p>LEGAL PROCEEDINGS AND REGULATORY ACTIONS ..... 49</p> <p>PROMOTER ..... 49</p> <p>AUDITORS, TRANSFER AGENTS AND REGISTRAR ..... 49</p> <p>PURCHASERS’ STATUTORY RIGHTS ..... 49</p> <p>AUDITORS’ CONSENT ..... 50</p> <p>FINANCIAL STATEMENTS ..... 51</p> <p>CERTIFICATE OF SILVER BULLION TRUST AND THE PROMOTER ..... C-1</p> <p>CERTIFICATE OF THE AGENT ..... C-2</p>
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## ELIGIBILITY FOR INVESTMENT

In the opinion of Fraser Milner Casgrain LLP, counsel to the Trust, and Cassels Brock & Blackwell LLP, counsel to the Agent, the Trust Units and Warrants offered hereunder will be, on the date of issue, qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (“TFSA”), all as defined in the Tax Act (collectively, “Plans”), provided that the Trust Units and Warrants are listed on a “designated stock exchange” as defined in the Tax Act (which includes the Toronto Stock Exchange). If such securities are not listed on a designated stock exchange they will also be a qualified investment for such Plans provided that the Trust is a mutual fund trust as defined in the Tax Act and, in the case of the Warrants, provided that the Trust deals at arm’s length for purposes of the Tax Act with each person who is an annuitant, a beneficiary, an employer or a subscriber under such Plan.

A Unitholder that is a TFSA will be subject to a penalty tax if the Trust Units or Warrants are a “prohibited investment” as defined in the Tax Act for the purposes of the TFSA. Generally, Trust Units and Warrants will not be a prohibited investment for a TFSA provided that the holder of the TFSA deals at arm’s length with the Trust and does not have a “significant interest” (within the meaning of the Tax Act) in the Trust or a corporation, partnership or trust, with which the Trust does not deal at arm’s length. Unitholders are advised to consult their own tax advisors to determine whether the Trust Units and Warrants are prohibited investments for a TFSA in their particular circumstances.

## EXCHANGE RATES

The following table sets forth, for the periods indicated, certain information with respect to exchange rates for the Canadian dollar expressed in U.S. dollars, the highest rate, lowest rate and the exchange rate at the end of each period and the average of such exchange rates based upon the noon buying rates as reported by the Bank of Canada:

	Six months ended June 30 (U.S.\$)	Twelve months ended December 31 (U.S.\$)		
	2009	2008	2007	2006
	High.....	\$0.9236	\$1.0289	\$1.0905
Low .....	\$0.7692	\$0.7711	\$0.8437	\$0.8528
Period End.....	\$0.8602	\$0.8166	\$1.0120	\$0.8581
Average .....	\$0.8290	\$0.9381	\$0.9304	\$0.8818

The noon rate of exchange on July 9, 2009 as reported by the Bank of Canada for the conversion of Canadian dollars into U.S. dollars was \$1.00 Canadian equals U.S.\$0.8604.

## FORWARD LOOKING STATEMENTS

All statements, trend analysis and other information contained in this prospectus and the documents incorporated herein relative to the Trust’s assets and trends in revenue and anticipated expense levels, as well as other statements about anticipated future events or results, constitute forward looking statements. Forward looking statements often, but not always, are identified by the use of the words such as “seek”, “anticipate”, “believe”, “plan”, “estimate”, “expect” and “intend” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “will”, “should”, “could” or “might” occur or be taken or achieved. Examples of forward looking statements include, but are not limited to, statements:

- that the Trust anticipates that the primary mechanism for Unitholders to dispose of their Trust Units will be through the facilities of the recognized stock exchange on which the Trust Units are listed for trading;
- that the Trust believes that investors view precious metals (such as gold and silver) as a safe haven investment in times of economic, political or currency uncertainty and in times of rising inflation; and

- that if holders of a substantial number of Trust Units were to exercise their redemption rights, the number of Trust Units outstanding and the net asset value of the Trust could be significantly reduced.

Forward looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results to differ materially from those contained in the forward looking statements. Forward looking statements are based on estimates and opinions of the Trust's senior executive officers (the "Senior Executive Officers") and the Administrator at the date the statements are made. Some of these risks, uncertainties and other factors are described in this prospectus under the heading "Risk Factors". The Trust and the Administrator do not undertake any obligation, except as required by applicable securities law, to update forward looking statements even if circumstances or the Senior Executive Officers' estimates and opinions should change. Investors should not place undue reliance on forward looking statements.

The contents of the Trust's web site are expressly not incorporated by reference in this prospectus.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this Offering and should be read together with the more detailed information and financial statements contained elsewhere in this prospectus. Certain terms used in this summary are defined elsewhere in this prospectus.*

*In this prospectus, unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. References to "\$" are to U.S. dollars and references to "CDN\$" are to Canadian dollars. All amounts also assume that the Agent has not exercised the Over-Allotment Option.*

### THE OFFERING

**Issuer:** Silver Bullion Trust (the "Trust") is a passive, self-governing, single purpose, closed-end trust established by a declaration of trust dated June 8, 2009, as amended and restated on July 9, 2009 (the "Declaration of Trust") under the laws of the Province of Ontario. See "Description of the Trust".

Silver Administrators Ltd. (the "Administrator"), an Ontario company incorporated on June 8, 2009, will be the Administrator of the Trust and will be responsible for the administration of the Trust. See "Organization and Administration Details of the Trust - Administrative Services Agreement".

The principal and head office of the Trust is located at 55 Broadleaf Crescent, Ancaster, Ontario, Canada L9G 3P2. The Trust's mailing address is P.O. Box 10106 Meadowlands, Ancaster, Ontario, Canada L9K 1P3. See "Overview of the Legal Structure of the Trust".

**Offering:** The Offering consists of units (the "Units") of the Trust. Each Unit will be comprised of one redeemable, transferable trust unit of the Trust (a "Trust Unit") and one warrant of the Trust (a "Warrant"). The Units will separate into Trust Units and Warrants immediately upon the closing of the Offering (the "Closing").

Each Warrant will entitle the holder thereof to acquire one Trust Unit (each, a "Warrant Unit") at an exercise price of U.S.\$10.00 per Trust Unit at any time before 5:00 p.m. (Toronto time) on the date that is nine (9) months following the Closing Date (as defined herein) (the "Expiry Time"). **Warrants not exercised by the Expiry Time will be void and of no value.**

See "Description of the Securities Distributed".

**Minimum Issue:** U.S.\$20,000,000 (2,000,000 Units)

**Maximum Issue:** U.S.\$200,000,000 (20,000,000 Units)

**Price:** U.S.\$10.00 per Unit

**Objective of the Trust:** The Trust has been created to buy and hold substantially all of its assets in silver bullion and, incidental thereto, minor amounts of silver certificates, if any.

The primary objective of the Trust is to provide a secure, convenient, low cost, exchange-tradeable investment alternative for investors interested in holding an investment in silver bullion for long-term appreciation.

All of the physical silver bullion owned by the Trust will be stored on an allocated and segregated basis in the treasury vaults of a Schedule I Canadian chartered bank. The term "treasury vault" means a vault that has the highest security rating for treasury storage purposes and qualifies for storage on behalf of the Bank of Canada. Prior to the closing of the

Offering, the Trust will enter into a safekeeping agreement (the “Safekeeping Agreement”) with Canadian Imperial Bank of Commerce (the “Custodian”), pursuant to which the Custodian will agree to store all silver bullion owned by the Trust in accordance with the applicable provisions of the Declaration of Trust.

The purpose of the Trust is to acquire and hold unencumbered silver bullion on a long-term basis in 1,000 ounce international bar sizes, and not to speculate with regard to short-term changes in silver prices. This strategy will provide investors with the ability to effectively invest in unencumbered silver bullion in a convenient and secure manner, without the associated inconvenience and relatively high transaction, handling, storage, insurance and other costs typical of a direct silver bullion investment.

**Overview of the Silver Sector:**

The global supply of silver is produced primarily by mining companies and is used in a range of industrial and manufacturing activities, as well as increasingly for investment purposes. In the past 10 years, the price of silver increased due to a number of factors, including: the decline in the U.S. dollar against other currencies; the poor performance of U.S. and other major equities markets; a surge in investment demand in commodities as an asset class generally; the strength in fabrication demand; and the low level of forward selling by mining companies.

The price of silver fluctuated considerably in 2008, from a high of U.S.\$20.92 per ounce in March, to a low of \$8.88 per ounce in October. Despite these oscillations, the average price per ounce for the year was the highest since 1980. Thus far in 2009, the average price per ounce has been U.S.\$13.21, reaching a high of U.S.\$15.52 per ounce in May.

Physical silver bullion is traded on an Over-the-Counter market, with the vast majority of trading taking place through the London Bullion Market in London. Silver bullion can also be acquired on the Mercantile Exchange and Commodity Exchange, Inc., based in New York.

**Use of Proceeds:**

The Trust will use the proceeds from the Offering as follows:

	<u>Minimum Offering</u>	<u>Maximum Offering</u>
Gross proceeds to the Trust	U.S.\$20,000,000	U.S.\$200,000,000
Agent’s Fee (5%)	U.S.\$1,000,000	U.S.\$10,000,000
Expenses of Offering	U.S.\$500,000	U.S.\$500,000
Net proceeds to the Trust	U.S.\$18,500,000	U.S.\$189,500,000

If the Over-Allotment Option is exercised in full, the total price to the public under the maximum Offering will be U.S.\$230,000,000, the Agent’s fee will be U.S.\$11,500,000 and the net proceeds to the Trust (before deducting expenses of the Offering) will be U.S.\$218,500,000.

The Trust will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option and the exercise of Warrants, if any) to purchase physical silver bullion in accordance with the objective and the policies and restrictions of the Trust contained in the Declaration of Trust. The Trust will invest over 90% of the net proceeds in silver bullion within 30 days of the Closing. The balance of the net proceeds will be invested in silver certificates and cash related securities to meet redemptions, if any, and will be used by the Trust for general working capital purposes. See “Use of Proceeds”.

**Agent:**

CIBC World Markets Inc. (the “Agent”) will act as the agent for the Offering. See “Plan of Distribution”.



**Over-Allotment Option:**

The Trust has granted the Agent an over-allotment option (the “Over-Allotment Option”), exercisable until 30 days after the Closing, to purchase a maximum of 15% of the aggregate number of Trust Units issued at the Closing at a price of U.S.\$9.25 per Trust Unit (the “Option Trust Units”) and to purchase a maximum of 15% of the aggregate number of Warrants issued at the Closing at a price of U.S.\$0.75 per Warrant the “Option Warrants”) This prospectus qualifies both the grant of the Over-Allotment Option and the distribution of the Option Trust Units and Option Warrants issuable on the exercise thereof. A purchaser who acquires Option Trust Units and Option Warrants forming part of the Over-Allotment Option acquires those Option Trust Units and Option Warrants under this prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

The following table sets forth certain terms of the Over-Allotment Option, including the maximum size, the exercise period and the exercise price:

<u>Agent’s Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	3,000,000 Option Trust Units	Within 30 days of Closing	U.S.\$9.25 per Option Trust Unit
Over-Allotment Option	3,000,000 Option Warrants	Within 30 days of Closing	U.S.\$0.75 per Option Warrant

**Risk Factors:**

An investment in the Units involves a number of risk factors. The price of the Units will be affected by the potential volatility of silver prices, which are influenced by investment, economic and political considerations. Additional risks associated with an investment in the Units include: (i) foreign exchange rates; (ii) uninsured and underinsured losses; (iii) silver as a by-product; (iv) absence of prior public market; (v) market price of Trust Units or Warrants; (vi) no assurance of achieving objective; (vii) net asset value; (viii) concentration risk; (ix) nature of Trust Units and Warrants; (x) risk of dilution; (xi) risks related to redemption; (xii) potential Unitholder liability; (xiii) reliance on Trustees and Administrator; (xiv) loss, damage or restriction and access to silver; (xv) investment eligibility; (xvi) income tax matters; (xvii) regulatory changes; (xviii) competition; (xix) distributions; and (xx) potential conflicts of interest. See “Risk Factors”.

**Canadian Federal Income Tax Considerations:**

A Unitholder who is resident in Canada for purposes of the Tax Act will generally be required to include in computing income for a taxation year that part of the net income of the Trust, including net taxable capital gains, if any, that is paid or becomes payable to the Unitholder by the Trust in the year (whether in cash or in Trust Units).

Distributions by the Trust to a Unitholder in excess of the Unitholder’s share of the Trust’s net income and net realized capital gains will generally not result in an income inclusion but will reduce the adjusted cost base of the Unitholder’s Trust Units. To the extent that the adjusted cost base of a Trust Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to such negative amount. A Unitholder who disposes of Trust Units held as capital property (on a redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the proceeds of disposition (other than any amount payable by the Trust which represents an amount that is otherwise required to be included in the Unitholder’s income), exceed (or are less than) the aggregate adjusted cost base of the Trust Units disposed of and any reasonable costs of disposition.

A reasonable allocation of the purchase price of the Units between the Trust Units and the Warrants will be required for purposes of the Tax Act. The exercise of Warrants held as capital property will not constitute a disposition of property for purposes of the Tax Act and, consequently, no capital gain or capital loss will be realized on the exercise of Warrants.

Upon the disposition of Warrants held as capital property by a Unitholder, other than pursuant to the exercise thereof, the Unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of disposition, exceed (or are less than) the aggregate adjusted cost base of the Warrants to the Unitholder.

Non-residents of Canada generally will be subject to a 25% Canadian withholding tax on any distributions of income by the Trust unless such rate is reduced under the provisions of an applicable income tax treaty. A capital gain realized on a disposition of a Trust Unit or a Warrant by such a Unitholder generally should not be subject to tax under the Tax Act.

**Each investor should satisfy himself or herself as to the federal, provincial and territorial tax consequences of an investment in Trust Units and Warrants by obtaining advice from his or her tax advisor. See “Certain Canadian Federal Income Tax Considerations”.**

**Eligibility for Investment:**

In the opinion of Fraser Milner Casgrain LLP, counsel to the Trust, and Cassels Brock & Blackwell LLP, counsel to the Agent, the Trust Units and Warrants offered hereunder will be, on the date of issue, qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (“TFSA”), all as defined in the Tax Act (collectively, “Plans”), provided that the Trust Units and Warrants are listed on a “designated stock exchange” as defined in the Tax Act (which includes the Toronto Stock Exchange). If such securities are not listed on a designated stock exchange they will also be a qualified investment for such Plans provided that the Trust is a mutual fund trust as defined in the Tax Act and, in the case of the Warrants, provided that the Trust deals at arm’s length for purposes of the Tax Act with each person who is an annuitant, a beneficiary, an employer or a subscriber under such Plan.

A Unitholder that is a TFSA will be subject to a penalty tax if the Trust Units or Warrants are a “prohibited investment” as defined in the Tax Act for the purposes of the TFSA. Generally, Trust Units and Warrants will not be a prohibited investment for a TFSA provided that the holder of the TFSA deals at arm’s length with the Trust and does not have a “significant interest” (within the meaning of the Tax Act) in the Trust or a corporation, partnership or trust, with which the Trust does not deal at arm’s length. Unitholders are advised to consult their own tax advisors to determine whether the Trust Units and Warrants are prohibited investments for a TFSA in their particular circumstances. See “Eligibility for Investment”.

**Redemptions:**

Trust Units are redeemable at any time on demand by the holders thereof. As the Trust Units will be issued in book entry form only (see “Organization and Administration Details of the Trust – Book Entry Only and Book Based System”), a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder’s investment dealer, who will be required to deliver the completed redemption notice form to CDS Clearing and Depository Services Inc. (“CDS”). Upon receipt of the redemption notice by the Trust from CDS, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive an amount per Trust Unit (the “Redemption Price”) equal to the lesser of: (i) 90% of the “market price” on the principal market or exchange on which the Trust Units are quoted for trading during the 10 trading day period commencing immediately following the date on which the Trust Units were tendered for redemption (the “Redemption Date”); and (ii) 100% of the “closing market price” on the principal market on which the Trust Units are quoted for trading on the Redemption Date. See “Redemptions”.

**Distribution Policy:**

The Trust does not anticipate making regular distributions to Unitholders. The Declaration of Trust provides that, on an annual basis, a sufficient amount of the Trust’s income for purposes of the Tax Act, including net capital gains realized during the year, if any, will be distributed

or made payable during the year to Unitholders, so that the Trust will not be liable for any income tax for the year. See “Distribution Policy”. Unitholders who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of net income by the Trust, whether such distributions are in the form of cash or additional Trust Units. Non-residents of Canada should consult their own tax advisors regarding consequences of investing in the Units. See “Certain Canadian Federal Income Tax Considerations”.

**Listing:** The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Trust Units and the Warrants under the symbols “SBT.UN” and “SBT.W”, respectively. Listing is subject to the Trust fulfilling all of the listing requirements of the TSX on or before September 25, 2009.

**Termination:** The Trust has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on June 8, 2009.

### ORGANIZATION AND ADMINISTRATION DETAILS OF THE TRUST

**Administrator:** Silver Administrators Ltd. (the “Administrator”) and the Trust entered into an administrative services agreement (the “Administrative Services Agreement”) on June 8, 2009. The Administrative Services Agreement is for an initial term of approximately 20 years until June 30, 2029 and will continue in force from year to year thereafter unless terminated by the Trust for breach by the Administrator of any of its material obligations under the Administrative Services Agreement. Pursuant to the Administrative Services Agreement, the Administrator is required to administer the Trust’s activities in an efficient, timely and professional manner in accordance with reasonable and prudent business practices and will be paid by the Trust a declining fee, on a monthly basis in arrears, equal to: 0.40% per annum on the first U.S.\$100,000,000 of the Trust’s total net assets; 0.30% per annum on any excess over U.S.\$100,000,000 up to U.S.\$200,000,000 of total net assets; and 0.20% per annum on any excess over U.S.\$200,000,000 of total net assets. See “Organization and Administration Details of the Trust – Administrative Services Agreement”.

**Promoter:** The Administrator may be considered a promoter of the Trust within the meaning of securities legislation of certain provinces or territories of Canada by reason of its initiative in organizing the Trust. See “Organization and Administration Details of the Trust - Promoter”.

**Custodian:** Canadian Imperial Bank of Commerce will act as Custodian of the assets of the Trust pursuant to the Safekeeping Agreement. The Custodian’s principal place of business in respect of the Trust is Toronto, Ontario. See “Rationale of the Trust – Objective of the Trust”.

**Warrant Agent:** CIBC Mellon Trust Company at its principal offices in Toronto, Ontario will act as Warrant Agent pursuant to the Warrant Indenture (as defined herein). See “Description of the Securities Distributed - Warrants”.

**Registrar and Transfer Agent:** CIBC Mellon Trust Company at its principal offices in Toronto will be appointed as the registrar, transfer agent and distribution agent for the Trust Units in Canada pursuant to a registrar, transfer agency and distribution agency agreement. See “Organization and Administration Details of the Trust - Registrar and Transfer Agents”.

**Co-Transfer Agent:** Mellon Investor Services LLC at its principal office in New Jersey will be appointed as the co-registrar and transfer agent for the Trust Units in the United States, as necessary, pursuant to a co-registrar and transfer agency agreement. See “Organization and Administration Details of the Trust - Registrar and Transfer Agents”.

**Auditors:** The auditors of the Trust are Ernst & Young LLP, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario, Canada. See “Organization and Administration Details of the

Trust - Auditors”.

### SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Trust. For further particulars, see “Fees and Expenses”.

<b>Agent’s Fee:</b>	U.S.\$0.50 per Unit.
<b>Expenses of the Offering:</b>	The Trust will pay the expenses incurred in connection with the Offering which are estimated at U.S.\$500,000 and which include the costs of establishing the Trust, the costs of printing and preparing this prospectus, legal expenses of the Trust, marketing expenses and legal and other out-of-pocket expenses incurred by the Agent and certain other expenses.
<b>Administration Fee:</b>	See “Administrator” above in this Prospectus Summary.
<b>Trustees’ Remuneration:</b>	<p>Each of the Trustees, excluding those who also act as directors and/or officers of the Administrator, will be paid an annual fee of U.S.\$10,000 for service as a Trustee and a fee of U.S.\$1,000 per meeting of the Trustees, Committees of Trustees and for attendance at silver bullion audits and inspections. The Chairmen of Committees of the Board of Trustees and the Lead Trustee will each receive an additional U.S.\$2,000 per year.</p> <p>Trustees shall also be entitled to be reimbursed for reasonable travel and other out-of-pocket expenses properly incurred by them in attending meetings of the Trustees or any Committee thereof or in connection with their services as Trustees.</p>
<b>Custodian Fee:</b>	The Trust will be responsible for a custodian fee in connection with the handling, storage and insurance of the silver bullion in accordance with the provisions of the Safekeeping Agreement. The Safekeeping Agreement provides that the Trust will pay to the Custodian on the last business day of each calendar quarter a fee calculated monthly in accordance with a formula based on the monthly average ounces of physical silver in safekeeping.
<b>Other Fees:</b>	The Trust will be responsible for paying all costs and expenses incurred in connection with its business except those that are expressly to be borne by the Administrator as referred to above. Such costs and expenses to be borne by the Trust include, without limitation: (i) brokerage and trading commissions; (ii) transport, insurance, fees, security transfer taxes, safekeeping or Custodian’s fees and other charges arising upon the holding, purchase or sale of silver bullion, silver certificates or other assets by the Trust; (iii) legal and audit fees; (iv) Unit offering costs; (v) fees payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the Trust Units or Warrants are listed; (vi) the cost of printing, mailing and filing financial reports and material for Unitholders’ meetings, valuations, reporting to Unitholders, public offering of securities, securities regulatory filings and any other purposes required by law; (vii) fees payable to any registrar and transfer agent(s) of the Trust Units; (viii) its independent Trustees’ fees and expenses; and (ix) the Administrator’s fees payable under the Administrative Services Agreement.

## **STRUCTURE OF THE TRUST**

Silver Bullion Trust (the “Trust”) is a passive, self-governing, single purpose, closed-end trust established by a declaration of trust dated June 8, 2009, as amended and restated on July 9, 2009 (the “Declaration of Trust”) under the laws of the Province of Ontario among Bruce D. Heagle, Ian McAvity, Robert R. Sale, Philip M. Spicer and J.C. Stefan Spicer (the “Trustees”), as trustees, and Silver Administrators Ltd. (the “Administrator”), as the initial Unitholder of the Trust. The Trust will be administered by the Trustees and by the Administrator pursuant to an administrative services agreement (the “Administrative Services Agreement”). See “Organization and Administration Details of the Trust – Administrative Services Agreement”.

The principal and head office of the Trust is located at 55 Broadleaf Crescent, Ancaster, Ontario, Canada L9G 3P2. The Trust’s mailing address is P.O. Box 10106 Meadowlands, Ancaster, Ontario, Canada L9K 1P3.

## **RATIONALE OF THE TRUST**

### **Objective of the Trust**

The Trust has been created to buy and hold substantially all of its assets in silver bullion and, incidental thereto, minor amounts of silver certificates.

The primary objective of the Trust is to provide a secure, convenient, low cost, exchange-tradeable investment alternative for investors interested in holding an investment in silver bullion for long-term appreciation.

All of the physical silver bullion owned by the Trust will be stored on an allocated and segregated basis in the treasury vaults of a Schedule I Canadian chartered bank. The term “treasury vault” means a vault that has the highest security rating for treasury storage purposes and qualifies for storage on behalf of the Bank of Canada. Prior to the closing of the Offering, the Trust will enter into a safekeeping agreement (the “Safekeeping Agreement”) with Canadian Imperial Bank of Commerce (the “Custodian”), pursuant to which the Custodian will agree to store all silver bullion owned by the Trust in accordance with the applicable provisions of the Declaration of Trust.

The purpose of the Trust is to acquire and hold unencumbered silver bullion on a long-term basis in 1,000 ounce international bar sizes, and not to speculate with regard to short-term changes in silver prices. This strategy will provide investors with the ability to effectively invest in unencumbered silver bullion in a convenient and secure manner, without the associated inconvenience and relatively high transaction, handling, storage, insurance and other costs typical of a direct silver bullion investment.

### **Convenient, Lower-Cost Alternative to Purchasing Silver Bullion Directly**

The Trust Units represent a lower-cost alternative to buying and selling silver bullion or coins directly. To purchase bullion or coins directly, investors must pay a premium above spot bullion prices to cover: the bid-ask spread; the cost for storage, handling, and insurance; and, in the case of coins, the addition of sales tax which is applicable in most jurisdictions. Similarly, an individual investor will not be able to sell bullion at silver spot prices because of bid/ask spreads, possible assaying requirements and other charges. Due to the Trust’s economies of scale and experience in bullion markets, individual investors cannot generally buy, securely store, insure and sell physical silver bullion for less than the Trust.

### **Direct Leverage to Silver Prices**

The price performance of the Trust Units is expected to be strongly correlated to the price of silver, with less inherent risks and volatility than silver mining equities.

### **Low Cost Relative to Silver Mining Equities**

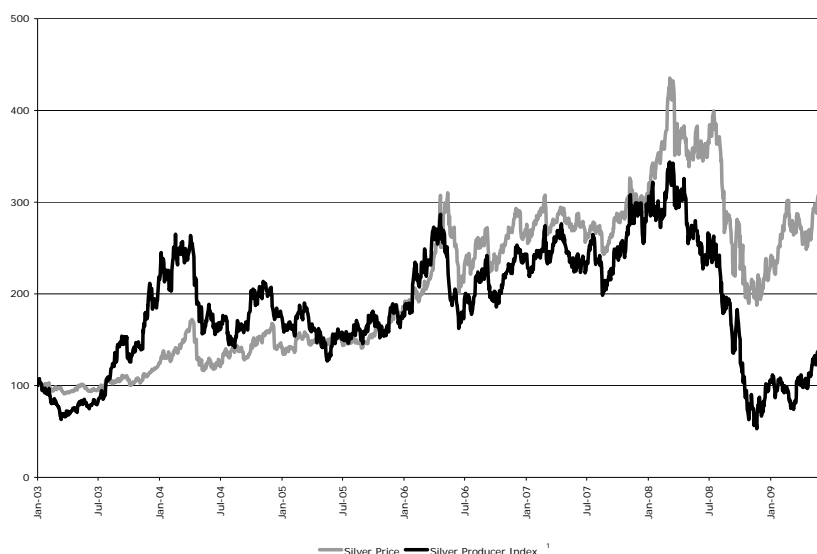
Silver mining equities can trade at substantial premiums to their net asset values (based on analyst consensus estimates), while Trust Units can be acquired at a substantial discount relative to silver mining equities.

## Lower Risk Relative to Silver Mining Equities

Silver mining equities have inherent production and political risks and involve extraction, milling and refining costs to turn reserves into tangible, marketable silver bullion bars. In contrast, the Trust Units are tied to and represent immediately tangible, above ground, pure refined silver bullion in international delivery bar form that are stored in a secure bank vault depository with no extraction costs and no operating, production or related political risks.

The following chart compares the relative price performance of silver bullion to the average price performance of three publicly listed primary silver producers in existence as at January 1, 2003 (being Coeur d'Alene Mines Corp., Hecla Mining Company and Pan American Silver Corp.), for the period January 1, 2003 to July 8, 2009:

**Representative Primary Silver Producer Average Price Performance as compared to Silver Price (January 1, 2003 to July 8, 2009)<sup>1 2</sup>**



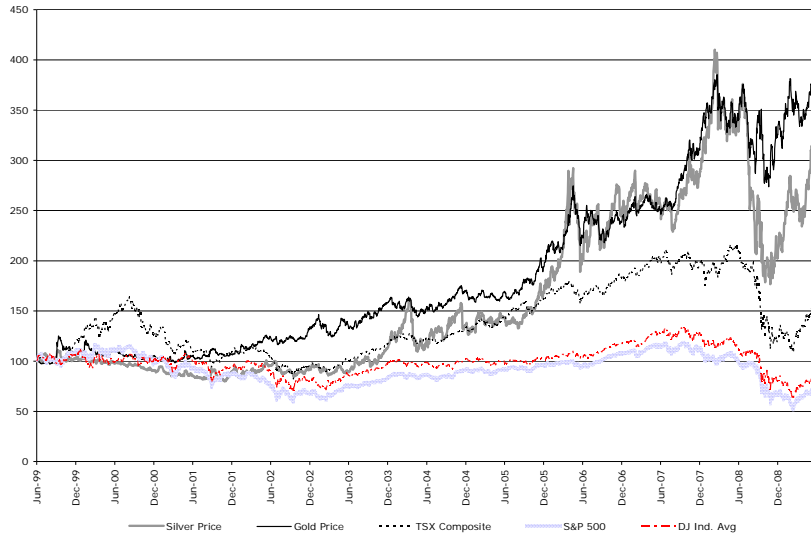
### Notes:

<sup>1</sup>This representative primary silver producer average price performance includes only Coeur d'Alene Mines Corp., Hecla Mining Company and Pan American Silver Corp., as they are the only significant primary silver producers that have been listed on a major stock exchange since 2003. Other significant primary silver producers have not been included in this average price performance graph as they have either not been listed on a major exchange since that time, or because silver production is not their primary business. The graph above represents the performance of the three representative primary silver producers since the beginning of 2003 (showing the simple average of the closing prices for these three issuers for the period January 2003 to July 2009).

<sup>2</sup>The information set forth above is historical and is not intended to be, nor should it be construed as, an indication of future price of silver or the price of the Canadian dollar or the U.S. dollar in relation to the price of silver. An investment in the securities of the Trust would not replicate the performance of an investment in silver due, in part, to the fees and expenses of the Trust.

**Source:** Bloomberg Financial Markets.

The following chart compares the relative performance of silver and gold prices, to the TSX Composite Index, the S&P 500 Index and the Dow Jones Industrial Average, respectively, during the period January 1, 2003 to July 8, 2009:<sup>1</sup>



**Notes:**

The information set forth above is historical and is not intended to be, nor should it be construed as, an indication of future price of silver or the price of the Canadian dollar or the U.S. dollar in relation to the price of silver. An investment in the securities of the Trust would not replicate the performance of an investment in silver due, in part, to the fees and expenses of the Trust.

The following table compares the compound annual returns of silver and gold prices to the TSX Composite Index, the S&P 500 Index and the Dow Jones Industrial Average, respectively, for the one-, three-, five-, and ten-year periods ending July 8, 2009:

**Compound Annual Returns (as at July 8, 2009)**

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Silver Spot	(27.5%)	4.7%	15.1%	9.4%
Gold Spot	(1.1%)	14.0%	17.4%	13.5%
TSX Comp	(30.1%)	(5.4%)	2.8%	3.1%
S&P 500	(30.9%)	(11.2%)	(4.5%)	(4.5%)
DJ Ind. Avg.	(28.2%)	(9.2%)	(4.3%)	(3.0%)

**Conservative Management with Forty-Five Year Track Record**

The Board of Trustees includes recognized experts in silver and other precious metals markets. Several of the Trustees are also directors of Central Fund of Canada Limited, a gold and silver bullion holding company with a market capitalization of approximately U.S.\$2.2 billion, and Central GoldTrust, a gold bullion holding company with a market capitalization of approximately U.S.\$400 million.

**Low Administration Fees**

Fees under the Administration Agreement are structured on a sliding scale, so that they decrease as the Trust grows. These fees are equal to 0.4% on the first U.S.\$100,000,000 of total net assets, and declines to 0.3% on total net assets over U.S.\$100,000,000 up to U.S.\$200,000,000, and to 0.2% on any excess over U.S.\$200,000,000. In addition, the Trust does not charge any set-up or redemption fees.

## **Investment Safety**

The Trust will hold its silver bullion in the highest security rated treasury vaults in Canada on a fully allocated, segregated and unencumbered basis. In addition, the Trust's Custodian is not permitted to use or pool any silver bullion owned by the Trust.

## **Investment Policies of the Trust**

In furtherance of the strategy of the Trust, the Trustees have established the following conservative investment policies:

1. Pursuant to the Declaration of Trust, at least 90% of the assets of the Trust must be held in pure, refined silver bullion in 1,000 ounce international bar form and such policy may only be amended by a resolution of the Unitholders. The current investment policy of the Trust, as approved by the Trustees, is actually more restrictive, in that at least another 5% of the assets of the Trust must be invested in physical silver bullion, so that a total of at least 95% of the total net assets of the Trust will be invested in physical silver bullion.
2. The Trust may only issue new Trust Units in subsequent offerings if the offering price of such issuance is non-dilutive to existing Unitholders.
3. All silver bullion owned by the Trust must be unencumbered and the Trust may not enter into any borrowing arrangements except in strictly limited circumstances to facilitate silver bullion purchases and all such borrowing shall not to exceed 10% of the Trust's total net assets at any and all times. At no time may the Trust enter into any hedging arrangements that involve the Trust's assets.
4. No part of the physical silver bullion held in storage on behalf of the Trust may be delivered by the Custodian out of safekeeping without receipt of a certified resolution of the Trustees specifying the purpose and giving direction with respect to specific amounts.
5. No Trustee or officer of the Trust (an "Officer") or appointed representative of the Trust or its Administrator is authorized to enter the Custodian's treasury vault facilities designated for the storage of the Trust's silver bullion without being accompanied by a representative of the auditors of the Trust and one or more representatives of the Custodian.
6. The silver bullion held in storage on behalf of the Trust shall be inspected annually and spot inspected periodically in the presence of at least one Trustee or Officer, at least one representative of the Trust's auditors and one or more representatives of the Custodian. Inspections of the silver bullion held by the Custodian on behalf of the Trust purchased with the proceeds of this Offering will, for the foreseeable future, include a physical count of all silver bullion, including a physical count of any subsequent deliveries of silver bullion.
7. The Trust will maintain qualifying status as a mutual fund trust as defined in the Tax Act.
8. The Trust will only acquire and hold property if all or substantially all of the property of the Trust would consist of property other than taxable Canadian property if the definition of "taxable Canadian property" in subsection 248(1) of the Tax Act were read without reference to the paragraph (b) of that definition.
9. The Trust will only acquire and hold property which will not constitute "non-portfolio property" as defined in the Tax Act.



## OVERVIEW OF THE SILVER MARKET

### Introduction

This section provides a brief description of the silver industry, including a summary of the primary sources of global silver supply and demand, the uses of silver, silver's recent price history and the Over-the-Counter Market where most physical silver bullion is traded.

### World Silver Supply and Demand

The majority of the world's silver supply comes from mines, with additional amounts coming from the sale of recycled scrap silver and disinvestment. In 2008, mining production accounted for approximately 77% of the total world supply of silver. In 2008, total global silver production slipped minimally by 0.9% to 832.5 million ounces. However, demand in the industrial sector continued to be high with increasing consumption in India, China and Russia.

#### Silver Supply vs Demand

Silver Supply (Million Ounces)	2001	2002	2003	2004	2005	2006	2007	2008
Mine Output	606.2	593.8	600.7	622.2	645.7	646.1	670.6	680.9
Official Sales	63.0	59.2	88.7	61.9	65.9	77.7	42.3	30.9
Scrap	182.7	187.5	184.0	181.5	186.4	188.0	181.6	176.6
Producer Hedging	18.9	-	-	9.6	27.6	-	-	-
Implied Disinvestment	-	8.3	-	-	-	-	-	-
Total Supply	870.8	848.8	873.4	875.2	925.6	911.8	894.5	888.4

Silver Demand	2001	2002	2003	2004	2005	2006	2007	2008E
<b>Fabrication</b>								
Industrial Applications	332.4	336.5	346.8	364.2	405.8	430.0	455.3	447.2
Photography	213.1	204.3	192.9	181.0	162.1	145.8	128.3	104.8
Jewelry	174.3	168.9	179.2	174.8	173.8	165.8	163.4	158.3
Silverware	105.2	82.6	83.0	66.2	66.6	59.1	58.8	57.3
Coins & Metal	30.5	31.6	35.6	42.4	40.0	39.8	37.8	64.9
Other	-	-	-	-	-	-	-	-
Total Fabrication	855.5	823.9	837.5	828.6	848.3	840.5	847.5	832.5
Net Producer Dehedging	0.0	24.8	20.9	0.0	0.0	6.8	25.0	5.6
Net Government Purchase	0.0	0.0	0.0	0.0	0.0	-	-	-
Implied Investment	15.4	0.0	15.0	46.6	77.2	64.5	25.8	50.2
Total Demand	870.9	848.7	873.4	875.2	925.5	911.8	898.3	888.3
Structural Deficit	-66.6	-42.6	-52.8	-24.9	-16.2	-6.4	(3.8)	25.0
Silver Price (\$/oz)	\$4.37	\$4.60	\$4.88	\$6.66	\$7.31	\$11.55	\$13.40	\$15.00

Source: Demand and Supply in 2008, the Silver Institute and GFMS Limited.

### Uses of Silver

While silver is used primarily in industrial applications, it is also used for consumer items such as jewellery and silverware. Silver is also used for investment purposes, such as coins and bars, or acquired by financial institutions such as exchange-traded funds and bullion funds (such as the Trust) that have represented an increasing source of demand for silver recently.

#### Industrial

Silver is used in industrial and manufacturing application due to its strength, malleability and ductility, electrical and thermal conductivity, sensitivity to and high reflectance of light and its ability to endure extreme temperature ranges.

Industrial uses of silver can range from high tech applications, including medical equipment, to plumbing hardware. Silver is also used as a catalyst for the manufacture of commonly used chemicals such as ethylene oxide and formaldehyde. Many batteries are also manufactured with silver alloys, due to silver's superior power-weight characteristics, although silver-oxide batteries are now beginning to be replaced with lithium-ion batteries in cellular phones and lap-top computers due to environmental and safety concerns.

Silver is also used in the manufacturing of mirrors and lens. Silver's light reflective ability allows it to be used as an energy efficient glaze and for UV filtering in eye glasses. Silver paints and coatings are used in circuit boards to utilize silver's conductive properties and in medical applications due to silver's anti-bacterial qualities.

#### Consumer

Consumer uses of silver, such as the fabrication of jewellery and silverware, utilize silver's lustre, resistance to tarnishing and malleability. Silver is a visibly clean, attractive and strong metal ideal for contact with food and mouth. It is one of the most chemically inert of metals and does not react with acids present in fruit, fish and sauces etc. Hence, it is a popular choice for making tableware (cutlery, flatware and hollowware) for daily use such as dinner knives, forks and spoons, serving dishes, drinking vessels, tea and coffee services.

#### Investment

Investment demand for silver has increased steadily from 2003, with the most significant demand coming from silver ETFs and bullion funds. The emergence of ETFs and bullion funds has increased the access of purchasing bullion by investors, which traditionally had to rely on purchasing coins and silver bullion directly. The view of silver as a store of value in times of uncertainty and inflation have served as catalysts for investment demand and growth of these relatively new investment vehicles.

#### Recent Price History

In the past 10 years, the price of silver increased due to a number of factors, including: the decline in the U.S. dollar against other currencies; the poor performance of U.S. and other major equities markets; a surge in investment demand in commodities as an asset class generally; the strength in fabrication demand; and the low level of forward selling by mining companies.

In 2006, silver prices experienced a 62% increase over the average 2005 price of U.S.\$7.22 per ounce. The average price in 2006 was U.S.\$11.57 per ounce. In 2007, prices ranged from U.S.\$11.67 to U.S.\$15.82 per ounce, averaging at U.S.\$13.39.

By January 2008, the price per ounce for silver had risen to an average of U.S.\$15.96. Between January and July 2008, strong industrial demand, together with increased investor support caused the price of silver to rise to a high of U.S.\$20.92 per ounce by March 2008. However, this was followed by a sharp decline resulting in a low price of U.S.\$8.88 per ounce in October 2008. This decline was largely attributed to liquidations by hedge funds in need of cash. Despite this sudden drop in value during the second half of the year, the average price of U.S.\$15.02 per ounce in 2008 was the highest average annual price since 1980.

Thus far in 2009, the average price of silver is U.S.\$13.21, with a high of U.S.\$15.52 per ounce in May. The rebound from the decline in of last year has been attributed to the use of silver as a safe haven by investors in times of economic downturn, volatility in the markets, U.S. dollar weakness, as well as the increasing industrial demand of India.

**Source:** *Monthly Highs, Lows and Averages*, London Silver Market Fixing Ltd.; *Price:UK*, The Silver Institute.

The following chart illustrates changes in the London Fix silver prices (in U.S.\$) from January 1, 2003 through July 8, 2009:

**Recent Price History (January 1, 2003 to July 8, 2009)<sup>1</sup>**



**Notes:**

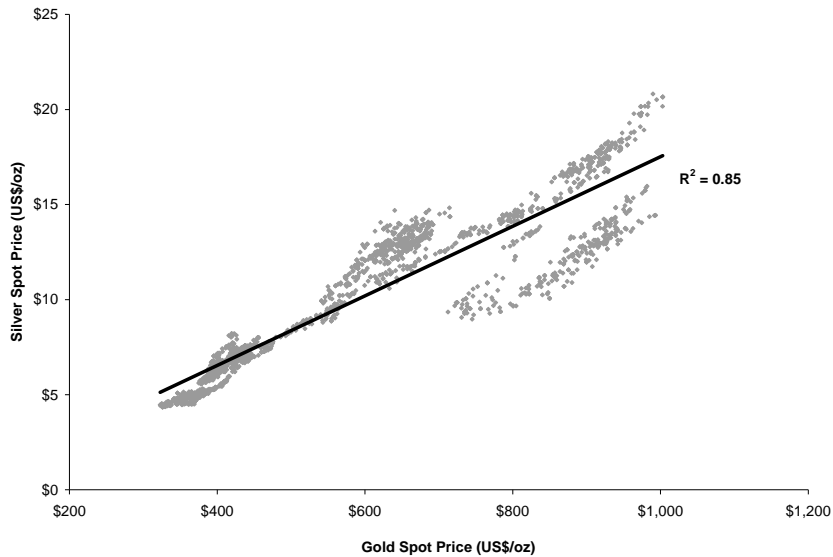
<sup>1</sup>The information set forth above is historical and is not intended to be, nor should it be construed as, an indication of future price of silver or the price of the Canadian dollar or the U.S. dollar in relation to the price of silver. An investment in the securities of the Trust would not replicate the performance of an investment in silver due, in part, to the fees and expenses of the Trust.

**Source:** Bloomberg Financial Markets.

Since the beginning of 2003, there has been an 85% correlation between gold and silver prices, correlation being the changes in the silver price that can be associated to changes in the gold price – statistically significant at the 5% level. During this period, the gold/silver ratio (defined as gold price/silver price) has seen heights of over 80 and lows below 50, with an average ratio of 61. The Trust believes that investors view precious metals (such as gold and silver) as a safe haven investment in times of economic, political or currency uncertainty and in times of rising inflation. The high price correlation between gold and silver buttresses the Trust’s belief that investors view an investment in silver as much a safe haven as an investment in gold.

The following chart illustrates the correlation of gold and silver prices for the period from January 1, 2003 to July 8, 2009.

**Correlation of Gold and Silver Prices (January 1, 2003 to July 8, 2009)<sup>1</sup>**



**Notes:**

<sup>1</sup>The information set forth above is historical and is not intended to be, nor should it be construed as, an indication of future price of silver or the price of the Canadian dollar or the U.S. dollar in relation to the price of silver. An investment in the securities of the Trust would not replicate the performance of an investment in silver due, in part, to the fees and expenses of the Trust.

**Source:** Bloomberg Financial Markets.

The following chart illustrates the gold/silver ratio from January 1, 2003 through July 8, 2009:

**Gold/Silver Ratio (January 1, 2003 to July 8, 2009)<sup>1</sup>**



**Notes:**

<sup>1</sup>The information set forth above is historical and is not intended to be, nor should it be construed as, an indication of future price of silver or the price of the Canadian dollar or the U.S. dollar in relation to the price of silver. An investment in the securities of the Trust would not replicate the performance of an investment in silver due, in part, to the fees and expenses of the Trust.

**Source:** Bloomberg Financial Markets.

### **The Over-The-Counter Market**

The global trade in silver consists of Over-the-Counter (“OTC”) transactions in spot, forwards, and options and other derivatives, together with exchange-traded futures and options. The Trust intends to acquire its bullion through the OTC system.

The OTC market is unique in that it trades 24 hours per day, with no formal structure and no central meeting place. The vast majority of OTC silver trading of physical bullion occurs through the London Bullion Market in London through wholesale trades. The London Bullion Market Association (“LBMA”) acts as the coordinator for the activities of its members and other participants in the London Bullion Market and generates a daily reference price known as the fix (the “London Fix”). The members of the LBMA typically trade with each other and with their clients on a principal-to-principal basis, which allows for more flexible trading conditions than would be possible on an exchange. Silver bullion can also be acquired on the Mercantile Exchange and Commodity Exchange, Inc. (“COMEX”) based in New York.

The quality of the silver bullion accepted for trading is set out in the LBMA’s “London Good Delivery List”, which identifies approved refiners of silver. Silver bullion must meet the specifications for weight, dimensions, fineness (or purity), identifying marks (including the assay stamp of an LBMA-acceptable refiner) and appearance set forth in “The Good Delivery Rules for Gold and Silver Bars” as published by the LBMA and are known as “London Good Delivery Bars”. COMEX has similar grade and quality specifications known as “COMEX Good Delivery”. London Good Delivery bars and COMEX Good Delivery bars must have a minimum fineness (or purity) of 999.0 parts per 1,000. All silver bullion purchased by the Trust will be certified either London Good Delivery List or COMEX Good Delivery.

**Source:** *Guide to the London Precious Metals Market*; LBMA; Bullion Markets 2009, *IFSL Research*.

## **FEES AND EXPENSES**

### **Initial Expenses**

The Agent will receive a fee equal to \$0.50 for each Unit sold and will be reimbursed for out-of-pocket expenses incurred by it out of the cash proceeds of the Offering. The Agency Agreement provides that the Trust will pay to the Agent a cash commission equal to 5.0% of the gross proceeds from the sale of the Units in consideration of services rendered by the Agent in connection with the Offering.

The expenses of the Offering, which are estimated to be U.S.\$500,000 (including the costs of establishing the Trust, the costs of printing and preparing this prospectus, legal expenses of the Trust, marketing expenses and legal and other out-of-pocket expenses incurred by the Agent and certain other expenses), will, together with the Agent’s fee, be paid from the gross proceeds of the Offering.

### **Ongoing Fees and Expenses**

For fees payable to the Administrator of the Trust, please see “Organization and Administration Details of the Trust - Administrative Services Agreement” in this prospectus.

For fees payable to the Trustees, please see “Management of the Trust – Executive Compensation – Trustees’ Remuneration” in this prospectus.

The Trust will be responsible for a custodian fee in connection with the handling, storage and insurance of the silver bullion in accordance with the provisions of the Safekeeping Agreement. The Safekeeping Agreement provides that the Trust will pay to the Custodian on the last business day of each calendar quarter a fee calculated monthly in accordance with a formula based on the monthly average ounces of physical silver in safekeeping. See “Rationale of the Trust – Objective of the Trust”.

The Trust will be responsible for paying all costs and expenses incurred in connection with its business except those that are expressly to be borne by the Administrator as referred to above. Such costs and expenses to be borne by the Trust include, without limitation: (i) brokerage and trading commissions; (ii) transport, insurance, fees, security transfer taxes, safekeeping or Custodian's fees and other charges arising upon the holding, purchase or sale of silver bullion, silver certificates or other assets by the Trust; (iii) legal and audit fees; (iv) Unit offering costs; (v) fees payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the Trust Units or Warrants are listed; (vi) the cost of printing, mailing and filing financial reports and material for Unitholders' meetings, valuations, reporting to Unitholders, public offering of securities, securities regulatory filings and any other purposes required by law; (vii) fees payable to any registrar and transfer agent(s) of the Trust Units; (viii) its independent Trustees' fees and expenses; and (ix) the Administrator's fees payable under the Administrative Services Agreement.

## STEWARDSHIP OF THE TRUST

### Trustees and Officers of the Trust

The following table sets out, for each of the Trustees and Officers of the Trust, the person's name, province or state and country of residence, positions and offices held with the Trust and principal occupation. Each Trustee will hold office until the next annual meeting of Unitholders of the Trust, subject to his earlier resignation or removal.

Name and Municipality of Residence	Position and/or office held with the Trust	Principal Occupation
PHILIP M. SPICER <sup>(1)</sup> Ontario, Canada	Chairman and Trustee	Chairman of Central Fund of Canada Limited (gold and silver bullion investment company) and Co-Chairman of Central GoldTrust (gold bullion investment trust)
J.C. STEFAN SPICER <sup>(1)</sup> Ontario, Canada	President, Chief Executive Officer and Trustee	President and Chief Executive Officer of Central Fund of Canada Limited and President and Chief Executive Officer of Central GoldTrust
WILLIAM L. TRENCH Ontario, Canada	Chief Financial Officer	Independent Consultant and Chief Financial Officer of Central GoldTrust
KRYSTYNA S. BYLINOWSKI Ontario, Canada	Treasurer	Treasurer of Central Gold Managers Inc. and Treasurer of Central GoldTrust
JOHN S. ELDER, Q.C. Ontario, Canada	Secretary	A Counsel to Fraser Milner Casgrain LLP (a national Canadian law firm)
J. L. MICHELE SPICER Ontario, Canada	Assistant -Secretary	President of Accrete Corporation Limited (a private investment company) and Assistant-Secretary of Central GoldTrust.
BRUCE D. HEAGLE <sup>(2)(3)</sup> Ontario, Canada	Trustee	President of National System of Baking Limited and its NSBL International division (international investors)
IAN M.T. McAVITY <sup>(2)(3)</sup> Ontario, Canada	Trustee and Lead Trustee	Corporate Director and President of Deliberations Research Inc. (Economic Consultants) and Acting President and CEO and a Director of Duncan Park Holdings Corporation
ROBERT R. SALE <sup>(2)(3)</sup> Tortola, British Virgin Islands	Trustee	Retired Investment Dealer Executive, Trustee and Chairman of the Corporate Governance and Nominating Committee of Central GoldTrust

Notes:

- (1) Nominee of the Administrator.
- (2) Member of the Audit Committee.
- (3) Member of the Corporate Governance and Nominating Committee.

Each of the foregoing Trustees and Officers of the Trust has held the same principal occupation for the previous five years with the exception of John S. Elder who, prior to February 2007, was a Partner and the Vice-Chairman of Fraser Milner Casgrain LLP and is now a Counsel to Fraser Milner Casgrain LLP.

The Board of Trustees has a policy of ensuring that a majority of the Trustees are “independent”. In this context, the Trustees consider a Trustee to be independent if he or she is independent within the definitions set out in National Instrument 58-101 and National Instrument 52-110 as having no direct or indirect material relationship with the Trust which could, in the view of the Board of Trustees, be reasonably expected to interfere with the exercise of his or her independent judgment.

Messrs. Heagle, McAvity and Sale are regarded by the Trustees as being independent in accordance with the foregoing. With respect to the other Trustees, Mr. Philip Spicer is the Chairman of the Trust and Mr. Stefan Spicer is involved as an Officer, serving as the President and Chief Executive Officer and is also a director and officer of the Administrator.

The following is a brief biographical description of the Trustees and Officers of the Trust:

**Philip M. Spicer**, the Chairman and a Trustee of the Trust, is also the chairman of Central Fund of Canada Ltd, which he founded in 1961 and the co-chairman of Central GoldTrust founded in 2003. He has been a long-time analyst of markets, monetary systems and precious metals. His career has included being a part-owner and a director of Canadian stock brokerage and investment dealer firms, a Registered Investment Counsel and portfolio manager.

**J.C. Stefan Spicer**, the President, Chief Executive Officer and a Trustee of the Trust, is also the president and chief executive officer of Central Fund of Canada Ltd., a publicly traded gold and silver bullion investment company listed on the NYSE Amex LLC and the Toronto Stock Exchange. He is also the president and chief executive officer and a trustee of Central GoldTrust, a publicly traded gold bullion investment trust listed on the NYSE Amex LLC and the Toronto Stock Exchange.

**Bruce E. Heagle**, a Trustee, has a Masters of Business Administration from the Richard Ivey Business School. He has been an officer since 1982 and president and a director of National System of Baking Ltd. since 1991, and is President of its division, NSBL International (private capital investment). Mr. Heagle has been a director of the Bakery Council of Canada and chairman of the Board of Governors and is a former chairman of the Finance Committee of Hillfield Strathallan College. Mr. Heagle is also a trustee and chairman of the Audit Committee of Central GoldTrust.

**Ian M.T. McAvity**, a Trustee, has been involved in finance for over 40 years, as a banker, broker, and since 1975, as an independent advisor and consultant, specializing in the technical analysis of international equity, foreign exchange and precious metals markets. His analysis and views have been continuously published in “Ian McAvity’s Deliberations on World Markets Newsletter” since 1972. He is also acting president and chief executive officer and a director of Duncan Park Holdings Corporation, a director and a member of the corporate governance committee of Central Fund of Canada Limited and a trustee and lead trustee of Central GoldTrust.

**Robert R. Sale**, a Trustee, was an active member of the Canadian financial community throughout his career until his retirement as President of Walwyn Inc., a member of stock exchanges and investment industry associations throughout Canada. Mr. Sale is also a trustee and chairman of the corporate governance and nominating committee of Central GoldTrust and a director and chairman of the corporate governance committee of Central Fund of Canada Limited.

**William L. Trench**, the Chief Financial Officer of the Trust, is also the chief financial officer of Central GoldTrust. Mr. Trench was admitted, in South Africa, as an Associate of the Chartered Institute of Secretaries in 1962. He received the further designation of Professional Administrator from the Canadian branch of the Institute of

Chartered Secretaries and Administrators in 1983. His areas of training include corporate governance, legal matters, accounting and finance and general management and administration. Mr. Trench is an independent consultant to private clients.

**John S. Elder, Q.C.**, the Secretary of the Trust, has been a partner and counsel of Fraser Milner Casgrain LLP and its predecessor firms for 41 years. Mr. Elder’s degrees are in commerce and finance and law. He carries on a wide-ranging practice in corporate law and is a director and/or officer of several public and private companies and trusts. Mr. Elder is also a director and secretary of Central Fund of Canada Limited and secretary of Central GoldTrust.

**J. L. Michele Spicer**, the Assistant Secretary of the Trust, is also the assistant secretary of Central GoldTrust. Michele Spicer has a Masters of Business Administration from the Schulich School of Business at York University and is the president of Accrete Corporation Limited.

**Krystyna S. Bylinowski** is the Treasurer of the Trust and Central GoldTrust, and is the treasurer of the administrator of Central GoldTrust, as well as the treasurer, a director and secretary of the Administrator.

**Executive Compensation**

*Holding of Units*

The following table sets out the number of Trust Units of the Trust held as of the date hereof:

<b>Name of Unitholder</b>	<b>Number of Trust Units Beneficially Owned or over which Control or Direction is Exercised</b>
Silver Administrators Ltd. (the Administrator)	1 Trust Unit

The Trustees have not granted and do not foresee granting any options for the Trust Units and have not created and do not foresee creating any deferred Trust Units for the benefit of the Trustees or Officers of the Trust.

*Trustees' Remuneration*

Each of the Trustees will be paid an annual fee of U.S.\$10,000 for service as a Trustee and a fee of U.S.\$1,000 per meeting of the Trustees, Committees of Trustees and for attendance at silver bullion audits and inspections. The Chairmen of committees of the Board of Trustees and the Lead Trustee will each receive an additional U.S.\$2,000 per year.

Trustees shall also be entitled to be reimbursed for reasonable travel and other out-of-pocket expenses properly incurred by them in attending meetings of the Trustees or any Committee thereof or in connection with their services as Trustees.

Trustees’ and Committees’ meetings may be attended in person or conducted by telephone conference.

There are no Officers who shall receive remuneration from the Trust. The Trust does not have any employees or pension or retirement benefit plans. The Trustees and Officers of the Trust who are also officers, directors or nominees of the Administrator shall receive no remuneration as Trustees and Officers of the Trust.

The Administrator, under the Administrative Services Agreement described under “Organization and Administration Details of the Trust - Administrative Services Agreement” will generally oversee the day-to-day administration of the Trust’s affairs. While it does not separately remunerate its personnel who also serve as Trustees and Officers for those services, the Administrator has advised that the President and Chief Executive Officer and the Chief Financial Officer of the Trust are anticipated to receive from the Administrator an estimated U.S.\$12,000 and U.S.\$6,000, respectively, for services that might be regarded as rendered specifically in their capacities as Trustees and/or Officers of the Trust for the fiscal year of the Trust to the end of December 31, 2009.



The Trust shall not carry any Trustees' and Officers' liability insurance.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No Trustee or Officer is, as at the date of this prospectus, or was within 10 years before the date of this prospectus, a director, a trustee, a chief executive officer or chief financial officer of any company or trust, that:

1. was subject to an order that was issued while the Trustee or Officer was acting in the capacity as director, trustee, chief executive officer or chief financial officer, or
2. was subject to an order that was issued after the Trustee or Officer ceased to be a director, trustee, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity of a director, trustee, chief executive officer or chief financial officer.

No Trustee or Executive Officer:

1. is, as at the date of this prospectus, or has been within the last 10 years before the date of the Prospectus, a director, trustee or executive officer of any company or trust that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
2. has, within the 10 years before the date of this prospectus, become bankrupt, made a proposal under legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver or receiver manager or trustee appointed to hold the assets of the Trustee or Executive Officer.

None of the Trustees or Executive Officers, or Unitholders holding a sufficient number of securities of the Trust to materially affect the control of the Trust. has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### **Conflict of Interest**

Certain Trustees and Officers of the Trust are also directors, trustees, officers or shareholders of other companies or trusts that are similarly engaged in the business of holding precious metals. Such associations may give rise to conflicts of interest referred to above.

### **AUDIT COMMITTEE MATTERS**

The Audit Committee currently consists of Bruce D. Heagle, Ian M.T. McAvity and Robert R. Sale. Mr. Heagle serves as its Chairman.

Each member of the Audit Committee is "independent" as contemplated by National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators ("NI 52-110") and each is financially literate, meaning that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the financial statements of the Trust. Mr. Heagle holds an MBA from the Richard Ivey Business School and serves as the chairman of the audit committee of Central GoldTrust, as well as the chairman of the Finance Committee of Hillfield Strathallen College and as the president of NSBL International. Mr. McAvity has experience acting as an independent advisor and consultant as well as writer, specializing in the technical analysis of international equity, foreign exchange and precious metals markets. He also serves as the acting President and CEO of Duncan Park Holdings. Mr. Sale served for many years as the President and Chief Executive Officer of Walwyn Inc., a Canadian investment dealer. Therefore, each of them is regarded by the Board

of Trustees as having “accounting or related financial experience” by virtue of their past accounting training and/or experience as a chief financial officer or chief executive officer with oversight of a corporation’s or trust’s finance and accounting activities, and therefore having: (a) a base for understanding the accounting principles used by the Trust to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience analyzing or evaluating financial statements of the type referred to above, and experience actively supervising one or more persons engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

The charter of the Audit Committee is as follows:

*“Purpose*

The primary function of the Audit Committee is to assist the Trustees in fulfilling their oversight responsibilities by reviewing:

- (a) selection, independence and effectiveness of the external Auditors (as defined herein);
- (b) the financial statements and other financial information and reports which will be provided to Unitholders and others;
- (c) the financial reporting process; and
- (d) the Trust’s internal audit activity and controls.

The external Auditor’s ultimate responsibility is to the Trustees and the Audit Committee, as representatives of the Unitholders. These representatives have the ultimate authority to evaluate and, where appropriate, recommend replacement of the external Auditors.

The Committee shall be given full access to the Trust’s records, those maintained for the Trust by Silver Administrators Ltd. (the “Administrator”) and the external Auditors as necessary to carry out these responsibilities.

Although the Audit Committee has the powers and responsibilities set forth in this Charter, the role of the Audit Committee is oversight. The Members of the Audit Committee are independent Trustees and do not have any relationships with the Administrator. It is not the duty of the Audit Committee to conduct audits or to determine that the Trust’s financial statements and disclosures are complete and accurate and are in accordance with Canadian generally accepted accounting principles , or International Financial Reporting Standards when in effect, and applicable rules and regulations. These are the responsibilities of the Senior Executive Officers. The Auditors’ responsibility is to perform an audit to determine whether the financial statements prepared by management of the Trust are, in all material respects, in accordance with generally accepted accounting principles.

*Qualification of Members*

1. The Members of the Audit Committee (the “Committee”) shall be 3 or more in number and be “independent” as defined in NI 52-110. “Independent” for this purpose means that a member has no direct or indirect material relationship with the Trust which could, in the view of the Trustees, reasonably interfere with the exercise of his or her independent judgment. Members of the Committee shall not receive any remuneration or compensation from the Trust other than remuneration for acting as a member of the Committee or other committee or as Trustee or Lead Trustee.
2. All Members of the Committee shall, as stipulated in NI 52-110, be “financially literate”, that is to have the ability to read and understand a set of financial statements and related notes that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth

and complexity of the issues that can reasonably be expected to be raised by the Trust's financial statements.

#### *Operating Procedures*

1. The Committee shall require that the Senior Executive Officers provide for review draft annual and quarterly financial statements, annual and quarterly reports, management's discussion and analysis, annual information form and press releases where relevant, in a timely manner before the scheduled Committee meetings.
2. The Committee shall meet annually in February or March so as to be able to review the draft annual audited financial statements and related materials, and shall meet once in a quarter as required to review the draft first, second and third quarter unaudited financial statements and accompanying report to Unitholders.
3. At least annually, the Committee shall review its effectiveness and the contribution of each of its members.
4. The Committee shall have adequate resources and authority to discharge its responsibilities.
5. The Committee shall have the authority to engage and compensate independent counsel and other advisors which it determines are necessary to enable the Committee to carry out its duties and to communicate directly with the external and internal auditors of the Trust (the "Auditors").

#### *Relationship with External Auditor and Review Responsibilities*

1. The external Auditors are accountable to the Trustees and the Committee, as representatives of the Unitholders of the Trust. The Committee has overall responsibility for selection of the external Auditors, and recommends to the Trustees the firm of external Auditors to be put forward for Unitholder approval at each annual meeting of Unitholders. The Committee will only select external Auditors who (a) participate in the oversight program of the Canadian Public Accountability Board (the "CPAB") and (b) are in good standing with the CPAB.
2. The Committee annually reviews and discusses a letter from the external Auditors detailing factors that might have an impact on the Auditors' independence and objectivity, including all services provided and fees charged by the external Auditors. The Committee satisfies itself regarding the independence of the Auditors and reports its conclusions, and the basis for those conclusions, to the Trustees.
3. The Committee reviews and recommends to the Trustees for approval the annual audited financial statements of the Trust and accompanying report to Unitholders as well as related documents, such as the annual information form or equivalent filings and the management's discussion and analysis.
4. The Committee also reviews and recommends to the Trustees for approval the unaudited financial statements of the Trust for the first, second and third quarters and related reports to Unitholders.
5. The Committee is responsible for approving the scope of the annual audit, the audit plan, the access granted to the Trust's and the Administrator's records and the co-operation of the Senior Executive Officers and officers of the Administrator in any audit and review function.
6. The external Auditor is required to present to and discuss with the Committee its review reports including views about the quality of the accounting policies adopted by the Senior Executive Officers in preparing the financial statements, with a particular focus on the accounting estimates and judgments made by the Senior Executive Officers and their selection of accounting principles. The Committee meets in private with appropriate Senior Executive Officers and separately with the external Auditors to share perceptions on these matters, discuss any potential concerns and agree upon appropriate action plans.

7. The Committee is responsible for reviewing the work of the external Auditors, including their findings and recommendations, as well as the Senior Executive Officers' response to any such findings and recommendations, and resolving any disagreements between them and the external Auditors regarding financial reporting.
8. The Committee should approve all audit services and pre-approve any non-audit services to be provided by its external Auditors.
9. The Committee is responsible for assessing the effectiveness of the working relationship of the external Auditors with the Senior Executive Officers.
10. The Committee is responsible for reviewing the performance of, and approving the fees charged by, the external Auditors.
11. The Committee is also responsible, when circumstances dictate, for recommending to the Trustees the removal and replacement of external Auditors.
12. The Committee shall establish procedures for dealing with complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by Officers of the Trust or officers and employees of the Administrator regarding such matters (i.e. whistle-blowing).
13. The Committee shall review and approve the hiring by the Administrator of employees and former employees of the external Auditors who were involved in the audit of the Trust's accounts.
14. The Committee shall review and comment to the Trustees on all related-party transactions.
15. The Committee shall review any change in the Trust's code of conduct and ethics for the Trustees and Officers of the Trust as well as directors, officers and employees of the Administrator.
16. The Committee shall, when feasible, review the relevant portions of any prospectuses, registration statements, information circulars and other reporting issuer or disclosure statements of the Trust involving, and related to, financial disclosure.

#### *Relationship to Internal Audit*

1. The Committee is responsible for reviewing and approving any decisions of the Senior Executive Officers relating to any potential need for internal auditing, including whether this function should be outsourced and, if such function is outsourced, to approve the supplier of such service.
2. The Committee is responsible for ensuring that Senior Executive Officers have designed and are implementing an effective system of internal controls over financial reporting.

#### *Disclosure*

1. The Committee shall provide a report annually to the Unitholders, as part of the information circular for the annual meeting, which briefly summarizes the nature of the activities of the Committee.

#### *Procedures*

1. The times and locations of meetings of the Committee, the calling of such meetings and all aspects of procedure at such meetings shall be determined by the Committee, as the case may be, provided that in every case:
  - (a) the presence of at least two members shall be necessary to constitute a quorum; and

- (b) the acts of the Committee or any sub-committee, at a duly constituted meeting, shall require no more than the vote of a majority of the members present and furthermore, in any circumstances, a resolution or other instrument in writing signed by all members of the Committee shall avail as the act of the Committee.
2. The Secretary of the Trust, failing which a Committee appointee, shall be the secretary of the Committee.”

Mr. Bruce D. Heagle is the chairman of the Audit Committee which is expected to meet at least four times per year. At least two members will attend or participate in all of the meetings of the Audit Committee to be held during the current fiscal year. The Audit Committee will meet *in camera* at each regular meeting without any members of the Administrator present.

## GOVERNANCE MATTERS

The Trust's governance practices are designed with a view to ensuring that its affairs are administered so as to foster value for its Unitholders. With limited exceptions, as noted below, these practices generally accord with National Instrument 58-101 - *Disclosure of Corporate Governance Practices* and National Policy 58- 201 - *Corporate Governance Guidelines* (collectively the “Governance Rules”) and with National Instrument 52-110 - *Audit Committees* and Companion Policy 52-110CP (hereinafter collectively the “Governance Rules”), all of which are rules of the Canadian Securities Administrators.

The Trustees establish their own policies, procedures and practices concerning the direction and administration of the Trust. They fulfill their duties with independence from the Senior Executive Officers.

### Board Mandate and Code of Ethics

The Board of Trustees will, as set forth in its mandate, be responsible for the supervision and administration of the affairs of the Trust pursuant to its powers and obligations under the Declaration of Trust and other statutory and legal requirements generally applicable to Trustees of a unit trust that is also a reporting issuer, so as to ensure the validity of the Trust and its function as a passive holder of silver bullion. In carrying out its duties, the Board of Trustees will hold regular meetings on at least a quarterly basis and additional meetings to deal with particular matters as appropriate. Supported by two Committees of the Board of Trustees, the Board of Trustees will: oversee the administration of the Trust, including the activities of the Administrator; develop and oversee strategy of the Trust and its implementation; identify and assess the principal risks of the Trust; review financial performance and reporting; assess the internal control and information systems; assess and select nominees for election as Trustees; appoint the Officers, ensure their integrity and review their performance; be responsible for succession planning; oversee public communications policies and Unitholder relations; and, annually, review the effectiveness of the Board of Trustees and its Committees (including a Trustee's individual contribution). These duties and responsibilities are consistent with the Governance Rules. An individual Trustee will be permitted to engage an outside advisor at the expense of the Trust in specific circumstances such as where the Trustee is placed in a conflict position through activities of the Trust, but any such engagement is subject to prior approval of the Corporate Governance and Nominating Committee referred to below. No such engagement is currently anticipated or has occurred to date.

The Board of Trustees has adopted a code of conduct and ethics which will govern behaviour of the Trustees and Officers of the Trust as well as directors, officers and employees of the Administrator. Compliance will be monitored by the Board and, should any waivers be granted to Trustees or Officers of the Trust, the policy is to disclose this in the next ensuing quarterly or annual report. The Board of Trustees has also adopted a formal mandate that sets out its responsibilities for stewardship of the Trust. The code of conduct and ethics and the mandate will be set out on the Trust's website at [www.silverbulliontrust.com](http://www.silverbulliontrust.com). The establishment and monitoring of the code and the creation of the formal mandate are proposed under the Governance Rules. Also, as recommended under the Governance Rules, formal position descriptions are being developed for the Trustees, the Board Chair, the Chairman of the Audit Committee, the Chairman of the Corporate Governance and Nominating Committee and the Chief Executive Officer, defining their respective duties and the limits of the Administrator's responsibilities as well as the Chief Executive Officer's objectives.

## **Composition of Board**

The Trustees will be elected by the Unitholders at each annual meeting, except that the Board of Trustees is entitled to appoint a Trustee to fill a vacancy until the next annual meeting. The term of office of each Trustee will expire at the next annual meeting or upon election or appointment of a successor. The Board of Trustees currently consists of five Trustees. Three of the current five-member Board of Trustees of the Trust, Messrs. Heagle, McAvity and Sale, are independent Trustees. The Board of Trustees complies with the Governance Rules in that there is a majority of the Trustees that are independent. With respect to the other Trustees, Mr. Philip M. Spicer is the Chairman and Mr. Stefan Spicer is the President and Chief Executive Officer of the Trust, respectively. Stefan Spicer is also a director and officer of the Administrator. See “Interest of Certain Persons in Material Transactions”.

## **Lead Trustee**

Mr. Ian M. T. McAvity, an independent Trustee, serves as the “Lead Trustee”. As such, he has the responsibility of overseeing the operation of the Board of Trustees and its effectiveness and leading discussions of the Board of Trustees when it meets in private session without Officers of the Trust or the Administrator. These *in camera* sessions without Executive Officers will be held at each regular Board of Trustees meeting and also at Audit and Corporate Governance and Nominating Committee meetings so as to promote full and open discussion among the non-administration Trustees.

## **Board Activities**

The Board of Trustees will be in a position to conduct its meetings and to make appropriate decisions effectively. Financial and other information will be made available to Board of Trustees members several days in advance of meetings. Trustees will be generally encouraged to attend in person meetings. Trustees will be asked to advise the Trust if they are unable to attend meetings and attendance at meetings is recorded. All of the Trustees will agree to an evaluation of their collective as well as their individual performance. All of the Trustees will be encouraged to exercise their responsibilities in the best interests of the Trust and its Unitholders generally.

The Board of Trustees has not adopted a formal policy for the recruitment of new Trustees as recommended by the Governance Rules. However, as the need for recruitment arises, the responsibility for identifying or reviewing a nominee or nominees and recommending them to the Board is assigned to the Corporate Governance and Nominating Committee, which is comprised exclusively of independent Trustees.

## **Committees**

The Board of Trustees will be responsible for establishing and overseeing the performance of all Committees, appointing members to serve on such Committees and approving their compensation. Two standing Committees will be appointed.

### *The Audit Committee*

For information about the Audit Committee, see “Audit Committee Matters” above.

### *The Corporate Governance and Nominating Committee*

The Corporate Governance and Nominating Committee is comprised of three Trustees, being Messrs. Bruce D. Heagle, Ian M. T. McAvity and Robert R. Sale, all of whom are independent Trustees as defined in the NI 52-110. Mr. Robert R. Sale will be the chairman of the Committee.

The Corporate Governance and Nominating Committee is responsible for developing the Trust's approach to governance issues, reviewing the effectiveness of the Board of Trustees' practices in light of emerging and changing regulatory requirements, proposing new nominees to the Board of Trustees, developing awareness programs for them, assessing the size, composition and effectiveness of the Board of Trustees as a whole and of the Committees as well as assessing the contribution of individual Board of Trustees members. The Corporate Governance and Nominating Committee's responsibility will extend to ensuring that the Board of Trustees can function independently of the Senior Executive Officers and monitoring the Board of Trustees' relationship to the Senior

Executive Officers. It will review the communications policy of the Trust to ensure that communications to Unitholders, regulators and the investing public are factual and timely, are broadly disseminated in accordance with applicable policy and law and to ensure that such communications treat all Unitholders fairly with respect to disclosure. The Corporate Governance and Nominating Committee will recommend topics of interest or importance for discussion and/or action by the Board of Trustees. It will annually review Board of Trustees and Committee effectiveness including the continuing qualifications and contributions of individual members as well as conflicts of interest and time commitments. It will also review the adequacy and form of the compensation of Trustees to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective Trustee. The Corporate Governance and Nominating Committee will also be responsible for approving the engagement by one or more Trustees of an outside legal or other advisor at the expense of the Trust, should such extraordinary circumstances arise.

The Corporate Governance and Nominating Committee will meet independently of the Senior Executive Officers and the Administrator from time to time as necessary. The charter of the Corporate Governance and Nominating Committee will be set out on the Trust’s website at [www.silverbulliontrust.com](http://www.silverbulliontrust.com). Its content will be reviewed annually by the Corporate Governance and Nominating Committee and the Board of Trustees.

Mr. Robert R. Sale is the chairman of the Corporate Governance and Nominating Committee which will generally meet twice per year. The Corporate Governance and Nominating Committee will meet *in camera* at each regular meeting without the Senior Executive Officers or any representatives of the Administrator present.

### **Expectations of Executive Officers**

The Board expects that the Senior Executive Officers will report in a timely, comprehensive and accurate manner on the administration of the Trust generally and on specific matters of significant consequence to the Trust and the Unitholders, to take timely action and decisions consistent with corporate policies in effect, and to review on an ongoing basis the strategies of the Trust with a view to facilitating the Board of Trustees’ review of same and their implementation.

### **USE OF PROCEEDS**

The Trust will use the proceeds from the Offering as follows:

	<u>Minimum Offering</u>	<u>Maximum Offering</u>
Gross proceeds to the Trust	U.S.\$20,000,000	U.S.\$200,000,000
Agent’s Fee (5%)	U.S.\$1,000,000	U.S.\$10,000,000
Expenses of Offering	U.S.\$500,000	U.S.\$500,000
Net proceeds to the Trust	U.S.\$18,500,000	U.S.\$189,500,000

The Trust will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option and the exercise of Warrants, if any) to purchase physical silver bullion in accordance with the objective and the policies and restrictions of the Trust contained in the Declaration of Trust. The Trust will invest over 90% of the net proceeds in silver bullion within 30 days of the Closing. The balance of the net proceeds will be invested in silver certificates and cash related securities to meet redemptions, if any, and will be used by the Trust for general working capital purposes.

If the Over-Allotment Option is exercised in full, the total price to the public under the maximum Offering will be U.S.\$230,000,000, the Agent’s fee will be U.S.\$11,500,000 and the net proceeds to the Trust (before deducting expenses of the Offering) will be U.S.\$218,500,000.

## **Business Objectives and Milestones**

The Trust's sole purpose is to acquire, hold and secure physical silver bullion and, incidental thereto, minor amounts of silver certificates, if any, in order to provide a secure, convenient, low-cost, exchange-tradeable investment alternative for investors. The Trust will invest over 90% of the net proceeds of the Offering in silver bullion within 30 days of the Closing.

## **DESCRIPTION OF THE TRUST**

The Trust is a passive, self-governing, single purpose, closed-end trust established on June 8, 2009 under the laws of the Province of Ontario pursuant to the Declaration of Trust. It is intended that the Trust will qualify as a mutual fund trust for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Trust Units and certain provisions of the Declaration of Trust. This summary does not purport to be complete. Reference is made to the Declaration of Trust for a complete description of the Trust Units and the full text of its provisions. See "Material Contracts".

### **Business of the Trust**

The Declaration of Trust provides, among other things, that the Trust is restricted to:

- (i) investing in and holding a minimum of 90% of its total net assets in physical silver bullion and to hold no more than 10% of its total net assets in the following:
  - (a) silver certificates to enable payments, if any, made in connection with the redemption of any Trust Units or other securities of the Trust, for making distributions, if any, to Unitholders, and for cash to pay expenses, and
  - (b) cash and interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses of the Trust;
- (ii) issuing Trust Units (or rights, warrants, convertible securities or options to acquire Trust Units or permitting re-investment of distributions) provided that the net proceeds per Trust Unit to be received by the Trust for Trust Units shall not be less than the most recently calculated NAV per Trust Unit (adjusted should there be any dilution by virtue of any outstanding Warrants) prior to or upon authorization of such issuance;
- (iii) borrowing on a short-term basis in strictly limited circumstances to facilitate bullion purchases provided that, under such circumstances, the Trust may enter into short-term borrowing arrangements for which all outstanding amounts do not exceed 10% of the Trust's total net assets at any and all times. Under no circumstances may the Trust enter into any hedging arrangements that involve the Trust's assets;
- (iv) issuing or redeeming rights and Trust Units pursuant to any Unitholder rights plan adopted by the Trust;
- (v) holding cash in interest-bearing accounts, or in investments authorized by the Declaration of Trust for the purposes of paying the expenses of the Trust, paying amounts payable by the Trust in connection with the redemption of any Trust Units or other securities, and making distributions to Unitholders
- (vi) purchasing securities issued by the Trust;
- (vii) satisfying any obligations or liabilities of the Trust;
- (viii) undertaking such other activities, or taking such actions including investing in securities, as are related to or in connection with the foregoing or as are contemplated by the Declaration of Trust or



as may be approved by the Trustees from time to time, provided that the Trust shall not undertake any activity, take any action, or make any investment which would result in the Trust not being considered a “mutual fund trust” for purposes of the Tax Act;

- (ix) investing in and holding property all or substantially all of which shall consist of property other than property that would be taxable Canadian property if the definition “taxable Canadian property” in subsection 248(1) of the Tax Act were read without reference to the paragraph (b) of that definition; and
- (x) investing in and holding property which will not constitute “non-portfolio property” as defined in the Tax Act.

The value of the Trust assets shall be calculated as of December 31 in each year if that day is not otherwise a valuation date for the purpose of the distribution of any Trust income and net realized capital gains of the Trust to Unitholders. The net asset value or “NAV” and the net asset value per Trust Unit and, if required, the Diluted net asset value per Trust Unit shall also be determined at such dates. The “net asset value at any such date shall be the value of the Trust assets less an amount sufficient to provide for the liabilities of the Trust (excluding all liabilities represented by outstanding Trust Units). The “net asset value per Trust Unit” at any such date shall be the quotient obtained by dividing the amount of the net asset value determined at such time by the total number of Trust Units then outstanding. The “Diluted net asset value per Unit” at a particular date shall be calculated by adding to the denominator of the net asset value per Unit the total number of trust Units issuable pursuant to Warrants then outstanding and by adding to the numerator of the net asset value per Unit the product of such number of Trust Units and the exercise price thereof, the quotient being the Diluted net asset value per Unit.

Pursuant to the provisions of the Declaration of Trust, the obligation to disclose the NAV and diluted NAV of the Trust (the “Diluted NAV”), if any, to Unitholders is on a weekly basis; however, the Trust intends to perform and disclose the calculation daily on the close of each business day, with a footnote disclosing the reconciliation between the NAV and the Diluted NAV, if applicable. The NAV and the Diluted NAV, if any, will be communicated daily to investors by means of disclosure on the Trust’s website at [www.silverbulliontrust.com](http://www.silverbulliontrust.com), as well as disseminated in the financial press on a weekly basis. In addition, the NAV and the Diluted NAV, if any, will also be distributed on a weekday basis on trading days to commercial services like Bloomberg and others who publish regular quotations of the net asset value of numerous entities. If the Diluted NAV value is applicable, the reconciliation to NAV will also be provided on the Trust’s website and to the financial press.

### **Establishment of Trust**

The Administrator paid U.S.\$10.00 to the Trustees to establish the Trust and to acquire an initial Trust Unit. Immediately following the closing of the Offering, the Trust will acquire such Trust Unit at its original purchase price and the Trust Unit will be cancelled.

### **Trustees of the Trust**

The Trust will have a minimum of three Trustees and a maximum of eleven Trustees. Currently, the initial number of Trustees as set out in the Declaration of Trust is five. A change in the number of Trustees may be made from time to time by a resolution of the Trustees, which must be ratified by the Unitholders at the following annual meeting of Unitholders. The Trustees are to supervise the holdings and affairs of the Trust.

The initial Trustees of the Trust will be Bruce D. Heagle, Ian M.T. McAvity, Robert R. Sale, Philip M. Spicer and J.C. Stefan Spicer. Messrs. Philip M. Spicer and J.C. Stefan Spicer are also nominees of the Administrator. See “Management of the Trust – Trustees and Officers of the Trust” for the principal occupations and a brief biographical description of such Trustees. Trustees shall be appointed at each annual meeting of Unitholders and may be appointed at a special meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting, subject to their earlier resignation or removal. The Administrator is entitled to appoint two of the authorized Trustees from time to time as its nominees and has agreed to recommend that Philip M. Spicer and J.C. Stefan Spicer or their successors be appointed as Trustees for so long as the Administrative Services Agreement is in effect. See “Organization and Administration Details of the Trust – Administrative Services Agreement”. The Declaration of Trust requires that a majority of the Trustees must be independent from the Trust i.e. not currently be

or have been within the last three years officers, employees of or material service providers to the Trust, and must be independent from the Administrator. Three of the five initial Trustees are independent.

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the Trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the activities and affairs of the Trust. The Declaration of Trust requires a majority of the Trustees to be residents of Canada (as such term is defined in the Tax Act) and matters decided by the Trustees must be decided by a majority of resident Canadians. A majority of Trustees serving on a Committee of the Trustees must also be residents of Canada (as such term is defined in the Tax Act). The Trustees are responsible for, among other things, (i) maintaining records and providing reports to Unitholders; (ii) supervising the activities of the Trust; and (iii) making distributions, if any, from the Trust to Unitholders. See “Distribution Policy.”

Any one or more of the Trustees may resign effective at the time a written resignation is received by the Trust, or at the time specified in the resignation, whichever is later, and may be removed by a resolution passed by a majority of the Unitholders, and the vacancy created by such removal or resignation may be filled by the Trustees in the manner described in the Declaration of Trust.

A quorum of the Trustees, being a majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Trustees will forthwith call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call such meeting or if there are no Trustees then in office, the meeting may be requisitioned by Unitholders. The Trustees in office may also appoint such Trustees as may be necessary so that a majority of the Trustees are at all times resident Canadians.

The Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees, subject to there being a maximum of eleven Trustees, to serve until the next annual meeting of Unitholders, but the number of additional Trustees will not at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders.

The Declaration of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interests of the Trust and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that a Trustee shall individually be entitled to indemnification from the Trust in respect of the exercise of his or her powers and the discharge of his or her duties provided that he or she shall not be indemnified if he or she fails to act in good faith with a view to the best interests of the Trust or if he or she fails to comply with his or her other obligations under the Declaration of Trust.

### **Meetings of Unitholders**

Meetings of Unitholders are required to be called and held annually for the election of Trustees, the appointment of auditors of the Trust and authorizing the Trustees to fix their remuneration. Annual meetings of the Unitholders shall be called, commencing in 2010, on a day on or before June 30 in each year, at a time and at a place in Canada set by the Trustees. The Declaration of Trust provides that the Unitholders shall be entitled to pass resolutions that will bind the Trust only with respect to: amendment of the investment restrictions; the election or removal of Trustees of the Trust; the appointment or removal of the Auditors of the Trust; the appointment of an inspector to investigate the performance by the Trustees of their respective responsibilities and duties in respect of the Trust; the approval of amendments to the Declaration of Trust (except as described below under “Amendments to the Declaration of Trust”); the termination of the Trust; the sale, lease or other disposition of all or substantially all of the assets of the Trust; any merger of the Trust with any other entity; any material amendment to the Administrative Services Agreement; and the dissolution or winding up of the Trust prior to the end of its term.

Resolutions appointing or removing the Trustees, other than the Administrator’s nominees, or the auditors of the Trust or resolutions appointing an inspector must be passed by a majority of the votes cast by Unitholders in person or by proxy at a meeting of Unitholders. The balance of the foregoing matters must be passed by a resolution passed by no less than 66 2/3% of the votes cast in person or by proxy at a meeting of Unitholders called for the purpose of

approving such resolution, or approved in writing by the holders of no less than 66 2/3% of the Units entitled to be voted on such resolution (a “Special Resolution”).

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, if requisitioned by the holders of not less than 10% of the Trust Units then outstanding, by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the Unitholders, either in person or by proxy, and a proxy holder need not be a Unitholder. Five persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attached to all outstanding Trust Units shall constitute a quorum for the transaction of business at all such meetings.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

### **Amendments to the Declaration of Trust**

The Declaration of Trust may be amended or altered from time to time by Special Resolution of the Unitholders.

The Trustees may, without the approval of the Unitholders or any other person (other than the Administrator where so provided under the terms of the Administrative Services Agreement), make certain amendments to the Declaration of Trust, including amendments prior to the closing of this Offering or at any time, only in the following circumstances and for the purpose of:

- (i) ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Trust;
- (ii) providing additional protection, in the opinion of counsel to the Trustees, for the Unitholders;
- (iii) removing any conflicts or inconsistencies in the Declaration of Trust or making minor changes or corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- (iv) providing added benefits to Unitholders; and
- (v) making amendments which, in the opinion of the Trustees, are necessary or desirable as a result of changes in regulation and taxation.

### **Term of the Trust**

The Trust has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on June 8, 2009. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of the Trust, the Trustees shall commence to wind-up the affairs of the Trust so that it will terminate on the expiration of the term. At any time prior to the expiry of the term of the Trust, the Unitholders may by Special Resolution require the Trustees to extend, if permitted under the applicable legislation in Ontario, the term of the Trust or commence to wind up the affairs of the Trust.

The Declaration of Trust provides that, upon being required to commence to wind up the affairs of the Trust, the Trustees will give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders shall surrender their Units for cancellation and the date at which the register of Units will be closed. Following a resolution to terminate the Trust, the Trustees shall proceed to wind up the affairs of the Trust as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a Special Resolution of the Unitholders, fulfill or discharge the contracts of the Trust, perform or cause the Auditor to perform any final audit of the Trust assets, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining Trust assets, to one or more persons in one transaction or a series of transactions at public or private sale for consideration which may consist in whole or in

part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate the Trust. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall distribute the remaining part of the proceeds of the sale of the Trust assets, together with any cash forming part of the assets of the Trust, among the Unitholders in accordance with their *pro rata* interests. If the Trustees are unable to sell all or any part of the assets of the Trust by the date set for termination, the Trustees may distribute all or any part of the remaining assets of the Trust in kind directly to the Unitholders in accordance with their *pro rata* interests, subject to obtaining all required regulatory approvals. The Trustees shall have no liability for the amount received provided that they act in good faith.

### **Take-over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Trust Units and not less than 90% of the Trust Units (other than Trust Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Trust Units held by Unitholders who did not accept the take-over bid on the terms offered by the offeror.

### **Information and Reports**

The Trust will furnish, in accordance with and subject to applicable securities laws, to Unitholders such financial statements of the Trust (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Such financial statements shall be prepared in accordance with Canadian generally accepted accounting principles; provided that such statements and the obligations to deliver such statements may vary from such principles to the extent required to comply with applicable securities laws or securities regulatory requirements, or to the extent permitted by applicable securities regulatory authorities.

Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) all such information as is required by applicable law and the Declaration of Trust to be provided to such Unitholders.

## **DESCRIPTION OF THE SECURITIES DISTRIBUTED**

### **Trust Units**

An unlimited number of Trust Units may be issued pursuant to the Declaration of Trust. Each Trust Unit is transferable and represents an equal undivided beneficial interest in the Trust, in any distributions from the Trust whether of trust income, net realized capital gains or other amounts, and in the net assets of the Trust in the event of termination or winding up of the Trust. All Trust Units are of the same class and shall rank among themselves equally and rateably without discrimination, preference or priority. The Trust Units issued pursuant to the Offering are not subject to additional payments on account of the subscription price and entitle the holder thereof to one vote at all meetings of Unitholders for each whole Trust Unit then held. Except as set out under "Redemptions" below, the Trust Units have no conversion, retraction, redemption or pre-emptive rights.

### **Issuance of Trust Units**

The Declaration of Trust provides that Trust Units or rights to acquire Trust Units may be issued at the times, to the persons, for the consideration and on the terms and conditions as the Trustees may determine, provided that the net proceeds per Trust Unit to be received by the Trust shall not be less than the most recently calculated NAV as at the time of the authorization of the issuance. At the option of the Trustees, additional Trust Units may be issued in satisfaction of any distribution of the Trust to Unitholders on a *pro rata* basis to the extent that the Trust does not have available cash to effect such distributions. The Declaration of Trust also provides that, unless the Trustees determine otherwise, immediately after any distribution of *pro rata* Trust Units to all Unitholders in satisfaction of all or part of any such distribution, the number of outstanding Trust Units will be consolidated such that each

Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the distribution, except where tax was required to be withheld in respect of the Unitholder's share of the distribution. Where amounts so distributed represent income, non-resident Unitholders will be subject to withholding tax and, to such extent, the consolidation will result in such non-resident Unitholders holding fewer Trust Units.

## **Warrants**

The following summary of certain provisions of the Warrant Indenture (as defined below) does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

### *Warrant Agent and Expiry Time*

The Warrants will be created and issued pursuant to a warrant indenture (the "Warrant Indenture") to be entered into on the Closing Date between the Trust and CIBC Mellon Trust Company (the "Warrant Agent"), as warrant agent. The Trust Units and the Warrants comprising the Units will separate immediately upon Closing. Each Warrant will be exercisable by the holder thereof to acquire one Trust Unit (a "Warrant Unit") at an exercise price of U.S.\$10.00 at any time before 5:00 p.m. (Toronto time) on the date that is nine (9) months following the Closing Date (the "Expiry Time"), after which time the Warrants will expire and become null and void.

### *Delivery Form and Denomination of Warrants*

All Unitholders will hold their Warrants through a CDS participant. As a result, one global warrant certificate representing the Warrants will be issued in registered form to CDS and will be deposited with CDS on the Closing Date. The Trust expects that each purchaser of Units under the Offering will receive a confirmation of the number of Warrants issued to it from its CDS participant in accordance with the practices and procedures of that CDS participant. CDS will be responsible for establishing and maintaining book based accounts for its participants holding Warrants.

None of the Trust, the Administrator, the Warrant Agent or the Agent will have any liability for (i) the records maintained by CDS or CDS participants relating to the Warrants or the book based accounts maintained by them; (ii) maintaining, supervising or reviewing any records relating to such Warrants; or (iii) any advice or representations made or given by CDS or CDS participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

The ability of a person having an interest in Warrants held through a CDS participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS participant) may be limited due to the lack of a physical certificate. Holders must arrange purchases or transfers of Warrants through CDS participants.

### *Subscription Right*

CDS participants that hold Warrants for more than one beneficial holder may, upon providing written notice to CDS of other evidence satisfactory to the Trust and the Warrant Agent, exercise Warrants on behalf of their accounts on the same basis as if the beneficial owners of Warrants were holders of record at Closing.

A subscriber may subscribe for the resulting whole number of Warrant Units or any lesser whole number of Warrant Units by instructing the CDS participant holding the subscriber's Warrants to exercise all or a specified number of such Warrants and forwarding U.S.\$10.00 per whole Warrant (the "Exercise Price") for each Warrant Unit subscribed for in accordance with the terms of the Offering to the CDS participant which holds the subscriber's Warrants.

The Exercise Price is payable in U.S. funds by certified cheque, bank draft or money order drawn to the order of a CDS participant, by direct debit from the subscriber's brokerage account, or by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the appropriate office of the CDS participant. The entire Exercise Price for the Warrant Units subscribed for must be paid at the time of subscription and must be received by the Warrant Agent prior to the Expiry Time. Accordingly, a subscriber subscribing through a CDS participant must deliver its payment and instructions sufficiently in advance of the Expiry Time to allow the CDS

participant to properly exercise the Warrants on its behalf. Unitholders are encouraged to contact their broker or other CDS participant as each CDS participant may have a different cut-off time.

**Subscriptions for Warrant Units made through a CDS participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Warrant Units once submitted.**

**Holders of Warrants who wish to exercise their Warrants and receive Warrant Units are reminded that, because Warrants must be exercised through a CDS participant, a significant amount of time may elapse from the date of exercise and the date the Warrant Units issuable upon the exercise thereof are issued to the holder.**

#### *Transfer of Warrants*

Holders of Warrants may, instead of exercising their Warrants to subscribe for Warrant Units, transfer their Warrants. Holders of Warrants through CDS participants who wish to transfer their Warrants must do so in the same manner in which they transfer Trust Units, namely, by providing instructions to the CDS participant holding their Warrants in accordance with the policies and procedures of the CDS participant.

#### *Dilution to Existing Unitholders*

If a Unitholder wishes to retain its current percentage ownership in the Trust and assuming that all Warrants are exercised, it should purchase all of the Warrant Units for which it may subscribe pursuant to the Warrants delivered under the Offering. If that Unitholder does not do so and other holders of Warrants exercise any of their Warrants, that Unitholder's current percentage ownership interest in the Trust will be diluted. In addition, the value of Trust Units held by Unitholders will be diluted if the net asset value per Trust Unit exceeds U.S.\$10.00 and Warrants are exercised.

#### *Adjustment of Warrants*

The subscription rights in effect under the Warrants for Warrant Units of the Trust issuable upon the exercise of the Warrants shall be subject to adjustment from time to time if, prior to the Expiry Time, the Trust shall:

- (a) subdivide, re-divide or change its outstanding Trust Units into a greater number of Trust Units;
- (b) reduce, combine or consolidate its outstanding Trust Units into a smaller number of Trust Units;
- (c) issue to all or substantially all of the holders of Trust Units rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Trust Units, or securities exchangeable for or convertible into Trust Units, at a price per Trust Unit (or at an exchange or conversion price per Trust Unit) of less than 95% of the Current Market Price, as defined in the Warrant Indenture, for Trust Units on such record date;
- (d) reclassify the Trust Units or reorganize the capital of the Trust;
- (e) issue Trust Units or securities exchangeable for, or convertible into, Trust Units to all or substantially all of the holders of Trust Units as a distribution other than a distribution of Trust Units upon the exercise of the Warrants; and
- (f) consolidate, amalgamate, or merge the Trust with or into any other trust or other entity, or sell or convey the property and assets of the Trust as an entirety or substantially as an entirety (other than in connection with the redemption of Trust Units).

No adjustment in the exercise price or the number of Warrant Units issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Warrant Units purchasable upon exercise by at least one one-hundredth of a Warrant Unit.

### *General Provisions of Warrants*

The Trust will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of the Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Units issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

No fractional Warrant Units will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional Warrants. Holders of Warrants will not, by virtue of holding such Warrants, have any voting or pre-emptive rights or any other rights which a holder of Warrant Units would have.

From time to time, the Trust and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of Warrants may only be made by “extraordinary resolution”, defined in the Warrant Indenture as a resolution which is either (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 50% of the aggregate number of the then outstanding Warrants and then passed by the affirmative vote of holders of Warrants representing not less than 66 2/3% of the aggregate number of the then outstanding Warrants represented at the meeting and voted on such resolution, or (ii) an instrument or instruments in writing signed by the holders of Warrants representing not less than 66 2/3% of the aggregate number of the then outstanding Warrants.

The Warrants may be exercised in the United States or by or on behalf of a person in the United States or a U.S. Person only pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Warrant Units issuable upon any such exercise will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act, certificates representing such Warrant Units may bear a legend with respect to the transfer restrictions imposed by the U.S. Securities Act, and prior to any exercise of the Warrants, the Trust may require the delivery of an opinion of counsel, of recognized standing reasonably satisfactory to the Trust, or other evidence satisfactory to the Trust, that the proposed exercise may be effected without registration under the U.S. Securities Act and applicable state securities laws.

### **DISTRIBUTION POLICY**

The primary objective of the Trust will be the long-term, secure maintenance of its silver holdings on behalf of Unitholders. Accordingly, the Trust does not anticipate making regular distributions on its Trust Units. The Declaration of Trust provides that on an annual basis a sufficient amount of the Trust’s income for purposes of the Tax Act, including net capital gains realized during the year, will be distributed or made payable during the year to Unitholders so that the Trust will not be liable for any income tax for the year. Such distributions will be payable to Unitholders of record on the distribution date. All distributions will be paid to Unitholders proportionately based on their respective holdings of Trust Units.

Holders of Trust Units who are non-residents of Canada will be required to pay all applicable withholding taxes payable in respect of any distributions of income by the Trust, whether such distributions are in the form of cash or additional Trust Units. Non-residents of Canada should consult their own tax advisors regarding consequences of investing in the Units. See “Certain Canadian Federal Income Tax Considerations”.

To the extent that the Trust has insufficient distributable cash because of amounts applied to redemptions of Trust Units or cash is otherwise unavailable for distribution, amounts to be distributed to Unitholders may be in the form of additional Trust Units so as to ensure that the Trust does not have a net income tax liability. Such additional Trust Units are expected to be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

### **REDEMPTIONS**

Trust Units are redeemable at any time on demand by the holders thereof. As the Units will be issued in book entry form only (see “Organization and Administration Details of the Trust – Book Entry Only and Book Based System”),

a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer, who will be required to deliver the completed redemption notice form to CDS Clearing and Depository Services Inc. ("CDS"). Upon receipt of the redemption notice by the Trust from CDS, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive an amount per Trust Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the "market price" on the principal market or exchange on which the Trust Units are quoted for trading during the 10 trading day period commencing immediately following the date on which the Trust Units were tendered for redemption (the "Redemption Date"); and (ii) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, "market price" will be the amount equal to the weighted average of the trading prices of the Trust Units on the applicable market or exchange for each of the trading days on which there was a trade during the specified trading day period; and provided that if there was trading on the applicable exchange or market for fewer than 5 of the trading days during the specified trading day period, the "market price" shall be the average of the following prices established for each of the trading days during the specified trading period: the average of the last bid and last asking prices of the Trust Units for each day on which there was no trading and the weighted average trading prices of the Trust Units for each day that there was trading. The "closing market price" shall be an amount equal to the closing price of the Trust Units on the applicable market or exchange if there was a trade on the specified date and the applicable exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Trust Units on the applicable market or exchange if there was trading on the specified date and the exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day; or the average of the last bid and last asking prices of the Trust Units if there was no trading on the specified date.

The aggregate Redemption Price payable by the Trust in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the calendar month following the month in which the Trust Units were tendered for redemption. Where the Trust is required to dispose of any assets owned by the Trust to pay the Redemption Price to a Unitholder, the Trustees have the discretion to treat any part or all of the income or capital gain realized by the Trust in respect of such disposition as paid to and allocated to such Unitholder out of the Redemption Price. See "Certain Canadian Federal Income Tax Considerations".

It is anticipated that the primary mechanism for Unitholders to dispose of their Trust Units will be through the facilities of the recognized stock exchange on which the Trust Units are listed for trading rather than exercise of the redemption rights described above.

## **ORGANIZATION AND ADMINISTRATION DETAILS OF THE TRUST**

### **Administrative Services Agreement**

Silver Administrators Ltd. (the "Administrator") and the Trust entered into the Administrative Services Agreement on June 8, 2009. The Administrator was incorporated on June 8, 2009 and its sole purpose is to administer the business and affairs of the Trust. The primary administrative responsibilities of the Administrator under the Administrative Services Agreement are to:

- (i) keep full and complete financial, accounting and other records reflecting the financial position of the Trust's business;
- (ii) report to the Trust, its Trustees and to its Unitholders, on at least a weekly basis, as to (i) the net asset value of each Unit of the Trust (the "NAV"), where NAV is calculated as the total value of silver bullion, silver certificates, cash and other net assets, less any and all payables, indebtedness and any other liabilities, divided by the total number of outstanding Trust Units, and the value of silver bullion is calculated on the basis of the London price fixing for silver bullion and (ii) if required, the Diluted NAV to be calculated by adding to the denominator of the NAV per Trust Unit the total number of Trust Units issuable pursuant to Warrants then outstanding and by adding to the numerator of the NAV per Trust Unit the product of such number of Warrants and the exercise price thereof, with the quotient to be the Diluted NAV per Trust Unit. Reports of NAV in



Canadian dollars will be calculated with reference to the Bank of Canada's noon exchange rate on such date that NAV is calculated;

- (iii) prepare reports to Unitholders, regulatory filing material and other reports to the Trustees as may be reasonably requested from time to time;
- (iv) furnish office facilities, services and supplies and generally oversee with its staff and independent contractors the administration of the Trust;
- (v) compensate the Officers of the Trust for their services, where applicable;
- (vi) have the right, as a condition of the effectiveness thereof, to approve any material changes in the Declaration of Trust that could affect the rights of the Administrator to the performance of its duties thereunder;
- (vii) nominate two of the Trustees of the Trust to be elected at any meeting of Unitholders of the Trust; and
- (viii) fulfill its responsibilities in a manner that does not disable the Trust's ability to maintain the qualifying status of the Trust Units under Canadian legislation, as described in "Eligibility for Investment".

The Administrator has agreed to administer the Trust's activities in an efficient, timely and professional manner in accordance with reasonable and prudent practices.

The Administrative Services Agreement is for an initial term of approximately 20 years until June 30, 2029, and will continue in force from year to year thereafter unless terminated by a majority of the independent Trustees and the Unitholders of the Trust. The Trust may terminate the Administrative Services Agreement at any time if the Administrator breaches any of its material obligations under the Administrative Services Agreement and: (i) such breach has not been cured within 120 days following notice thereof from the Trust; and (ii) within a further 120 days after the expiry of such cure period, such termination is approved by the vote of a majority of the independent Trustees of the Trust and either (a) a written resolution of Unitholders representing, collectively, at least 66 2/3% of the aggregate number of votes attached to the then outstanding Trust Units, or (b) a meeting of Unitholders by a resolution approved by Unitholders representing at least 66 2/3% of the votes attached to the Trust Units which are voted at the meeting at which at least 20% of the outstanding Trust Units are represented in person or by proxy, in all cases excluding votes attached to the outstanding Trust Units held by or on behalf of the Administrator and its affiliates.

Under the terms of the Administrative Services Agreement, any directors, officers or employees of the Administrator who are also Officers of the Trust, or persons who have been nominated as Trustees by the Administrator shall be paid by the Administrator for serving in such capacity and shall not receive any remuneration from the Trust therefor.

The Trust acknowledges that the Administrator shall not be responsible for any loss of opportunity whereby the value of any of the assets of the Trust or the value of any particular silver, monetary or currency investment could have been increased, nor shall it be responsible for any decline in value of any of the assets of the Trust unless such decline is the result of the Administrator's negligence or wilful failure to comply with express directions given by resolution of either the Trustees or Unitholders of the Trust.

The Administrator will also arrange, at the expense of the Trust, for the engagement of the Custodian of the Trust assets and for its registrar and transfer agent(s).

The Trust will be responsible for paying all costs and expenses incurred in connection with its business except those that are expressly to be borne by the Administrator as referred to above. Such costs and expenses to be borne by the Trust include, without limitation: (i) brokerage and trading commissions; (ii) transport, insurance, fees, security transfer taxes, safekeeping or Custodian's fees and other charges arising upon the holding, purchase or sale of silver bullion, silver certificates or other assets by the Trust; (iii) legal and audit fees; (iv) Unit offering costs; (v) fees

payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the Trust Units or Warrants are listed; (vi) the cost of printing, mailing and filing financial reports and material for Unitholders' meetings, valuations, reporting to Unitholders, public offering of securities, securities regulatory filings and any other purposes required by law; (vii) fees payable to any registrar and transfer agent(s) of the Trust Units; (viii) its independent Trustees' fees and expenses; and (ix) the Administrator's fees payable under the Administrative Services Agreement.

In consideration of the Administrator carrying out its duties and obligations under the terms of the Administrative Services Agreement, the Trust shall pay to the Administrator a declining fee, on a monthly basis in arrears, equal to: 0.40% per annum on the first U.S.\$100,000,000 of the Trust's total net assets; 0.30% per annum on any excess over U.S.\$100,000,000 up to U.S.\$200,000,000 of total net assets; and 0.20% per annum on any excess over U.S.\$200,000,000 of total net assets as at the month-end valuation date (defined as the last business day of each month on which the Trust's NAV is determined). Such fees shall be payable on or before the 10<sup>th</sup> day following the end of each such month. For such purposes, "total assets" shall mean the total assets of the Trust as at the Valuation Date, valuing silver bullion, silver certificates and other investments at market value and cash, short-term government securities, short-term deposits with financial institutions and prime commercial paper at cost less any outstanding payables or other indebtedness of the Trust. The independent Trustees have the express authority to engage a third party for the purpose of conducting an independent valuation of the assets of the Trust.

### Directors and Officers of the Administrator

The name, municipality of residence, position held and principal occupation of each director and officer of the Administrator are set out below:

<b>Name and Municipality of Residence</b>	<b>Position with the Administrator</b>	<b>Principal Occupation</b>
J.C. Stefan Spicer, Ontario, Canada	President and Director	President and Chief Executive Officer of Central Fund of Canada Limited (gold and silver bullion investment company) and President and Chief Executive Officer of Central GoldTrust (gold bullion investment trust)
David L. Snetsinger Ontario, Canada	Director	Field Inspector at AutoVIN Canada
Krystyna S. Bylinowski Ontario, Canada	Director & Secretary/Treasurer	Treasurer of Central Gold Managers Inc. and Treasurer of Central GoldTrust

### Principal Holders of Shares of the Administrator

The Administrator, Silver Administrators Ltd. has authorized an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares, of which 20,400 Class A voting shares and no Class B non-voting shares have been issued. As at July 9, 2009, the issued and outstanding share capital of the Administrator is held by the following persons:

<b>Name</b>	<b>Class of Shares</b>	<b>Number of Shares Issued</b>
David Snetsinger	Class A voting shares	400
J.C. Stefan Spicer	Class A voting shares	5,000
Marion E.D. Spicer	Class A voting shares	5,000
Central Group Administrators Inc. <sup>1</sup>	Class A voting shares	10,000

Notes:

<sup>1</sup>Central Group Administrators Inc. is wholly-owned by Joanne Spicer, the spouse of Mr. Philip Spicer, a Trustee and Chairman of the Trust, and the mother of Mr. Stefan Spicer, the President, Chief Executive Officer and Trustee.

## **Auditors**

The auditors of the Trust are Ernst & Young LLP, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario.

## **Registrar and Transfer Agents**

CIBC Mellon Trust Company at its principal offices in Toronto will be appointed the registrar, transfer agent and distribution agent for the Trust Units in Canada pursuant to a registrar, transfer agency and distribution agency agreement to be entered into as of the date of the Closing.

Mellon Investor Services LLC at its principal office in New Jersey will be appointed as the co-registrar and transfer agent for the Trust Units in the United States, as necessary, pursuant to a co-registrar and transfer agency agreement to be entered into as of the date of the Closing.

## **Warrant Agent**

CIBC Mellon Trust Company at its principal offices in Toronto, Ontario will act as Warrant Agent pursuant to the Warrant Indenture. See “Description of the Securities Distributed – Warrants”.

## **Promoter**

The Administrator may be considered a promoter of the Trust within the meaning of the securities legislation of certain provinces or territories of Canada by reason of its initiative in organizing the Trust. The promoter will not receive any benefits, directly or indirectly, from the issuance of securities offered hereunder other than in its position as the Administrator of the Trust. See “Fees and Expenses”.

## **Book Entry Only and Book Based System**

Registration of interests in and transfers of the Trust Units will be made only through a book entry only system administered by CDS. Registration of interests in, and transfers of, the Warrants will be made through the book based system of CDS. On or about the date of closing of this Offering, the Trustees will deliver to CDS a certificate or certificates evidencing the aggregate number of Trust Units and Warrants subscribed for under this Offering. Trust Units and Warrants must be purchased, transferred and surrendered for redemption through a participant in CDS (a “CDS Participant”). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Trust Units and Warrants. Upon purchase of any Trust Units and Warrants, the Unitholders will receive only a confirmation from the registered dealer which is a CDS Participant and from or through which the Trust Units and Warrants are purchased.

The Trust, the Administrator, the Warrant Agent and the Agent will not have any liability for (i) records maintained by CDS relating to the beneficial interests in the Trust Units and Warrants or the book entry or book based accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Trust Units and Warrants to pledge such Trust Units and Warrants or otherwise take action with respect to such Unitholder’s interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Trust Units and Warrants issued in the United States or to or for the account or benefit of a person in the United States or a U.S. Person will be represented by separate global certificates representing the Trust Units and Warrants that will bear a legend restricting transfer unless in compliance with the registration requirements of the U.S. Securities Act.

The Trust has the option to terminate registration of the Trust Units and Warrants through the book entry only or book based system, as applicable, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Trust Units and Warrants or their nominees.

## **PLAN OF DISTRIBUTION**

Pursuant to an agency agreement (the “Agency Agreement”) dated July 9, 2009 between CIBC World Markets Inc. (the “Agent”) and the Trust, the Agent has agreed to offer the Units for sale, as agent of the Trust, on a best efforts basis, if, as and when issued by the Trust. The Agent will receive a fee equal to \$0.50 for each Unit sold and will be reimbursed for out-of-pocket expenses incurred by it out of the cash proceeds of the Offering. The Agency Agreement provides that the Trust will pay to the Agent a cash commission equal to 5.0% of the gross proceeds from the sale of the Units in consideration of services rendered by the Agent in connection with the Offering. See “Use of Proceeds”. The Agent may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agent out of its fees. While the Agent has agreed to use its best efforts to sell the Units offered hereby, the Agent will not be obligated to purchase Units which are not sold.

The Offering price of U.S.\$10.00 per Unit was established by negotiation between the Agent and the Administrator.

The Trust has granted the Agent an over-allotment option (the “Over-Allotment Option”), exercisable until 30 days after the Closing, to purchase a maximum of 15% of the aggregate number of Trust Units issued at the Closing at a price of U.S.\$9.25 per Trust Unit (the “Option Trust Units”) and to purchase a maximum of 15% of the aggregate number of Warrants issued at the Closing at a price of U.S.\$0.75 per Warrant (the “Option Warrants”) This prospectus qualifies both the grant of the Over-Allotment Option and the distribution of the Option Trust Units and Option Warrants issuable on the exercise thereof. The Agent may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30<sup>th</sup> day following the Closing. To the extent that the Over-Allotment Option is exercised, the Agent will be entitled to a fee of U.S.\$0.4625 per Option Trust Unit and a fee of U.S.\$0.0375 per Option Warrant purchased. The Agent may over-allot and effect transactions to cover their over-allotted position. A purchaser who acquires Option Trust Units and Option Warrants acquires those Option Trust Units and Option Warrants under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

If subscriptions for a minimum number of Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, this Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed on or before such date. Under the terms of the Agency Agreement, the Agent may, at its discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum Offering is not achieved by the Trust and the necessary consents are not obtained or if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription book at any time without notice.

Closing of the Offering will take place on July 29, 2009 or such later date as may be agreed upon by the Trust and the Agent that is on or before August 12, 2009. Closing is subject to receipt of all required securities regulatory and stock exchange approvals.

Pursuant to policy statements of certain Canadian securities regulators, the Agent may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this Offering, the Agent may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at anytime.

Neither the Units nor the Trust Units or Warrants comprising the Units have been, nor will any of them be, registered under the U.S. Securities Act or any state securities legislation and these securities may not be offered or sold in the United States or to or for the account or benefit of a person in the United States or U.S. Person except in transactions exempt from the registration requirements of the U.S. Securities Act. The Agents have agreed that they will not offer or sell these securities within the United States except in transactions that are exempt from the registration requirements of the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units or Trust Units or Warrants comprising the Units within the United States, an offer or sale of the Units within the United States or to or for the account or benefit of a person in the United States or U.S. Person by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such an offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

The TSX has conditionally approved the listing of the Units and the Warrants under the symbols “SBT.UN” and “SBT.W”, respectively. Listing is subject to the Trust fulfilling all of the requirements of the TSX on or before September 25, 2009.

### CAPITALIZATION OF THE TRUST

The following table sets forth the capitalization of the Trust as at July 9, 2009, both before and on a pro forma basis after giving effect to this Offering.

Designation	Authorized	As at July 9, 2009	After giving effect to	
			Minimum Offering	Maximum Offering
Trust Units <sup>(1)</sup> .....	Unlimited	U.S.\$9.25 (1 Trust Unit)	U.S.\$18,500,000 (2,000,000 Trust Units)	U.S.\$185,000,000 (20,000,000 Trust Units)
Warrants <sup>(1)</sup>	Unlimited	U.S.0.75	U.S.\$1,500,000 (2,000,000 Warrants)	U.S.\$15,000,000 (20,000,000 Warrants)
Total for Units	-	U.S.10.00	U.S.\$20,000,000	U.S.\$200,000,000

Notes:

(1) The Trust was initially settled on June 8, 2009 with U.S.\$10.00.

### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fraser Milner Casgrain LLP, counsel to the Trust, and Cassels Brock & Blackwell LLP, counsel to the Agent, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act regarding the acquisition, holding and disposition of Trust Units and Warrants by a Unitholder who acquires Trust Units and Warrants pursuant to this Offering and who, for purposes of the Tax Act, deals at arm’s length and is not affiliated with the Trust and holds the Trust Units and Warrants as capital property. Generally, Trust Units and Warrants will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Trust Units and Warrants in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

This summary is not applicable to a Unitholder that is a financial institution (as defined in the Tax Act for purposes of the mark-to-market rules), a specified financial institution or a Unitholder an interest in which is a tax shelter investment or a Unitholder that has elected to determine his or her Canadian tax results in a “functional currency” (which does not include Canadian currency) (all as defined in the Tax Act). Such Unitholders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Trust Units and Warrants.

This summary is of a general nature only and is based upon the facts set out in this Prospectus, a certificate of the Trust as to certain factual matters, the provisions of the Tax Act and the regulations thereunder in force at the date hereof, all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and counsel’s

understanding of the current published administrative and assessing practices of the Canada Revenue Agency (the “CRA”). There can be no assurance that the Tax Proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, or administrative or assessing practices, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is also based on the assumption that the Trust will at no time be a “SIFT trust” as defined in the Tax Act. Provided the Trust does not hold any “non-portfolio property” as defined in the Tax Act at any time during the year, it will not be a SIFT trust for that year. Based upon a certificate of the Trust, the Trust should not hold any “non-portfolio property” and therefore should not be a SIFT trust for any year. If the Trust becomes a SIFT trust the tax consequences to the Trust and to Unitholders would be materially, and in some cases adversely, different.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Trust Units and Warrants will vary depending on the Unitholder’s particular circumstances, including the province or provinces in which the Unitholder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Trust Units and Warrants. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.**

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Trust Units and Warrants (including distributions, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars. Amounts denominated in U.S. dollars must be converted into Canadian dollars using the rate of exchange quoted by the Bank of Canada at noon on the day on which the amount first arose or such other rate of exchange as is acceptable to the CRA.

## **Status of the Trust**

### *Mutual Fund Trust*

This summary assumes that the Trust will continuously qualify as a “mutual fund trust” as defined in the Tax Act and will elect in accordance with the Tax Act to be a mutual fund trust from inception. The Trust has informed counsel that it intends to file the necessary election so that the Trust will qualify as a mutual fund trust throughout its first taxation year. In order for the Trust to qualify as a mutual fund trust at a particular time, it must meet certain prescribed conditions (“minimum distribution requirement”) including conditions relating to the number of Unitholders, dispersal of ownership of Trust Units and public trading of its Trust Units at such time; its sole undertaking must be the investing of its funds in property (other than real property); and the ownership of Trust Units by non-residents of Canada does not exceed 50% of the outstanding Trust Units or if such ownership threshold is exceeded, that the Trust’s assets are generally restricted to certain types of assets which would include cash, silver bullion located in Canada and certificates in respect of such silver bullion. It is assumed that the sole undertaking of the Trust is the investing of its funds in property (other than real property) and this summary assumes that this will continue to be the case at all relevant times. This summary also assumes that the Trust will continue to satisfy the minimum distribution requirement following completion of the Offering. In addition, this summary assumes that at all times since the date of creation of the Trust, more than 90% of the fair market value of its property has consisted and will continue to consist of silver bullion located in Canada and silver certificates in respect of silver bullion located in Canada.

If the Trust were to fail or cease to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different.

## **Taxation of the Trust**

The taxation year of the Trust is the calendar year. In each taxation year, the Trust will be subject to tax under Part I of the Tax Act on any income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Trust or if the Unitholder is

entitled in that year to enforce payment of the amount. Provided the Trust deducts, in computing its income in each taxation year, the full amount available for deduction in each year, it will generally not be liable for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year by reason of the “capital gains refund”. The Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its capital gains by an amount determined under the Tax Act based on the redemption of Trust Units during the year (the “capital gains refund”). See “Taxation of Unitholders — Dispositions of Trust Units and Warrants” below.

The Trust will include in its income for each taxation year all interest on Trust assets that accrues to the Trust to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. The Trust intends to be a long-term holder of silver bullion and has no intention of disposing of its silver bullion. Accordingly, the Trust intends to treat gains and losses on the disposition of silver bullion as capital gains or losses unless there is a change of circumstances. The CRA has expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. If any dispositions of silver bullion by the Trust are reported as capital gains but are subsequently determined to be ordinary income, the income of the Trust or of the Unitholders for tax purposes would increase.

In computing its income, the Trust may deduct reasonable administrative costs and other expenses incurred by it for the purpose of earning income. The Trust may also deduct from its income for the year a portion of the expenses incurred by the Trust to issue Trust Units. The portion of such issue expenses deductible by the Trust in a taxation year is 20% of such issue expenses, pro-rated should the Trust’s taxation year be less than 365 days.

The Declaration of Trust provides that on an annual basis a sufficient amount of the Trust’s income for purposes of the Tax Act, including net capital gains realized during the year, will be distributed or made payable during the year to Unitholders so that the Trust will not be liable for any income tax for the year. To the extent that the Trust has insufficient distributable cash because of amounts applied to redemptions of Trust Units or cash is otherwise unavailable for distributions, amounts may, at the discretion of the Trustees, be distributed to Unitholders in the form of additional Trust Units so as to ensure that the Trust does not have an income tax liability. Income of the Trust allocated and payable to Unitholders, whether in cash or additional Trust Units, will generally be deductible by the Trust in computing its income under the Tax Act.

In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Trust’s tax liability for such taxation year arising as a result of the distribution of trust assets on the redemption of Trust Units. The Declaration of Trust provides that part or all of the income or capital gain realized by the Trust as a result of the disposition of trust assets to fund a redemption may, at the discretion of the Trustees, be treated as paid to, and as income or a taxable capital gain of, the redeeming Unitholders. Any amount so designated as income or a taxable capital gain will be considered to have been paid out of the Redemption Price paid to the redeeming Unitholders. Such amount must be included in computing the income of the redeeming Unitholders and will be deductible by the Trust.

The Trust will be deemed to realize a capital gain equal to the purchase price of a Unit allocated to a Warrant which expires unexercised.

Losses incurred by the Trust cannot be allocated to Unitholders but may be carried forward and deducted by the Trust in subsequent years subject to the detailed provisions of the Tax Act.

## **Taxation of Unitholders**

### *Unitholders Resident in Canada*

This part of the summary is applicable to Unitholders who, for the purposes of the Tax Act and any applicable tax treaty, are, or are deemed to be, resident in Canada (a “Resident Unitholder”) at all relevant times. Certain Resident Unitholders who otherwise might not be considered to hold their Trust Units as capital property may, in certain circumstances, be entitled to make an irrevocable election under subsection 39(4) of the Tax Act to have their Trust Units (but not Warrants) and every “Canadian security” (as defined in the Tax Act) owned by such Unitholder in the

taxation year and in all subsequent years deemed to be capital property. Resident Unitholders should consult their own tax advisors regarding this election.

#### *Allocation of Purchase Price*

A reasonable allocation of the purchase price of the Units between the Trust Units and the Warrants will be required for tax purposes. The Trust has informed counsel that the Trust will allocate U.S.\$9.25 to each Trust Unit and U.S.\$0.75 to each Warrant. Such allocation is not binding on the CRA or the Unitholder and the CRA may not agree with such allocation.

#### *Exercise and Expiry of Warrants*

The exercise of a Warrant will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized by a holder upon the exercise of a Warrant. The adjusted cost base to the holder of a Trust Unit acquired upon the exercise of a Warrant will be equal to the aggregate of the adjusted cost base of the Warrant so exercised and the subscription price paid by such holder for the Trust Unit. The cost of a Trust Unit acquired by a holder upon the exercise of a Warrant will be averaged with the adjusted cost base of all other Trust Units already held as capital property by the holder at the time of the exercise of the Warrant in order to determine the adjusted cost base of each such Trust Unit to the Unitholder.

The expiry of an unexercised Warrant will generally give rise to a capital loss equal to the adjusted cost base to the holder of the expired Warrant. Any such capital gains or capital losses will be treated as described below in the discussion of dispositions of Trust Units and Warrants.

#### *Distributions*

A Resident Unitholder will generally be required to include in income for a particular taxation year the portion of the income of the Trust for that particular taxation year, including net realized taxable capital gains, if any, that is paid or payable to the Resident Unitholder in the particular taxation year, whether such amount is received in cash, additional Trust Units or otherwise.

Provided that appropriate designations are made by the Trust, such portion of its net taxable capital gains as is paid or payable to a Resident Unitholder will effectively retain its character and be treated as such in the hands of the Resident Unitholder for purposes of the Tax Act.

The non-taxable portion of any net realized capital gains of the Trust that is paid or payable to a Resident Unitholder in a taxation year will not be included in computing the Resident Unitholder's income for the year. Any other amount in excess of the income of the Trust that is paid or payable to a Resident Unitholder in such year will not generally be included in the Resident Unitholder's income for the year. However, where such an amount is paid or payable to a Resident Unitholder (other than as proceeds of disposition of a Trust Unit), the Resident Unitholder will be required to reduce the adjusted cost base of the Trust Units to the Resident Unitholder by such amount. To the extent that the adjusted cost base of a Trust Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Resident Unitholder from the disposition of the Trust Unit and the Resident Unitholder's adjusted cost base in respect of the Trust Unit will, immediately after the realization of such capital gain, be nil.

The cost to a Resident Unitholder of additional Trust Units received in lieu of a cash distribution will be the amount distributed by the issue of such Trust Units. For the purpose of determining the adjusted cost base to a Resident Unitholder of Trust Units, when a Trust Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Trust Units owned by the Resident Unitholder as capital property immediately before such acquisition.

#### *Dispositions of Trust Units and Warrants*

On the disposition or deemed disposition of a Trust Unit or Warrant (other than upon the exercise thereof), whether on a redemption or otherwise, the Resident Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Resident Unitholder's proceeds of disposition exceed (or are less than) the adjusted cost base of the



Trust Unit or Warrant, as the case may be, and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Trust that is otherwise required to be included in the Resident Unitholder's income. Where a capital gain or income realized by the Trust as a result of the disposition of trust assets to fund the redemption of Trust Units has been allocated by the Trust to a redeeming Resident Unitholder, the Resident Unitholder will be required to include in income the taxable portion of the capital gain or income so payable and such amount will not be included in the Resident Unitholder's proceeds of disposition.

### **Capital Gains and Capital Losses**

Generally, one-half of any capital gain realized by a Resident Unitholder on the disposition of a Trust Unit or Warrant and the amount of any net taxable capital gain designated by the Trust in respect of a Resident Unitholder will be included in the Resident Unitholder's income as a taxable capital gain and one-half of any capital loss realized by a Resident Unitholder on the disposition of a Trust Unit or Warrant may generally be deducted only from taxable capital gains subject to the limitations under the Tax Act.

### **Alternative Minimum Tax**

In general terms, net income of the Trust paid or payable to a Resident Unitholder who is an individual that is designated as net realized taxable capital gains and capital gains realized on the disposition of Trust Units or Warrants may increase the Resident Unitholder's liability for alternative minimum tax.

### **Unitholders Not Resident in Canada**

This portion of the summary is applicable to Unitholders who, at all relevant times for purposes of the Tax Act, have not been and are not resident in Canada or deemed to be resident in Canada and do not use or hold, and are not deemed to use or hold their Trust Units and Warrants in carrying on business in Canada and elsewhere ("Non-Resident Unitholders").

Prospective purchasers of Trust Units and Warrants should consult their own tax advisors to determine their entitlement to relief under an income tax treaty between Canada and the Non-Resident Unitholder's jurisdiction of residence, based on their particular circumstances.

### *Distributions*

Any amount paid or credited by the Trust to a Non-Resident Unitholder, or any partnership that is not a "Canadian partnership" as defined in the Tax Act (a "Non-Canadian Partnership"), as income of or from the Trust (other than an amount that the Trust has designated in accordance with the Tax Act as a taxable capital gain) will be subject to Canadian withholding tax at a rate of 25%, unless such rate is reduced under the provisions of an income tax treaty between Canada and the Non-Resident Unitholder's jurisdiction of residence. Pursuant to the Canada-United States Income Tax Convention, 1980 (the "Treaty"), a Non-Resident Unitholder who is resident of the United States and entitled to benefits under the Treaty will generally be entitled to have the rate of Canadian withholding tax reduced to 15% of the amount of any distribution that is paid or credited as income of or from the Trust. It should be noted that the Fifth Protocol to the Treaty, which came into effect on December 15, 2008, amends certain aspects of the Treaty including who can benefit from the Treaty.

The Trust does not presently own any "taxable Canadian property" (as defined in the Tax Act) and does not intend to own any taxable Canadian property. However, if the Trust realizes a capital gain on the disposition of a taxable Canadian property and designates more than 5% of its net taxable capital gains for the year to Non-Resident Unitholders or any partnership that is a Non-Canadian Partnership, there would be Canadian withholding tax at the rate of 25% (unless reduced by an applicable tax treaty) on both the taxable and non-taxable portions of the gain.

Any amount in excess of the income of the Trust that is paid or payable by the Trust to a Non-Resident Unitholder or a Non-Canadian Partnership generally will not be subject to withholding tax. However, where such amount is paid or becomes payable to a Non-Resident Unitholder or Non-Canadian Partnership, other than as proceeds of disposition or deemed disposition of Trust Units or any part thereof, the amount generally will reduce the adjusted cost base of the Trust Units held by such Non-Resident Unitholder or Non-Canadian Partnership, as the case may be. If, as a result, the adjusted cost base to the Non-Resident Unitholder or the Non-Canadian Partnership, as the

case may be, in any taxation year of Trust Units would otherwise be a negative amount, the Non-Resident Unitholder or Non-Canadian Partnership, as the case may be, will be deemed to realize a capital gain in such amount for that year from the disposition of Trust Units. In the case of a Non-Resident Unitholder, such capital gain will not be subject to tax under the Tax Act, unless the Trust Units represent “taxable Canadian property” (as defined in the Tax Act) to such Non-Resident Unitholder (see “Dispositions of Trust Units and Warrants” below). The Non-Resident Unitholder’s adjusted cost base in respect of Trust Units will, immediately after the realization of such capital gain, be nil.

#### *Dispositions of Trust Units and Warrants*

A disposition or deemed disposition of a Trust Unit or a Warrant by a Non-Resident Unitholder, whether on a redemption or otherwise, will not give rise to any capital gain subject to tax under the Tax Act, provided that the Trust Units and Warrants do not constitute “taxable Canadian property” of the Non-Resident Unitholder for purposes of the Tax Act. Generally, Trust Units and Warrants will not be “taxable Canadian property” of a Non-Resident Unitholder unless at any time during the 60-month period immediately preceding the disposition of Trust Units or Warrants by such Non-Resident Unitholder, the Non-Resident Unitholder or persons with whom the Non-Resident Unitholder did not deal at arm’s length or any combination thereof, held 25% or more of the issued Trust Units. Where the Trust Units or Warrants held by a Non-Resident Unitholder are “taxable Canadian property”, a capital gain from the disposition of Trust Units or Warrants may be exempted from tax under the Tax Act pursuant to an applicable income tax treaty or convention. A capital gain realized on the disposition of Trust Units or Warrants by a Non-Resident Unitholder entitled to benefits under the Treaty should be exempt from tax under the Tax Act.

To the extent that the amount paid on redemption of Trust Units to a Non-Resident Unitholder, or a Non-Canadian Partnership, is income designated to the redeeming Non-Resident Unitholder, or the Non-Canadian Partnership, such amount will be subject to Canadian withholding tax as described above under the heading “Unitholders Not Resident in Canada — Distributions”.

Non-Resident Unitholders whose Trust Units or Warrants constitute “taxable Canadian property” and who are not entitled to relief under an applicable income tax treaty are referred to the discussion above under “Unitholders Resident in Canada — Dispositions of Trust Units and Warrants” and “Exercise and Expiry of Warrants.”

## **RISK FACTORS**

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in the Units which prospective investors should consider before purchasing such Units:

### **Risks Related to the Trust’s Activities and the Industry**

#### *Silver Price Volatility*

The Trust’s purpose is to buy and hold silver bullion and, incidental thereto, minor amounts of silver certificates. The principal factors that will affect the price of the Trust Units and Warrants are factors which affect the prices of silver. The Trust’s silver bullion assets are tradeable internationally and are denominated in U.S. dollars.

The Trust will not engage in any borrowing, leasing, lending or hedging activities involving its assets. Accordingly, the price of its Trust Units and Warrants will depend on, and typically fluctuate with, the price fluctuations of silver.

The price of silver may be affected at any time by various unpredictable international, economic, monetary and political factors including:

- global silver supply and demand, which is influenced by such factors as: (i) forward selling by silver producers; (ii) purchases made by silver producers to unwind silver hedge positions; and (iii) production and cost levels in major silver-producing countries;
- investors' expectations with respect to the rate of inflation;
- exchange rate volatility of the U.S. dollar, the principal currency in which the price of silver is generally quoted;
- interest rate volatility; and
- unexpected global, or regional, political or economic incidents.

Changing tax, royalty and land and mineral rights ownership and leasing regulations under different political regimes can impact market functions and expectations for future silver supply. This can impact both silver mining shares, and the relative prices of other commodities, which can also be competitive factors that impact investor decisions in respect to investing in silver and in the Units.

#### *Foreign Exchange Rates*

The Trust will maintain its accounting records, purchase silver and report its financial position and results in U.S. currency. However, certain of the Trust's expenses will be paid in Canadian currency. Therefore, because exchange rate fluctuations are beyond the Trust's control, there can be no assurance that such fluctuations will not have an effect on the Trust or on the trading price of the Trust Units or Warrants.

#### *Uninsured and Underinsured Losses*

All of the silver bullion owned by the Trust will be stored on an unencumbered and allocated basis in the treasury vaults of a Canadian bank in segregated safekeeping. The Custodian maintains insurance with regard to its business and bullion storage on such terms and conditions as it considers appropriate. There can be no assurance that such insurance coverage will be extended to assets of the Trust, and if so, if such coverage will be sufficient to cover losses that could be incurred by the Trust.

#### *Silver as a By-Product*

A significant portion of world silver production is derived from ores valued primarily for their metals other than silver (e.g. base metals such as copper, lead and zinc). Accordingly, silver production, and therefore silver prices, may be influenced by fluctuations in the demand and/or prices of other metals. Metals prices are subject to significant fluctuations and are affected by a number of factors which are beyond the control of the Trust.

### **Risks Related to the Structure of the Trust and this Offering**

#### *Absence of Prior Public Market*

The Trust is a newly organized investment trust with no previous operating history. There is currently no public market for the Trust Units or the Warrants of the Trust and there can be no assurance that an active public market will develop or be sustained after completion of the Offering. The initial public offering price for the Units has been determined by negotiation between the Trust and the Agent based on several factors, and may bear no relationship to the price at which Trust Units or Warrants will trade in the public market subsequent to the Offering. See "Plan of Distribution".

#### *Market Price of Trust Units or Warrants*

The Trust cannot predict whether the Trust Units or the Warrants will trade above, at or below the net asset value of the Trust. The market price of the securities of the Trust may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the net asset value resulting from an increase in interest rates may

also negatively affect the market price of the securities of the Trust. Unitholders will therefore be exposed to the risk that the net asset value per Trust Unit or the market price of the securities of the Trust may be negatively affected by interest rate fluctuations.

#### *No Assurances of Achieving Objective*

There is no assurance that the Trust will be able to achieve its objectives and will earn any returns.

#### *Net Asset Value*

The net asset value of the Trust's silver assets is to be based on the London daily silver price fixing reported for silver bullion. Accordingly, the market value of the Trust Units or Warrants may, at any time, be greater or less than the realizable value of the underlying assets being primarily the silver bullion, silver certificates and cash owned by the Trust. The Trust has no control over the factors that affect the value of the silver bullion held by the Trust, including factors that affect silver prices generally such as general economic and political conditions and fluctuations in interest rates, and factors unique to the silver industry.

#### *Concentration Risk*

The Trust will be invested at all times in physical silver bullion and, incidental thereto, minor amounts of silver certificates, subject to the investment restrictions of the Trust. The Trust's holdings will not be diversified and the net asset value per Trust Unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the securities of the Trust.

#### *Nature of Trust Units and Warrants*

As holders of Trust Units and Warrants, Unitholders do not have the statutory rights normally associated with the ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Trust Units and Warrants represent a fractional interest in the Trust. The Trust's primary asset is silver bullion.

#### *Risk of Dilution*

The value of the Trust Units held by Unitholders will be diluted if the net asset value per Trust Unit exceeds \$10.00 and the Warrants are exercised.

#### *Risks Related to Redemption*

If holders of a substantial number of Trust Units exercise their redemption rights, the number of Trust Units outstanding and the net asset value of the Trust could be significantly reduced. If a substantial number of Trust Units are redeemed, this could decrease the liquidity of the Trust Units in the market and increase the management expense ratio of the Trust. In any such circumstance, the Administrator may determine it appropriate to (i) suspend redemptions of Trust Units (as described under "Redemptions"); or (ii) terminate the Trust without the approval of the Unitholders if, in the opinion of the Administrator it is no longer economically feasible to continue the Trust or the Administrator determines that it would be in the best interests of Unitholders to terminate the Trust.

#### *Potential Unitholder Liability*

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with: (i) the ownership and use of the Trust's assets; (ii) the obligations, liabilities, activities or affairs of the Trust; (iii) any actual or alleged act or omission of the Trustees, or by any other person, in respect of the activities or affairs of the Trust; (iv) any act or omission of the Trustees, or any other person, in the performance or exercise, or purported or attempted performance or exercise, of any obligation, power, discretion or authority conferred upon the Trustees, or such other person, in respect of the activities or affairs of the Trust; (v) any transaction entered into by the Trustees, or by any other person, in respect of the activities or affairs of the Trust; or (vi) any taxes, levies, imposts, or charges or fines, penalties or interest in respect thereof payable by the Trust or by

the Trustees, or by any other person, (except the Unitholder or beneficial Unitholder to the extent required by applicable tax laws) on behalf of, or in connection with, the activities or affairs of the Trust (collectively, “Trust Liabilities”).

Further, during 2004, the Government of Ontario enacted the *Trust Beneficiaries’ Liability Act, 2004*. This statute provides investors in unit trusts that are reporting issuers and governed by the laws of Ontario, such as the Trust, with the same type of limited liability that is enjoyed by shareholders of corporations. Similar legislation has been passed in the Provinces of British Columbia, Alberta, Manitoba and Saskatchewan.

It is intended that the affairs of the Trust will be conducted to seek to minimize such risk wherever possible and no Unitholder or beneficial Unitholder in its capacity as such shall be liable to indemnify the Trustees, or any other person, with respect to any Trust Liabilities. Further, the Declaration of Trust provides that to the extent that any Unitholder may be determined by a judgment of a court of competent jurisdiction to be subject to, or liable in respect of any Trust Liabilities, such judgment and any writ of execution shall be enforceable only against, and shall be satisfied only out of the Trust Units held by, such Unitholder. If any Unitholder or beneficial Unitholder shall be held personally liable as such to any other person in respect of any Trust Liabilities, such Unitholder shall be entitled to indemnity and reimbursement out of the Trust assets to the full extent of such liability and for all costs of any litigation or other proceedings in which such liability shall have been determined, including, without limitation, all fees and disbursements of counsel. However, the Trustees shall have no liability to reimburse Unitholders for taxes assessed against them by reason of their ownership of Trust Units or Warrants.

#### *Reliance on Trustees and Administrator*

The Trust is a self-governing unit trust that is governed by the Trustees appointed and elected by the Unitholders. The Trust will, therefore, be dependent on the services of its Trustees and the Administrator for administrative services provided to the Trust. The Administrator will depend to a great extent on the services of Messrs. J. C. Stefan Spicer and Philip M. Spicer, the Trustees nominated by the Administrator. There is no certainty that the individuals who are principally responsible for providing administration services to the Trust will continue to be employed by the Administrator, and the loss of the services of any of such individuals for any reason may have an adverse effect on the Trust.

#### *Loss, Damage or Restriction on Access to Silver*

There is a risk that part or all of the Trust’s silver could be lost, damaged or stolen, notwithstanding the handling of deliveries of bullion by and storage of bullion in the treasury vaults of a Canadian bank. Also, access to the Trust’s silver bullion could be restricted by natural events or human actions. Any of these events may adversely affect the assets of the Trust and, consequently, an investment in the Units.

#### *Investment Eligibility*

The Trustees intend that the Trust Units and the Warrants will be qualified investments under the Tax Act for Plans. However, there can be no assurance for the future that the Trust Units and the Warrants will be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

#### *Income Tax Matters*

There can be no assurance that Canadian federal income tax laws and the administrative and assessing practices of the CRA respecting the treatment of mutual fund trusts and the tax applicable to gains and losses will not be further changed or interpreted in a manner which adversely affects Unitholders. If the Trust does not qualify as a “mutual fund trust” at any time or is a “SIFT trust” under the Tax Act at any time, the income tax considerations described under the heading “Certain Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects.

#### *Regulatory Changes*

The Trust may be affected by changes in regulatory requirements, customs duties and other taxes. Such changes could, depending on their nature, benefit or adversely affect the Trust and its Unitholders.

### *Competition*

An investment in the Units of the Trust may be adversely affected by competition from other methods of investing in silver. The Trust may be regarded as competing with other financial vehicles, including traditional debt and equity securities issued by companies in the precious metals industry and other securities backed by or linked to direct investments in silver and open-end or closed-end silver investment vehicles. Market and financial conditions, and other conditions beyond the Trust's control, may make it more attractive to invest in other financial vehicles or to invest in silver bullion directly, which could occasionally reduce the marketability for the Units.

### *Distributions*

No distributions on the Trust Units have been paid to date and the Trust does not anticipate paying regular distributions to Unitholders. Payment of any future distributions will be at the discretion of the Board of Trustees of the Trust.

### *Potential Conflicts of Interest*

The Trustees and Officers of the Trust and the Administrator and its respective affiliates, directors and officers may provide advisory, promotion, management, investment management and other services to other entities and parties. The Trustees and Officers of the Trust, and the directors and officers of the Administrator, have undertaken to devote such reasonable time as is required to properly fulfill their responsibilities in respect of the affairs of the Trust, as they arise from time to time.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Trust and the Administrator entered into the Administrative Services Agreement on June 8, 2009. Pursuant to the Administrative Services Agreement, the Administrator will administer the activities of the Trust. J.C. Stefan Spicer, the President and Chief Executive Officer of the Trust, and one or more of his associates are directors, officers and/or trustees or shareholders of the Administrator. See "Organization and Administration Details of the Trust – Administrative Services Agreement".

## **MATERIAL CONTRACTS**

The only material contracts entered into by the Trust to which it is or will become a party on or prior to the closing of this Offering are as follows:

1. the Declaration of Trust referred to under "Description of the Trust";
2. the Administrative Services Agreement referred to under "Organization and Administration Details of the Trust – Administrative Services Agreement";
3. the Safekeeping Agreement referred to under "Rationale of the Trust – Objective of the Trust";
4. the Agency Agreement referred to under "Plan of Distribution"; and
5. the Warrant Indenture described under "Description of the Securities Distributed – Warrants".

Copies of the foregoing documents may be examined by prospective purchasers during normal business hours at the offices of Fraser Milner Casgrain LLP, legal counsel to the Trust, 42<sup>nd</sup> Floor, 1 First Canadian Place, Toronto, Ontario, Canada M5X 1B2 during the period of distribution of the securities offered hereby.

## **LEGAL MATTERS**

Certain legal matters in connection with this Offering will be passed upon by Fraser Milner Casgrain LLP on behalf of the Trust and by Cassels Brock & Blackwell LLP on behalf of the Agent. John S. Elder, Q.C., a Counsel to Fraser Milner Casgrain LLP, is an Officer of the Trust.

As at July 8, 2009, the partners and associates of Fraser Milner Casgrain LLP and Cassels Brock & Blackwell LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Trust Units and Warrants of the Trust.

#### **EXPERTS**

The matters referred to under “Certain Canadian Federal Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon on behalf of the Trust and the Administrator by Fraser Milner Casgrain LLP, and on behalf of the Agent by Cassels, Brock & Blackwell LLP.

Ernst & Young LLP is independent in accordance with the auditor’s rules of professional conduct in each applicable jurisdiction.

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Trust is not aware of any litigation or regulatory actions outstanding, threatened or pending as of the date hereof by or against the Trust or relating to the business which would be material to a purchaser of Units.

#### **PROMOTER**

The Administrator may be considered to be the promoter of the Trust within the meaning of the securities regulation of certain provinces of Canada. The Administrator is the holder of the initial Trust Unit of the Trust, which will be redeemed by the Trust at its issue price of U.S.\$10.00 following the closing of this Offering. The Administrator will not receive any additional direct or indirect benefits as a result of its relationship to the Trust other than those described above under “Organization and Administration Details of the Trust – Administrative Services Agreement”.

#### **AUDITORS, TRANSFER AGENTS AND REGISTRAR**

The Trust’s auditors are Ernst & Young LLP, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario, Canada.

The registrar and transfer agent for the Trust Units in Canada will be CIBC Mellon Trust Company at its principal offices in Toronto.

The registrar and transfer agent for the Trust Units in the United States, as necessary, will be Mellon Investor Services LLC at its principal offices in New Jersey.

#### **PURCHASERS’ STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal advisor.

## **AUDITORS' CONSENT**

We have read the prospectus of Silver Bullion Trust (the "Trust") dated July 9, 2009 relating to the sale and issuance of units of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the inclusion in the above mentioned prospectus of our report to the Trustees of the Trust on the balance sheet of the Trust as at July 9, 2009. Our report is dated July 9, 2009.

Toronto, Canada  
July 9, 2009

(signed) Ernst & Young LLP  
Chartered Accountants  
Licensed Public Accountants



## **FINANCIAL STATEMENTS**

### **Auditors' Report**

To the Trustees of  
Silver Bullion Trust:

We have audited the balance sheet of Silver Bullion Trust (the "Trust") as at July 9, 2009. This balance sheet is the responsibility of the Trust's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this balance sheet presents fairly, in all material respects, the financial position of the Trust as at July 9, 2009 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
July 9, 2009

(signed) Ernst & Young LLP  
Chartered Accountants  
Licensed Public Accountants

**SILVER BULLION TRUST**

**BALANCE SHEET**

*In U.S. dollars*

As at July 9, 2009

	<u>Actual</u>
<b>Assets</b>	
Cash .....	U.S.\$10
Investment in silver certificates .....	-
Investment in silver bullion .....	-
<b>Unitholder's Equity</b>	
Unitholder's equity .....	U.S.\$10
Net asset value per unit	U.S.\$10

Approved on behalf of the Trustees:

(Signed) J.C. STEFAN SPICER  
Trustee

(Signed) PHILIP M. SPICER  
Trustee

The accompanying notes are an integral part of this financial statement.

## **SILVER BULLION TRUST**

### **Notes to Balance Sheet In U.S. dollars, except as noted otherwise As at July 9, 2009**

#### **1. Formation of Silver Bullion Trust**

Silver Bullion Trust (the “Trust”) is a limited purpose trust formed under the laws of the Province of Ontario by a declaration of trust dated June 8, 2009, as amended and restated on July 9, 2009 (the “Declaration of Trust”).

The Declaration of Trust provides that an unlimited number of trust units of the Trust (the “Trust Units”). Each Trust Unit represents an equal undivided beneficial interest in the Trust and in any distributions from the Trust and in any net assets of the Trust in the event of termination or winding-up of the Trust. Each Trust Unit is transferable, entitles the holder thereof to participate equally in distributions of the Trust, is not subject to additional payments on account of the subscription price, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of the holders of Trust Units of the Trust.

Each warrant of the Trust (a “Warrant”) will entitle the holder thereof to acquire one Trust Unit (each, a “Warrant Unit”) at an exercise price of U.S.\$10.00 at any time before 5:00 p.m. (Toronto time) on the date that is nine (9) months following the Closing Date of the offering (the “Expiry Time”).

#### **2. Details of the Administrative Services Agreement**

An administrative services agreement between the Trust and Silver Administrators Ltd. (the “Administrator”) was entered into on June 8, 2009.

In consideration of the Administrator carrying out its duties and obligations under the terms of the Administrative Services Agreement, the Trust shall pay to the Administrator a declining fee, on a monthly basis in arrears, equal to: 0.40% per annum on the first U.S.\$100,000,000 of the Trust’s total net assets; 0.30% per annum on any excess over U.S.\$100,000,000 up to U.S.\$200,000,000 of total net assets; and 0.20% per annum on any excess over U.S.\$200,000,000 of total net assets as at the month-end valuation date (defined as the last business day of each month on which the Trust’s NAV is determined). Such fees shall be payable on or before the 10th day following the end of each such month. For such purposes, “total assets” shall mean the total assets of the Trust as at the Valuation Date, valuing silver bullion, silver certificates and other investments at market value and cash, short-term government securities, short-term deposits with financial institutions and prime commercial paper at cost less any outstanding payables or other indebtedness of the Trust. The independent Trustees have the express authority to engage a third party for the purpose of conducting an independent valuation of the assets of the Trust.

#### **3. Unitholder’s Equity**

One Trust Unit was issued to Silver Administrators Ltd. on June 8, 2009 at an issue price of U.S.\$10.00 as an administrator of the Trust.

#### **4. Financial reporting currency**

The functional and reporting currency of the Trust is the U.S. dollar. Substantially all of its assets, liabilities, revenues and expenses will be denominated in U.S. dollars. Assets and liabilities denominated in foreign currencies, predominately the Canadian dollar, will be translated into U.S. dollars primarily at exchange rates prevailing at the period end. Revenues and expenses will be translated at the average exchange rates for the period.

## **5. Proposed Offering**

The Trust is qualifying for distribution units (the “Units”) of the Trust (the “Offering”) at a price of U.S.\$10.00 per Unit. Each Unit will be comprised of one redeemable, transferable, trust unit of the Trust (each, a “Trust Unit”) and one Warrant.

The Trust will issue a minimum of 2,000,000 Units comprised of one Trust Unit and one Warrant for net proceeds of U.S.\$18,500,000 after deducting estimated expenses and agent’s fee in the aggregate of U.S.\$1,500,000 to a maximum of 20,000,000 Units for net proceeds of U.S.\$189,500,000 after deducting estimated expenses and agent’s fee in the aggregate of U.S.\$10,500,000, as described in a prospectus dated July 9, 2009.

## **CERTIFICATE OF SILVER BULLION TRUST AND THE PROMOTER**

Dated: July 9, 2009

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada, other than the province of Québec.

On behalf of Silver Bullion Trust

(Signed) J.C. STEFAN SPICER  
President and Chief Executive Officer

(Signed) WILLIAM L. TRENCH  
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) PHILIP M. SPICER  
Trustee

(Signed) BRUCE D. HEAGLE  
Trustee

On behalf of the Promoter  
Silver Administrators Ltd.

(Signed) J.C. STEFAN SPICER  
President and Chief Executive Officer

(Signed) KRYSTYNA S. BYLINOWSKI  
Secretary and Treasurer

## **CERTIFICATE OF THE AGENT**

Dated: July 9, 2009

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada, other than the province of Québec.

**CIBC WORLD MARKETS INC.**

By: (Signed) **DAVID A. SCOTT**