

# SILVER BULLION TRUST



1<sup>st</sup> Quarter Report

March 31, 2011

## *The Role of Silver Bullion Trust*

*To serve investors as “The Silver Bullion Trust”™.*  
*To hold silver bullion on a secure basis for the convenience of investors.*

*Investment Policies & Restrictions* The Declaration of Trust requires that at least 90% of the total net assets of Silver Bullion Trust (the “Trust”) be held in physical silver bullion at all times. This cannot be changed without the approval of the Unitholders.

The Trust’s physical silver holdings may not be loaned, pledged, subjected to options or otherwise encumbered in any way.

*Safeguards* Silver bullion is stored on an allocated and segregated basis in an underground treasury vault of the Canadian Imperial Bank of Commerce (the “Bank”), one of the largest banks in Canada.

The Bank may not release any of the Trust’s physical bullion holdings without receipt of an authorizing resolution of the Board of Trustees of the Trust.

Bullion holdings and Bank vault security are inspected annually and spot inspected periodically by Trustees and/or Officers of the Trust. On each occasion, inspections are required to be performed in the presence of both the Trust’s external auditors and Bank personnel.

The Trust is subject to the regulations and reporting requirements of the Toronto Stock Exchange and various Canadian provincial regulatory authorities.

*Conveniences* The Trust’s Units are listed on the Toronto Stock Exchange (SBT.UN in Canadian dollars and SBT.U in U.S. dollars). The Units are also quoted on the United States OTC market with the symbol SVRZF. Making a silver bullion investment through ownership of Silver Bullion Trust Units is as easy as calling one’s stockbroker or investment dealer.

The Trust’s stock exchange listings provide a readily quoted and liquid market for the Units. The bid/ask spreads are usually considerably less than the buying and selling price spreads of direct silver bullion purchases, especially for small transactions.

Unlike many other forms of bullion investment, there are no storage or other direct costs paid by the investor. As well, there are no assay charges to the Unitholder to verify the legitimacy and/or actual silver content upon sale or redemption of the Trust’s Units.

**Trustees' Report to Unitholders**

Silver Bullion Trust (the "Trust") is a passive, self-governing, single purpose, closed-end trust, with voting Units, that provides the secure holding of silver bullion on behalf of its Unitholders. The Trust was established on June 8, 2009 by a Declaration of Trust. The governing Declaration of Trust was amended and restated on July 9, 2009 and the Trust was effectively inactive until the closing of its initial public offering on July 29, 2009. Net assets at March 31, 2011 were 98.2% invested in 3,143,830 ounces of silver bullion. The investment policy adopted by the Trustees requires that a minimum of 95% of the net assets of the Trust be held in silver bullion in London Bullion Market Association ("LBMA") good delivery bar form.

The reporting currency of Silver Bullion Trust is the U.S. dollar and, unless otherwise noted, discussion in this Report refers to U.S. dollars.

The Trust's Units serve as a stock exchange tradeable bullion proxy and, according to legal and tax counsel, qualify for investment by individuals and most types of Canadian and U.S. retirement accounts, trusts, financial entities and institutions. Investors should nevertheless consult their own tax advisors with respect to the tax consequences of an investment in the Trust's Units.

Excerpts from the Management's Discussion and Analysis (MD&A) for the quarter ended March 31, 2011, included herein on pages 10 to 12 of this report, are noted below:

**Net Assets** – Net assets at March 31, 2011 were 98.2% invested in silver bullion (3,143,830 ounces) in physical bar form. Net assets increased by \$22.7 million or 23.1% during the three months ended March 31, 2011 to a total of \$121.3 million. This increase was attributable to the increase in the market price of silver during the period.

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

Virtually all of the reported net income for the above periods is represented by the change in unrealized appreciation of holdings, which is not distributable income. However, it is reported in the Statements of Income in accordance with the Canadian Institute of Chartered Accountants Accounting Guideline 18, Investment Companies ("AcG-18").

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

We are committed to the secure stewardship of the Trust and its silver bullion holdings to fulfill its purpose and mandate as "The Silver Bullion Trust"<sup>TM</sup>.

Respectfully submitted,  
On behalf of the Board of Trustees,



J.C. Stefan Spicer, President & CEO

April 28, 2011

**STATEMENTS OF NET ASSETS**  
(expressed in U.S. dollars, unaudited)

|  | <b>March 31,<br/>2011</b> | <b>December 31,<br/>2010</b> |
|--|---------------------------|------------------------------|
| <b>Net assets:</b>   |                           |                              |
| Silver at market (Note 2)  | \$ 119,056,842            | 96,295,513                   |
| Cash (Note 3)  | 2,313,435                 | 2,371,832                    |
| Prepaid expenses and other   | 70,717                    | 39,594                       |
|  | 121,440,994               | 98,706,939                   |
| Accrued liabilities (Note 5)                                       | (182,717)                 | (194,600)                    |
| <b>Net assets representing Unitholders' equity</b>                 | <b>\$ 121,258,277</b>     | <b>98,512,339</b>            |
| <b>Represented by:</b>   |                           |                              |
| Capital (Note 4)   |                           |                              |
| Units issued: 5,467,228  | \$ 53,014,800             | 52,919,136                   |
| Retained earnings inclusive of unrealized appreciation of holdings | 68,243,477                | 45,593,203                   |
|  | \$ 121,258,277            | 98,512,339                   |
| <b>Net asset value per Unit</b>                                    | <b>\$ 22.18</b>           | <b>18.02</b>                 |
| <b>Exchange rate:</b> U.S. \$1.00 = Cdn.                           | <b>\$ 0.9718</b>          | <b>0.9946</b>                |
| <b>Expressed in Canadian dollars:</b>                              |                           |                              |
| <b>Net asset value per Unit</b>                                    | <b>\$ 21.55</b>           | <b>17.92</b>                 |

See accompanying notes to financial statements.

*On behalf of the Board of Trustees:*

*"Ian M.T. McAvity"*

*"Bruce D. Heagle"*

**STATEMENTS OF CHANGES IN NET ASSETS**  
(expressed in U.S. dollars, unaudited)

|   | <b>Three months ended March 31,</b> |                   |
|---|-------------------------------------|-------------------|
|   | <b>2011</b>                         | <b>2010</b>       |
| <b>Net assets at beginning of period</b>                                  | <b>\$ 98,512,339</b>                | <b>32,765,044</b> |
| Increase in Unit capital (Note 4)   | 95,664                              | 3,612,000         |
| Net income inclusive of the change in unrealized appreciation of holdings | 22,650,274                          | 978,956           |
| Increase in net assets during the period                                  | 22,745,938                          | 4,590,956         |
| <b>Net assets at end of period</b>  | <b>\$ 121,258,277</b>               | <b>37,356,000</b> |

See accompanying notes to financial statements.

**STATEMENTS OF INCOME***(expressed in U.S. dollars, unaudited)*

|  | <i>Three months ended March 31,</i> |                  |
|--|-------------------------------------|------------------|
|  | <i>2011</i>                         | <i>2010</i>      |
| <b>Income:</b>   |                                     |                  |
| Interest   | \$ 1,037                            | 135              |
| Change in unrealized appreciation of holdings                  | 22,761,499                          | 1,040,247        |
| <b>Total income</b>  | <b>22,762,536</b>                   | <b>1,040,382</b> |
| <b>Expenses:</b>   |                                     |                  |
| Safekeeping fees and bank charges                              | 38,381                              | 11,169           |
| Administration fees (Note 5)                                   | 29,279                              | 8,572            |
| Auditors' fees   | 16,724                              | 9,988            |
| Regulatory filing fees   | 5,849                               | 3,503            |
| Registrar and transfer agent fees                              | 5,158                               | 3,813            |
| Stock exchange fees  | 5,038                               | 2,664            |
| Legal fees (Note 5)  | 4,517                               | 13,948           |
| Trustees' fees and expenses (Note 5)                           | 3,780                               | 4,529            |
| Unitholder information   | 3,446                               | 2,675            |
| Miscellaneous  | 90                                  | 73               |
| Foreign currency exchange loss (gain)                          | -                                   | 492              |
| <b>Total expenses</b>  | <b>112,262</b>                      | <b>61,426</b>    |
| <b>Net income</b>  |                                     |                  |
| inclusive of the change in unrealized appreciation of holdings | \$ 22,650,274                       | 978,956          |
| <b>Net income per Unit</b>                                     |                                     |                  |
| inclusive of the change in unrealized appreciation of holdings | \$ 4.14                             | \$ 0.31          |
| <b>Fully diluted Net income per Unit</b>                       |                                     |                  |
| inclusive of the change in unrealized appreciation of holdings | \$ 4.14                             | \$ 0.29          |

See accompanying notes to financial statements.

**STATEMENTS OF UNITHOLDERS' EQUITY***(expressed in U.S. dollars, unaudited)*

|   | <i>Three months ended March 31,</i> |                   |
|---|-------------------------------------|-------------------|
|   | <i>2011</i>                         | <i>2010</i>       |
| <b>Capital (Note 4):</b>  |                                     |                   |
| Units issued: 5,467,228 (2010: 3,320,912)                                 | \$ 53,014,800                       | 29,852,914        |
| Warrants outstanding: nil (2010: 2,249,912)                               | -                                   | 1,603,062         |
|   | <b>53,014,800</b>                   | <b>31,455,976</b> |
| <b>Retained earnings:</b>   |                                     |                   |
| Balance at beginning of period  | 45,593,203                          | 4,921,068         |
| Net income inclusive of the change in unrealized appreciation of holdings | 22,650,274                          | 978,956           |
| Balance at end of period  | <b>68,243,477</b>                   | <b>5,900,024</b>  |
| <b>Unitholders' equity</b>  | <b>\$ 121,258,277</b>               | <b>37,356,000</b> |

See accompanying notes to financial statements.

**Notes to Financial Statements***For the three months ended March 31, 2011**(amounts expressed in U.S. dollars unless otherwise stated)***1. Summary of significant accounting policies:**

The accounting policies applied in the preparation of these unaudited interim financial statements conform with those presented in the December 31, 2010 audited annual financial statements of Silver Bullion Trust (the "Trust"). These unaudited interim financial statements do not include all of the disclosures included in the 2010 Annual Report and, accordingly, should be read in conjunction with the 2010 Annual Report.

**2. Silver bullion:**

Details of silver bullion holdings are as follows:

| <i>Silver holdings</i>         | <i>March 31, 2011</i> | <i>December 31, 2010</i> |
|--------------------------------|-----------------------|--------------------------|
| Total ounces of silver bullion | 3,143,830             | 3,143,830                |
| Average cost – per ounce       | \$ 16.02              | \$ 16.02                 |
| Cost                           | \$ 50,354,443         | \$ 50,354,443            |
| Market price – per ounce       | \$ 37.87              | \$ 30.63                 |
| Market value                   | \$ 119,056,842        | \$ 96,295,513            |

**3. Cash:**

As at March 31, 2011 cash deposits of \$2,313,435 (December 31, 2010: \$2,371,832) were held in a Canadian bank at a variable annualized interest rate of 0.25%.

**4. Capital:**

Under the Declaration of Trust, an unlimited number of Units may be issued. Each Unit carries one vote at all meetings of Unitholders. Each Unit is transferable and represents an equal, undivided, beneficial interest in Silver Bullion Trust, in any distributions therefrom and in the net assets in the event of the termination or winding up of the Trust. There were 5,467,228 Units outstanding at March 31, 2011 and December 31, 2010.

The Units of the Trust are redeemable by a Unitholder at any time at a price equal to the lesser of: i) 90% of the weighted average of the market prices per Unit during a 10 day trading period commencing immediately following the date on which the Units were tendered for redemption (the redemption date); and, ii) 100% of the closing market price per Unit on the redemption date.

On July 29, 2009, the Trust, through a public offering, issued 2,600,000 Units for gross proceeds of \$26,000,000. After deducting underwriting fees of \$1,300,000, net proceeds were \$24,700,000. Each Unit was comprised of one redeemable, transferable Unit and one Warrant of the Trust. The Trust allocated the gross proceeds as follows: \$24,050,000 (\$9.25 per Unit) to the Units and \$1,950,000 (\$0.75 per Warrant) to the Warrants. The Trust allocated the underwriting fees in the same manner between the Units and the Warrants. Costs relating to this public offering were \$404,336 (estimated at \$500,000 at December 31, 2010 and adjusted to actual during the first quarter of 2011) and net proceeds were \$24,295,664. The

net proceeds from this initial offering were used to purchase 1,680,000 ounces of silver in physical bar form at a cost of \$23,505,850. The balance of \$789,814 was retained by the Trust in interest-bearing cash deposits for working capital purposes.

On August 13, 2009, the Underwriter exercised its over-allotment option and the Trust completed the issuance of an additional 112,912 Units and 257,912 Warrants of the Trust for gross proceeds of \$1,237,870. After deducting underwriting fees of \$61,894, net proceeds were \$1,175,976. The Trust allocated the gross proceeds as follows: \$1,044,436 (\$9.25 per Unit) to the Units and \$193,434 (\$0.75 per Warrant) to the Warrants. The Trust allocated the underwriting fees in the same manner between the Units and the Warrants. This increased the total issued and outstanding Units from 2,600,000 to 2,712,912 and the total issued and outstanding Warrants from 2,600,000 to 2,857,912.

From August 13, 2009 to December 31, 2009, 246,800 Warrants were exercised at a price of U.S. \$10.00 each for total proceeds of \$2,468,000. As a result, the Units issued and outstanding increased from 2,712,912 to 2,959,712 and the Warrants outstanding decreased from 2,857,912 to 2,611,112. As at December 31, 2009, 2,611,112 Units were reserved pursuant to the warrant indenture.

For the period from January 1, 2010 until the expiry of the Warrants on April 29, 2010, 2,507,516 Warrants were exercised at a price of U.S. \$10.00 each for total proceeds of \$25,075,160. These proceeds were used to purchase 1,310,500 ounces of silver in physical bar form at a cost of \$24,195,650. The balance of \$879,510 was retained by the Trust in interest-bearing cash deposits for working capital purposes. As a result, Units issued and outstanding increased from 2,959,712 to 5,467,228 and Warrants outstanding decreased from 2,611,112 to 103,596. On April 29, 2010 the remaining 103,596 Warrants expired.

The stated and recorded capital of Silver Bullion Trust as at March 31, 2011 and December 31, 2010 was as follows:

|   | <u>March 31,</u><br><u>2011</u> | <u>December 31,</u><br><u>2010</u> |
|---|---------------------------------|------------------------------------|
| <b>Stated capital –</b>                   |                                 |                                    |
| Units: 5,467,228                          | \$ 53,419,136                   | \$53,419,136                       |
| Less: Unit and Warrant issue costs        | (404,336)                       | (500,000)                          |
| <b>Recorded capital</b>                   | <u>\$53,014,800</u>             | <u>\$52,919,136</u>                |
| <b>Weighted average Units outstanding</b> | <u>5,467,228</u>                | <u>4,736,009</u>                   |

#### 5. Related party transactions and fees:

The Trust is party to an Administrative Services Agreement with Silver Administrators Ltd. (the "Administrator"), which is related to the Trust through certain of its Officers and Trustees. Administration fees remitted to the Administrator for the three months ended March 31, 2011 increased to \$29,279 from \$8,572 for the three months ended March 31, 2010 due to the increase in the value of assets under administration. Included in accrued liabilities at March 31, 2011 is \$10,918 (December 31, 2010: \$9,277) due to the Administrator. The Administrator furnishes administrative, regulatory compliance and marketing services to the Trust. For such services, the Trust has agreed to pay an administrative fee, on a monthly basis, equal to: 0.40% per annum for the first

\$100,000,000 of the Trust's net assets; 0.30% per annum for any excess over \$100,000,000 up to \$200,000,000 of net assets; and, 0.20% per annum for any excess over \$200,000,000 of net assets. No Trustees' fees are paid by the Trust to Trustees who are nominees of the Administrator of the Trust.

The Administrator and the Trustees have offered and accepted reduced fees at one-quarter of the stated rates during this initial stage of the Trust's development. At the authorized rates the Administration fees would have been \$117,117 (actual \$29,279), and Trustees' fees would have been \$15,120 (actual \$3,780) for the three months ended March 31, 2011.

The Trust incurred legal fees amounting to \$4,516 for the three months ended March 31, 2011 (2010: \$13,948) of which \$3,000 was to a legal firm to which one of the Trust's Officers is Counsel. A balance of \$3,000 relating to these services was included in accrued liabilities at March 31, 2011 (December 31, 2010: \$1,000).

#### 6. Management of financial risks:

The Trust has risk management policies and procedures in place to identify risks related to financial instruments. The objectives of these policies and procedures are to identify and mitigate risk. The Trust's compliance with these policies and procedures is closely monitored by the Senior Executive Officers, the Audit Committee and the Trustees of the Trust. Market fluctuations are unpredictable and outside the control of the Trust. New risk factors may emerge from time to time and it is not possible for the Trust to predict all such risk factors.

##### *Price risk*

Price risk is the risk that the price of a security or physical asset may decline. It is possible to determine the impact that changes in the market price of silver will have on the Trust's net asset value per Unit both in U.S. dollars and Cdn. dollars. Assuming as a constant exchange rate, the rate which existed on March 31, 2011 of \$0.9718 Cdn. for each U.S. dollar, together with the holdings of silver bullion which existed on that date, a 10% change in the price of silver would increase or decrease the net asset value per Unit by approximately U.S. \$2.18 per Unit or Cdn. \$2.12 per Unit.

##### *Currency risk*

Currency risk is the risk that the value of an asset or liability will fluctuate due to changes in foreign currency exchange rates.

When expressed in U.S. dollar terms, the Trust's net asset value per Unit is largely unaffected by changes in the U.S./Cdn. dollar exchange rate due to the fact that nearly all of the Trust's net assets are silver, which is priced in U.S. dollars. Over 99.8% of the Trust's net assets are denominated in U.S. dollars. For this same reason, an increase or decrease in the value of the U.S. dollar relative to the Cdn. dollar would change the net asset value per Unit as expressed in Cdn. dollars in the same direction by approximately the same percentage change in the value of the U.S. dollar.

Due to the limited value of transactions initiated in Cdn. dollars throughout the period, a strengthening or weakening of the Cdn. dollar relative to the U.S. dollar

applied to balances outstanding at March 31, 2011 would not have had any material impact on the net income for the three months ended March 31, 2011, assuming that all other variables, in particular interest rates, remained constant.

#### *Credit risk*

Credit risk on financial instruments is the risk of loss occurring as a result of the default of an issuer on its obligation to the Trust. Credit risk is monitored on an ongoing basis and is managed by the Trust only dealing with issuers that are believed to be creditworthy.

#### *Liquidity risk*

Liquidity risk is the risk that the Trust will not be able to generate adequate cash resources to fulfill its payment obligations. The Administrator regards all of the Trust's assets as liquid. The Trust's liquidity objective is to maintain sufficient cash reserves to enable it to pay expenses. Furthermore, over 97% of its net assets are in the form of silver bullion which is readily marketable.

### 7. Financial highlights:

|  | <i>Three months ended March 31,</i> |             |
|--|-------------------------------------|-------------|
|  | <i>2011</i>                         | <i>2010</i> |
| <b><i>Per Unit performance:</i></b>  |                                     |             |
| <b>Net asset value per Unit at beginning of period</b>                           | \$18.02                             | \$11.07     |
| Net loss before the change in unrealized appreciation of holdings                | (0.02)                              | (0.02)      |
| Change in unrealized appreciation of holdings                                    | 4.16                                | 0.33        |
| Total increase <sup>(1)</sup>  | 4.14                                | 0.31        |
| <b>Net asset value per Unit at end of period</b>                                 | \$22.18                             | \$11.25     |
| Total return for period  | 23.1%                               | 1.6%        |
| <b><i>Percentages and supplemental data:</i></b>                                 |                                     |             |
| <b>Ratios as a percentage of average net assets:</b>                             |                                     |             |
| Expenses <sup>(2)</sup>  | 0.11%                               | 0.20%       |
| Net loss before the change in unrealized appreciation of holdings <sup>(2)</sup> | 0.10%                               | 0.20%       |

All figures are based on the weighted average number of Units outstanding during the period with the exception of the net asset values which are based on the actual number of Units outstanding at the relevant times.

<sup>(1)</sup> This table is not meant to be a reconciliation of beginning to end of period net asset values per Unit.

<sup>(2)</sup> Ratios not annualized.

### 8. Capital stewardship:

The capital of the Trust is represented by the issued and outstanding Units and the net asset value attributable to participating Unitholders. The Trustees direct the Administrator to administer the capital of the Trust in accordance with the Trust's stated objectives and restrictions, as stipulated in the Declaration of Trust, while maintaining sufficient cash to pay the expenses of maintaining the Trust and to meet

demands for redemption of Units (if any). The Trust does not have any externally imposed capital requirements.

### 9. Future Accounting Policy:

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Public companies and trusts will be required to provide IFRS comparative information for the previous fiscal year. However, in June 2010, an Exposure Draft issued by the AcSB entitled "Adoption of IFRSs by Investment Companies" proposed to allow entities that currently apply AcG-18 the option to defer implementation of IFRS until its fiscal year beginning on or after January 1, 2012. The Exposure Draft was approved in October 2010. On January 12, 2011, the AcSB further extended the date for deferral of the mandatory IFRS changeover date for qualifying investment companies to fiscal years beginning on or after January 1, 2013. It is the intention of the Trust to defer implementation of IFRS to its fiscal year beginning on that date.

The Trust is reviewing the key elements within IFRS that may result in a change in accounting policies that will impact its financial statements and accompanying note disclosures. The assessment plan being implemented by the Trust includes a position paper which highlights the material standards that need to be addressed under IFRS and preparation of an opening statement of net assets and financial statements that incorporate IFRS accounting standards and policies. The major areas of focus identified by the current assessment include: first year implementation decisions; statements of cash flows; classification of redeemable Trust Units; income taxes; increased note disclosure; and accounting for changes in unrealized appreciation (depreciation) of holdings. The assessment is addressing the impact on the Trust's accounting system and internal controls required to report under IFRS beginning on the implementation date. The Trust will continue with the assessment and implementation in preparation for its first annual filing under IFRS expected for the year beginning January 1, 2013.

### ***Management's Discussion and Analysis (MD&A)***

The financial statements of Silver Bullion Trust (the "Trust") are prepared and reported in U.S. dollars in accordance with Canadian generally accepted accounting principles, otherwise known as Canadian GAAP, and the Canadian Institute of Chartered Accountants Accounting Guideline 18, Investment Companies ("AcG-18"). Notes to the financial statements on pages 5 through 9 should be referred to as supplementary information to this discussion and analysis.

Silver Bullion Trust is a passive, self-governing, single purpose, closed-end trust with voting Units established on June 8, 2009 ("inception") by a Declaration of Trust, which was amended and restated on July 9, 2009. The Trust's purpose is to acquire, hold and secure silver bullion on behalf of its Unitholders. The Trust is not an operating entity and does not have any employees, office facilities or the potential risks thereof. The Trust retains Silver Administrators Ltd. (the "Administrator") to attend to all administrative, compliance, consulting, accounting, reporting and investor services duties as delegated by the Administrative Services Agreement and as guided by the Trustees.

There are no off-balance sheet items, arrangements, contingencies or obligations. All accounts are fully disclosed and itemized in the financial statements.

#### ***Disclosure Controls and Procedures***

The Senior Executive Officers have established and implemented disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Trust is disclosed on a timely basis. They believe these disclosure controls and procedures have been effective during the three months ended March 31, 2011.

#### ***Outstanding Units***

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

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

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

#### ***Results of Operations – Net Income***

The Trust's earned income objective is secondary to its purpose of holding almost all of its net assets in silver bullion. Generally, the Trust seeks to maintain adequate cash reserves to enable it to pay the expenses of maintaining the Trust without having to sell silver bullion holdings. The Trust's realized revenues are a nominal percentage of its net assets. However, AcG-18 requires the Trust to record the change in unrealized appreciation (depreciation) of holdings in income.

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

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

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

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

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

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

All of the Trust's assets are liquid. The Trust holds small cash reserves that generate interest income primarily to be applied towards expenses. The ability of the Trust to have sufficient cash to pay the expenses of maintaining the Trust and to meet demands for redemption (if any), is primarily dependent upon its cash position and, if applicable, short-term deposits. Should the Trust not have sufficient cash to meet its needs in the future, minor portions of the Trust's silver holdings may be sold to provide working capital and to pay for redemptions (if any) of Units. Sales of silver could result in the Trust realizing either capital gains or losses.

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

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

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

**Future accounting policy**

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

**Other**

The Trust maintains its accounting records, purchases silver and reports its financial position and results in U.S. currency. However, certain of the Trust's expenses are paid, and the Trust's Units trade, in Canadian as well as U.S. currency. Therefore, because exchange rate fluctuations are beyond the Trust's control, there can be no assurance that such fluctuations will not have an effect on the Trust's accounts or on the trading value of the Trust's Units in Canadian dollars.

The Trustees will consider from time to time the issue of additional Units at a net price that would be non-dilutive to present Unitholders' equity interests. Additional Unit issues to enlarge the Trust's asset base should enable a reduction in the expense ratio per Unit and broaden exchange trading liquidity to the advantage of all Unitholders of the Trust.

This Report, dated April 28, 2011, Annual Information Forms, Notices of Annual Meeting and Information Circulars, Press Releases, financial and other information are available at [www.sedar.com](http://www.sedar.com) and [www.silverbulliontrust.com](http://www.silverbulliontrust.com).

**Corporate Information****Trustees**

Bruce D. Heagle (A) (C) (I)  
 Ian M.T. McAavity (A) (C) (I) (L)  
 Philip M. Spicer (N)  
 J.C. Stefan Spicer (N)

**Officers**

Philip M. Spicer, Chairman  
 J.C. Stefan Spicer, President & CEO  
 William L. Trench, A.C.I.S., CFO  
 Krystyna S. Bylinowski, Treasurer  
 John S. Elder, Q.C., Secretary  
 J.L. Michele Spicer, Assistant Secretary

- (A) - Member of Audit Committee  
 (C) - Member of Corporate Governance & Nominating Committee  
 (I) - Independent Trustee  
 (L) - Lead Trustee  
 (N) - Nominee of the Administrator

**Robert R. Sale, RIP**

*Our friend, Robert Sale, a founding Trustee of Silver Bullion Trust, passed away at the Washington Hospital Center on Saturday, February 19, 2011. Condolences and deepest sympathies were conveyed to his family. Robert was the epitome of a clearly focused, dedicated Steward in his continuous monitoring and service in the interests of all Unitholders of Silver Bullion Trust. His thorough attentiveness and guidance began with his focus on the Trust's integrity at its inception in 2009. The high standards which Robert set as a role model for his colleagues will be a lasting tribute to his memory.*

**Administrator**

Silver Administrators Ltd.  
 Ancaster, Ontario, Canada

**Custodian**

Canadian Imperial Bank of Commerce  
 Canada

**Auditors**

Ernst & Young LLP  
 Toronto, Ontario, Canada

**Registrars and Transfer Agents**

CIBC Mellon Trust Company, Canada  
 Mellon Investor Services LLC, U.S.A.

**Legal Counsel**

Fraser Milner Casgrain LLP  
 Toronto, Ontario, Canada

**Stock Exchange Listings**

TSX Symbols:  
 Units: SBT.UN (Cdn \$)  
 SBT.U (U.S. \$)  
 U.S. OTC: SVRZF (U.S. \$)

Dorsey & Whitney LLP  
 Toronto, Ontario, Canada

**Net Asset Value Information**

The net asset value per Unit is calculated daily and is available by calling Silver Bullion Trust at (905) 304-4653. The total net assets, the net asset value per Unit and the detailed basis of their calculations are posted daily at [www.silverbulliontrust.com](http://www.silverbulliontrust.com).



## **SILVER BULLION TRUST**

**“The Silver Bullion Trust”**

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