

SILVER BULLION TRUST



2nd Quarter Report

June 30, 2010

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 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 United States 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 is advised that its Units are eligible for most types of Canadian and United States regulated capital accounts where physical bullion investment is often not permitted.

The Trust’s stock exchange listing provides 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 is focused upon 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 was effectively inactive until the closing of its initial public offering on July 29, 2009. As there is no corresponding second quarter for 2009, comparative information does not exist.

The accounts of Silver Bullion Trust are denominated in U.S. dollars and, unless otherwise noted, discussion in this Report refers to U.S. dollars. Throughout this document, use of the phrase "per Unit" refers to the Trust Units.

A part of the Management's Discussion and Analysis (MD&A) for the quarter ended June 30, 2010, with additional comments on pages 10 to 12 of this report, is as follows:

Net Assets – Net assets at June 30, 2010 were 96.1% invested in silver bullion (3,143,830 ounces). Net assets increased by \$28.5 million or 87% during the six months ended June 30, 2010 to a total of \$61.3 million. Of this amount, \$25.1 million resulted from the exercise of 2,507,516 Warrants during the period for net proceeds of \$25,075,160, of which \$24,195,650 was used to purchase 1,310,500 ounces of silver bullion in physical bar form. The balance of the increase in net assets of \$3.4 million 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 June 30, 2010 amounted to \$2,463,824 (\$0.49 per Unit) after deducting expenses of \$63,973. Net income (inclusive of the change in unrealized appreciation of holdings) for the six months ended June 30, 2010 amounted to \$3,442,780 (\$0.80 per Unit) after deducting expenses of \$125,399.

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 Statement of Income in accordance with the Canadian Institute of Chartered Accountants ("CICA") 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 June 30, 2010. For the six months ended June 30, 2010 this expense ratio was 0.26%. For the period from inception to June 30, 2010, this expense ratio was 0.49%.

Liquidity – All of the assets of the Trust are liquid, and consist of silver bullion, cash and interest-bearing cash deposits.

According to legal and tax counsel, the Units of the Trust 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 Units.

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

Sincerely,
On behalf of the Board of Trustees,



J.C. Stefan Spicer, President & CEO

July 20, 2010

STATEMENT OF NET ASSETS

(expressed in U.S. dollars, unaudited)

	June 30, 2010	December 31, 2009
Net assets:		
Silver at market (Note 3)	\$ 58,915,374	31,148,277
Cash	828,794	811,525
Short-term deposits (Note 4)	1,700,000	1,000,000
Prepaid expenses and other	12,353	1,768
	61,456,521	32,961,570
Accrued liabilities (Note 6)	(173,536)	(196,526)
Net assets representing Unitholders' equity	\$ 61,282,985	32,765,044
Represented by:		
Capital (Note 5)		
Units issued: 5,467,228 (2009: 2,959,712)	\$ 52,919,137	25,983,559
Warrants outstanding: nil (2009: 2,611,112)	-	1,860,417
Retained earnings inclusive of unrealized appreciation of holdings	8,363,848	4,921,068
	\$ 61,282,985	32,765,044
Net asset value per Unit	\$ 11.21	11.07
Fully diluted net asset value per Unit	\$ 11.21	10.57
Exchange rate:	U.S. \$1.00 = Cdn.	
	\$ 1.0606	1.0466
Expressed in Canadian dollars:		
Net asset value per Unit	\$ 11.89	11.59
Fully diluted net asset value per Unit	\$ 11.89	11.06

See accompanying notes to financial statements.

On behalf of the Board of Trustees:

"Ian M.T. McAvity"

"Bruce D. Heagle"

STATEMENT OF CHANGES IN NET ASSETS

(expressed in U.S. dollars, unaudited)

	Six months ended June 30, 2010	Three months ended June 30, 2010
Net assets at beginning of period	\$ 32,765,044	37,356,000
Increase in Unit capital (Note 5)	25,075,161	21,463,161
Net income inclusive of the change in unrealized appreciation of holdings	3,442,780	2,463,824
Increase in net assets during the period	28,517,941	23,926,985
Net assets at end of period	\$ 61,282,985	61,282,985

See accompanying notes to financial statements.

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

	<i>Six months ended June 30, 2010</i>	<i>Three months ended June 30, 2010</i>
Income:		
Interest	\$ 364	230
Change in unrealized appreciation of holdings	3,567,815	2,527,567
Total income	3,568,179	2,527,797
Expenses:		
Legal fees (Note 6)	26,186	12,238
Safekeeping fees and bank charges	24,239	13,070
Administration fees (Note 6)	24,065	15,493
Accounting fees	17,488	7,500
Trustees' fees and expenses (Note 6)	8,352	3,822
Registrar and transfer agent fees	7,909	4,096
Stock exchange fees	6,271	3,607
Unitholder information	5,626	2,951
Regulatory filing fees	4,684	1,182
Miscellaneous	87	14
Foreign currency exchange loss	492	-
Total expenses	125,399	63,973
Net income		
inclusive of the change in unrealized appreciation of holdings	\$ 3,442,780	2,463,824
Net income per Unit		
inclusive of the change in unrealized appreciation of holdings	\$ 0.80	0.49

See accompanying notes to financial statements.

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

	<i>Six months ended June 30, 2010</i>	<i>Three months ended June 30, 2010</i>
Capital: (Note 5)		
Units issued:	5,467,228	5,467,228
Retained earnings:		
Balance at beginning of period	4,921,068	5,900,024
Net income inclusive of the change in unrealized appreciation of holdings	3,442,780	2,463,824
Balance at end of period	8,363,848	8,363,848
Unitholders' Equity	\$ 61,282,985	61,282,985

See accompanying notes to financial statements.

Notes to Financial Statements*For the six months ended June 30, 2010**(amounts expressed in U.S. dollars unless otherwise stated)*

1. Silver Bullion Trust (the "Trust") is a passive, self-governing, single purpose, closed-end trust with voting Units, established under the laws of Ontario on June 8, 2009. The governing Declaration of Trust was amended and restated on July 9, 2009.

2. Summary of significant accounting policies:

The accounting policies used in the preparation of these unaudited, interim financial statements conform with those presented in the December 31, 2009 audited annual financial statements of Silver Bullion Trust. These unaudited, interim financial statements do not include all of the disclosures included in the 2009 Annual Report and accordingly should be read in conjunction with the 2009 Annual Report.

3. Silver bullion:

Details of silver bullion holdings are as follows:

<i>Silver holdings</i>	<i>June 30, 2010</i>	<i>December 31, 2009</i>
Silver bars in ounces	3,143,830	1,833,330
Cost	\$ 50,354,443	\$ 26,158,793
Market value – per ounce	\$ 18.74	\$ 16.99
Market value	\$ 58,915,374	\$ 31,148,277

4. Short-term deposits:

As at June 30, 2010, the Trust held one U.S. dollar fixed deposit: \$1,700,000 at a rate of 0.12% with a maturity date of August 10, 2010.

5. 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 on June 30, 2010.

The Units of the Silver Bullion Trust are redeemable by a Unitholder at any time at a price equal to the lesser of: i) 90% of the average market price 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 its initial 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 approximately \$500,000 and net proceeds were approximately \$24,200,000. 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 \$694,150 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 \$1,175,977. 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 July 29, 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, Units issued and outstanding increased from 2,712,912 to 2,959,712 and 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 expiry of the Warrants on April 29, 2010, 2,507,516 Warrants were exercised at a price of U.S. \$10.00 each and 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 was as follows:

	<i>June 30, 2010</i>	<i>Dec. 31/2009</i>
Stated capital –		
5,467,228 (2009: 2,959,712) Units	\$53,419,136	\$26,483,559
nil (2009: 2,611,112) Warrants	-	1,860,417
Less: Unit & Warrant issue costs	(500,000)	(500,000)
Recorded capital	\$52,919,136	\$27,843,976
Weighted average Units outstanding	3,992,671	2,750,444

6. Related party transactions and fees:

Silver Bullion Trust is party to an Administrative Services Agreement with Silver Administrators Ltd. (the "Administrator"), which is related to Silver Bullion Trust through certain of its officers and trustees. Administration fees remitted to Silver Administrators Ltd. for the six months ended June 30, 2010 were \$24,065. Included in accrued liabilities at June 30, 2010 is \$5,362 (December 31, 2009:

\$2,730) due to the Administrator. The Administrator furnishes administrative, regulatory compliance and marketing services to Silver Bullion Trust. For such services, Silver Bullion 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 Silver Bullion Trust to Trustees who are nominees of the Administrator of Silver Bullion 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. As a result, the Administration fees were \$24,065 and the Trustee fees were \$8,352 for the six months ended June 30, 2010.

Silver Bullion Trust incurred legal fees amounting to \$26,186 for the six months ended June 30, 2010 to a legal firm to which one of Silver Bullion Trust's Officers is Counsel. A balance of \$2,000 relating to these services was included in accrued liabilities at June 30, 2010.

7. Financial highlights:

	<i>Six months ended June 30, 2010</i>	<i>Three months ended June 30, 2010</i>
<i>Per Unit performance⁽¹⁾:</i>		
Net asset value per Unit at beginning of period	\$ 11.07	\$ 11.25
Net loss before the change in unrealized appreciation of holdings	(0.03)	(0.01)
Exercise of Warrants	(0.63)	(0.40)
Change in unrealized appreciation of holdings	0.89	0.51
Total increase ⁽²⁾	\$ 0.23	\$ 0.10
Net asset value per Unit at end of period	\$ 11.21	\$ 11.21
Total return for the period	1.3%	(0.4)%
<i>Percentages and supplemental data:</i>		
Ratios as a percentage of average net assets:		
Expenses ⁽³⁾	0.26%	0.10%
Net loss before the change in unrealized appreciation of holdings	0.26%	0.10%

⁽¹⁾ 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 actual number of Units outstanding at the relevant reporting period.

⁽²⁾ This table is not meant to be a reconciliation of opening to ending NAV.

⁽³⁾ Ratios not annualized.

8. Management of financial risks:

The Trust has risk management policies and procedures in place to identify risks related to its financial instruments. The objective of these policies and procedures is 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

It is possible to determine the impact that changes in the market price of silver will have on the net asset value per Unit both in U.S. dollars and Cdn. dollars. Assuming as a constant exchange rate, the rate which existed on June 30, 2010 of \$1.0606 Cdn. for each U.S. dollar together with the holdings of silver bullion which existed on that date, a 10% change in the market price of silver would increase or decrease the net asset value per Unit by approximately U.S. \$1.07 per Unit or Cdn. \$1.14 per Unit.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

When expressed in U.S. dollar terms, Silver Bullion 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 over 96% of Silver Bullion Trust's net assets are silver, which is priced in U.S. dollars. Conversely, 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.

The impact of a 5% strengthening or weakening of the Cdn. dollar relative to the U.S. dollar applied to balances outstanding at June 30, 2010 would not have had any material impact on the net income for the period ended June 30, 2010, assuming that all other variables, in particular interest rates, remained constant.

Credit risk

Credit risk on financial instruments is the risk of loss occurring as a result of the default of an issuer on its obligation to Silver Bullion Trust. Credit risk is monitored on an ongoing basis and is managed by Silver Bullion 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. On June 30, 2010, over 96% of its net assets were in the form of silver bullion which is readily marketable in an active market.

9. Capital Management:

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 (if any). The Trust does not have any externally imposed capital requirements.

10. Future Accounting Policy:

In February 2008, Canada's Accounting Standards Board ("CASB") confirmed that Canadian generally accepted accounting principles ("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. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Trust's reporting for the first quarter of the fiscal year to commence on January 1, 2011 and for which the current and comparative information will be prepared under IFRS. However, in June 2010, an Exposure Draft issued by the CASB entitled "Adoption of IFRSs by Investment Companies" proposes 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 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 an initial position paper which highlights the material standards that need to be addressed under IFRS and preparation of an opening balance sheet and draft financial statements that incorporate IFRS accounting standards and policies. The major areas of focus identified by the current assessment include first year implementation decisions; statement of cash flows; classification of redeemable trust Units; income taxes and more extensive note disclosure requirements. 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 filing under IFRS expected for the year beginning January 1, 2011.

Management's Discussion and Analysis (MD&A)

The financial statements of Silver Bullion Trust (the "Trust") are prepared and reported in United States dollars in accordance with Canadian generally accepted accounting principles, otherwise known as Canadian GAAP, and the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 18, Investment Companies ("AcG-18"). Notes to the financial statements on pages 5 through 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. The governing declaration of trust was amended and restated on July 9, 2009 (the "Declaration of Trust"). The Trust's purpose is to acquire, hold and secure silver bullion on behalf of its Unitholders. The Trust is not an operating entity nor does it have any employees, office facilities or the potential risks thereof. The Trust retains Silver Administrators Ltd. (the "Administrator") to attend to all administrative, compliance, consulting, accounting, reporting and investor services duties as delegated by the Administrative Services Agreement and as guided by the Trustees.

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

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 six months ended June 30, 2010.

Results of Operations – Changes in Net Assets

Net assets increased by \$28.5 million or 87% during the six months ended June 30, 2010 to a total of \$61.3 million. Of this amount, \$25.1 million resulted from the exercise of 2,507,516 Warrants during the period for net proceeds of \$25,075,160 of which \$24,195,650 was used to purchase 1,310,500 ounces of silver bullion in physical bar form. The balance of the increase in net assets of \$3.4 million was attributable to the increase in the 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 only to maintain adequate cash reserves to enable it to pay the expenses of maintaining the Trust. The Trust's realized income is a nominal percentage of its net assets. However, the CICA AcG-18 requires the Trust to record changes in unrealized appreciation (depreciation) of holdings in income.

Net income (inclusive of the change in unrealized appreciation of holdings) for the three months ended June 30, 2010 amounted to \$2,463,824 (\$0.49 per Unit) after deducting expenses of \$63,973. Net income (inclusive of the change in unrealized appreciation of

holdings) for the six months ended June 30, 2010 amounted to \$3,442,780 (\$0.80 per Unit) after deducting expenses of \$125,399.

Virtually all of the reported income for the period represents the change in unrealized appreciation of silver bullion holdings, which is not distributable income. However, it is reported in the Statement of Income in accordance with the CICA AcG-18.

The total expenses of maintaining the Trust, expressed as a percentage of the average of the month-end net assets (the "expense ratio"), were 0.11% for the three months ended June 30, 2010. For the six months ended June 30, 2010 this expense ratio was 0.26%. For the period from inception to June 30, 2010, this expense ratio was 0.49%.

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

	<i>Quarter ended (U.S. dollars)</i>			<i>For the period from inception to Sept. 30/09</i>
	<i>June 30/10</i>	<i>Mar. 31/10</i>	<i>Dec. 31/09</i>	
Income inclusive of the change in unrealized appreciation of holdings	\$ 2.5	1.0	0.9	4.1
Net income inclusive of the change in unrealized appreciation of holdings	\$ 2.5	1.0	0.8	4.1
Net income per Unit inclusive of the change in unrealized appreciation of holdings	\$ 0.49	0.31	0.29	1.53
Total Net Assets	\$ 61.3	37.4	32.8	29.5

Liquidity and Capital Resources

All of Silver Bullion Trust's assets are liquid. The Trust holds small cash reserves that generate interest income primarily to be applied to pay expenses. For the six months ended June 30, 2010, the Trust's cash reserves, including cash equivalents increased by \$717,269 to \$2,528,794. 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 its ability to realize cash flow from its cash equivalents. Should the Trust not have sufficient cash to meet its needs in the future, minor portions of the Trust's silver holdings may be sold to provide working capital and to pay for redemptions (if any) of Units. Sales of silver could result in the Trust realizing either capital gains or losses.

Related party information

Please refer to Note 6 commencing on page 6 of this Interim Report.

International Financial Reporting Standards (“IFRS”)

In February 2008, Canada’s Accounting Standards Board (“CASB”) confirmed that Canadian generally accepted accounting principles (“GAAP”), as used by publicly accountable enterprises, will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. However, in June 2010, an Exposure Draft issued by the CASB entitled “Adoption of IFRSs by Investment Companies” proposes 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 is in the process of receiving comments and any amendments are expected to be finalized in September 2010. The Trust has not yet determined if it will utilize this deferral if indeed it becomes an option.

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. A preliminary analysis of these issues follows:

1. Income taxes

Under current Canadian GAAP, the Trust is not required to provide for income taxes on unrealized gains or losses on its holdings due to the flow-through nature of trusts. Similarly, under International Accounting Standard (“IAS”) 12, Income Taxes, the current conclusion is that the Trust is not required to record future taxes on unrealized gains or losses on its’ holdings.

2. Classification of Redeemable Trust Units

IAS 32, Financial Instruments: Presentation identifies five features, all of which must exist for a puttable instrument (a Unit) to be classified as equity; otherwise, it is classified as a financial liability. The analysis completed to date suggests that all five features exist within the structure of the Trust Units.

3. Accounting for changes in unrealized appreciation/depreciation of holdings

Currently, the Trust is required to follow AcG-18, which provides that all changes in the value of holdings from one period to another are reflected through profit and loss. There is little guidance on how to properly classify silver and changes in its value from period to period under IFRS.

Accordingly, it is unclear as to whether changes in the value of gold holdings should be reported through profit and loss, or through Other Comprehensive Income. The Trust continues to investigate and analyze this issue and hopes to have clearer guidance on how to account for changes in the value of these holdings later this year.

Other

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

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

The Trust is advised that U.S. Investors investing in Silver Bullion Trust Units for taxable accounts should acquaint themselves with Passive Foreign Investment Company (PFIC) rules and Qualifying Election Forms (QEF’s) which may apply to their investment in Silver Bullion Trust Units.

This Report, dated July 20, 2010, the Annual Information Form, the Notice of Annual Meeting and Information Circular, Press Releases, financial and other information are available at www.sedar.com and www.silverbulliontrust.com.

Corporate Information

Trustees

Bruce D. Heagle (A) (C) (I)
Ian M.T. McAavity (A) (C) (I) (L)
Robert R. Sale (A) (C) (I)
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

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. \$)

Unit 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.



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