

SILVER BULLION TRUST



3rd Quarter Report

September 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 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 was effectively inactive until the closing of its initial public offering on July 29, 2009. Consequently, while substantially comparative three month information is included herein, there is no comparative information for the nine month period ended September 30, 2010.

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 September 30, 2010, with additional comments on pages 10 to 13 of this report, is as follows:

Net Assets – Net assets at September 30, 2010 were 96.8% invested in silver bullion (3,143,830 ounces) in physical bar form. Net assets increased by \$38.9 million or 118.8% during the nine months ended September 30, 2010 to a total of \$71.7 million. Of this amount, \$25.1 million resulted from the exercise of 2,507,516 Warrants for net proceeds of \$25,075,161 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 \$13.8 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 September 30, 2010 amounted to \$10,395,333 (\$1.90 per Unit) after deducting expenses of \$74,863 compared to \$4,104,562 (\$1.53 per Unit) after deducting expenses of \$21,961 for the period from inception to September 30, 2009. Net income (inclusive of the change in unrealized appreciation of holdings) for the nine months ended September 30, 2010 amounted to \$13,838,113 (\$3.08 per Unit) after deducting expenses of \$200,262.

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 (the "expense ratio") were 0.12% for the three months ended September 30, 2010 compared to 0.08% for the period from inception to September 30, 2009. For the nine months ended September 30, 2010 the expense ratio was 0.38%. For the twelve months ended September 30, 2010, the expense ratio was 0.51%.

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"™.

Sincerely,
On behalf of the Board of Trustees,



J.C. Stefan Spicer, President & CEO

October 28, 2010

STATEMENT OF NET ASSETS

(expressed in U.S. dollars, unaudited)

	September 30, 2010	December 31, 2009
Net assets:		
Silver at market (Note 3)	\$ 69,384,328	31,148,277
Cash (Note 4)	2,493,513	811,525
Short-term deposits (Note 4)	-	1,000,000
Prepaid expenses and other	6,493	1,768
	71,884,334	32,961,570
Accrued liabilities (Note 6)	(206,016)	(196,526)
Net assets representing Unitholders' equity	\$ 71,678,318	32,765,044
Represented by:		
Capital (Note 5)		
Units issued: 5,467,228 (2009: 2,959,712)	\$ 52,919,137	25,983,559
Warrants issued: nil (2009: 2,611,112)	-	1,860,417
Retained earnings inclusive of unrealized appreciation of holdings	18,759,181	4,921,068
	\$ 71,678,318	32,765,044
Net asset value per Unit	\$ 13.11	11.07
Fully diluted net asset value per Unit	\$ 13.11	10.57
Exchange rate:	U.S. \$1.00 = Cdn.	
	\$ 1.0298	1.0466
Expressed in Canadian dollars:		
Net asset value per Unit	\$ 13.50	11.59
Fully diluted net asset value per Unit	\$ 13.50	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)

	Nine months ended Sept. 30, 2010	Three months ended Sept. 30, 2010	For the Period from inception to Sept. 30, 2009
Net assets at beginning of period	\$ 32,765,044	37,356,000	-
Increase in Unit capital (Note 5)	25,075,161	21,463,161	25,375,977
Net income inclusive of the change in unrealized appreciation of holdings	13,838,113	2,463,824	4,104,562
Increase in net assets during the period	38,913,274	23,926,985	29,480,539
Net assets at end of period	\$ 71,678,318	61,282,985	29,480,539

See accompanying notes to financial statements.

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

	<i>Nine months ended Sept. 30, 2010</i>	<i>Three months ended Sept. 30, 2010</i>	<i>For the Period from inception to Sept. 30, 2009</i>
Income:			
Interest	\$ 641	276	143
Change in unrealized appreciation of holdings	14,037,734	10,469,920	4,126,380
Total income	14,038,375	10,470,196	4,126,523
Expenses:			
Safekeeping fees and bank charges	44,826	20,587	292
Administration fees (Note 6)	42,069	18,004	4,893
Legal fees (Note 6)	40,175	13,989	1,840
Accounting fees	24,988	7,500	7,500
Trustees' fees and expenses (Note 6)	12,886	4,534	3,750
Registrar and transfer agent fees	10,726	2,817	2,165
Stock exchange fees	8,935	2,664	-
Regulatory filing fees	7,763	3,079	-
Unitholder information	7,300	1,674	1,657
Miscellaneous	102	15	32
Foreign currency exchange loss	492	-	(168)
Total expenses	200,262	74,863	21,961
Net income			
inclusive of the change in unrealized appreciation of holdings	\$ 13,838,113	10,395,333	4,104,562
Net income per Unit			
inclusive of the change in unrealized appreciation of holdings	\$ 3.08	1.90	1.53

See accompanying notes to financial statements.

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

	<i>Nine months ended Sept. 30, 2010</i>	<i>Three months ended Sept. 30, 2010</i>	<i>For the Period from inception to Sept. 30, 2009</i>
Capital: (Note 5)			
Units issued: 5,467,228; 2009: 2,712,912	\$ 52,919,137	52,919,137	23,339,715
Warrants issued: nil; 2009: 2,857,912	-	-	2,036,262
	52,919,137	52,919,137	25,375,977
Retained earnings:			
Balance at beginning of period	4,921,068	8,363,848	-
Net income inclusive of the change in unrealized appreciation of holdings	13,838,113	10,395,333	4,104,562
Balance at end of period	18,759,181	18,759,181	4,104,562
Unitholders' Equity	\$ 71,678,318	71,678,318	29,480,539

See accompanying notes to financial statements.

Notes to Financial Statements*For the nine months ended September 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 the 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>September 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	\$ 22.07	\$ 16.99
Market value	\$ 69,384,328	\$ 31,148,277

4. Cash and Short-term deposits:

As at September 30, 2010, the Trust held cash balances in a Canadian bank of \$2,493,513 at a variable interest rate of 0.25%.

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, is transferable and represents an equal, undivided, beneficial interest in the Trust, in any distributions therefrom and in the net assets of the Trust in the event of the termination or winding up of the Trust. There were 5,467,228 Units outstanding on September 30, 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 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 of the Trust 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 \$1,175,976. 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 the Trust was as follows:

	<i>Sept. 30, 2010</i>	<i>Dec. 31/2009</i>
Stated capital –		
Units: 5,467,228 (2009: 2,959,712)	\$53,419,136	\$26,483,559
Warrants: nil (2009: 2,611,112)	-	1,860,417
Less: Unit and 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:

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 nine months ended September 30, 2010 were \$42,069. Included in accrued liabilities at September 30, 2010 is \$6,750 (December 31, 2009:

\$2,730) 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. As a result, the Administration fees were \$42,069 and the Trustee fees were \$12,886 for the nine months ended September 30, 2010.

The Trust incurred legal fees amounting to \$40,175 for the nine months ended September 30, 2010 to a legal firm to which one of the Trust's Officers is Counsel. A balance of \$2,000 relating to these services was included in accrued liabilities at September 30, 2010.

7. Financial highlights:

	<i>Nine months ended Sept. 30, 2010</i>	<i>Three months ended Sept. 30, 2010</i>	<i>For the Period from inception to Sept. 30, 2009</i>
<i>Per Unit performance:⁽¹⁾</i>			
Net asset value per Unit at beginning of period	\$ 11.07	\$ 11.21	\$ 9.32
Net loss before the change in unrealized appreciation of holdings	(0.04)	(0.01)	(0.01)
Exercise of Warrants	(0.79)	-	-
Change in unrealized appreciation of holdings	3.13	1.91	1.54
Total increase ⁽²⁾	\$ 2.30	1.90	\$ 1.53
Net asset value per Unit at end of period	\$ 13.11	\$13.11	\$ 10.87
Total return for the period	18.4%	16.9%	8.7%
<i>Percentages and supplemental data:</i>			
Ratios as a percentage of average net assets:			
Expenses ⁽³⁾	0.38%	0.12%	0.08%
Net loss before the change in unrealized appreciation of holdings	0.38%	0.12%	0.08%

⁽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 the actual number of Units outstanding at the end of 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 and mitigate risks related to its core assets. 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 net asset value per Unit both in U.S. dollars and Cdn. dollars. Assuming as a constant exchange rate, the rate which existed on September 30, 2010 of \$1.0298 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. \$1.08 per Unit or Cdn. \$1.14 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 over 96% of the 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.

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 September 30, 2010 would not have had any material impact on the net income for the period ended September 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 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. On September 30, 2010, over 96% of its net assets were in the form of silver bullion which is readily marketable.

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 ("AcSB") 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. However, in June 2010, an Exposure Draft issued by the AcSB 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 was approved in October 2010 and it is the intention of the Trust to defer implementation.

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 inclusive of reporting changes in unrealized appreciation or depreciation of holdings in income, other comprehensive income or directly through equity. 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, 2012.

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 nine months ended September 30, 2010.

Results of Operations – Changes in Net Assets

Net assets increased by \$38.9 million or 118.8% during the nine months ended September 30, 2010 to a total of \$71.7 million. Of this amount, \$25.1 million resulted from the exercise of 2,507,516 Warrants during the period for net proceeds of \$25,075,161 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 \$13.8 million 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 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 September 30, 2010 amounted to \$10,395,333 (\$1.90 per Unit) after deducting expenses of \$74,863 compared to \$4,104,562 (\$1.53 per Unit) after deducting

expenses of \$21,961 for the period from inception to September 30, 2009. Net income (inclusive of the change in unrealized appreciation of holdings) for the nine months ended September 30, 2010 amounted to \$13,838,113 (\$3.08 per Unit) after deducting expenses of \$200,262.

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 0.12% for the three months ended September 30, 2010 compared to 0.08% for the period from inception to September 30, 2009. For the nine months ended September 30, 2010 the expense ratio was 0.38%. For the twelve months ended September 30, 2010 the expense ratio was 0.51%.

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>Sept. 30/10</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	\$ 10.5	2.5	1.0	0.9
Net income inclusive of the change in unrealized appreciation of holdings	\$ 10.4	2.5	1.0	0.8
Net income per Unit inclusive of the change in unrealized appreciation of holdings	\$ 1.90	0.49	0.31	0.29
Total Net Assets	\$ 71.7	61.3	37.4	32.8

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 towards payment of expenses. For the nine months ended September 30, 2010, the Trust’s cash reserves, including cash equivalents increased by \$681,988 to \$2,493,513. 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 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.

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 (“AcSB”) 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 AcSB 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 was approved in October 2010 and it is the intention of the Trust to defer implementation.

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:

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 expectation is that the Trust will not be required to record future taxes on unrealized gains or losses on its’ holdings.

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.

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 reported through income. 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 silver holdings should be reported through income, through other comprehensive income or directly through equity. The Trust continues to investigate and analyze this issue and expects to have clearer guidance on how to account for changes in the value of silver holdings.

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 October 28, 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

 Dorsey & Whitney 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.



SILVER BULLION TRUST

“The Silver Bullion Trust”

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Fax: 905-648-4196

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Website: www.silverbulliontrust.com

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