

# **SILVER BULLION TRUST**



**3<sup>rd</sup> Quarter Report**

**September 30, 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.***

***Purpose of the Trust*** Silver Bullion Trust is a passive, self-governing, single purpose, closed-end trust with voting Units established on June 8, 2009 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.

***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 currently holds 98% of its net assets in silver bullion. At September 30, 2011, the silver holdings consisted of 3,143,830 ounces of silver bullion.

Silver Bullion 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 Units of Silver Bullion Trust.

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"<sup>TM</sup>.

Respectfully submitted,  
On behalf of the Board of Trustees,



*J.C. Stefan Spicer, President & CEO*

October 26, 2011

## ***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 8 through 12 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 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 nine months ended September 30, 2011.

**Outstanding Units**

There were 5,467,228 Units issued and outstanding September 30, 2011.

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

Net assets decreased by \$14.5 million or 12.9% during the three months ended September 30, 2011 to a total of \$97.7 million. This decrease was almost entirely attributable to the 13.0% decrease in the market price of silver during the period.

Net assets decreased by \$0.9 million or 0.1% during the nine months ended September 30, 2011 as a result of the net loss during the period which includes the change in unrealized depreciation of silver, the market price of which decreased 0.1% during the period.

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

	<i>Quarter ended</i> <i>(in US\$)</i>			
	<i>Sept. 30,</i> <i>2011</i>	<i>Jun. 30,</i> <i>2011</i>	<i>Mar. 31,</i> <i>2011</i>	<i>Dec. 31,</i> <i>2010</i>
Change in unrealized appreciation (depreciation) of holdings	\$(14.4)	\$(9.0)	\$22.8	\$26.9
Net income (loss)	\$(14.5)	\$(9.1)	\$22.7	\$26.8
Net income (loss) per Unit	\$(2.65)	\$(1.66)	\$4.14	\$4.91
Total net assets	\$97.7	\$112.2	\$121.3	\$98.5
	<i>Sept. 30,</i> <i>2010</i>	<i>Jun. 30,</i> <i>2010</i>	<i>Mar. 31,</i> <i>2010</i>	<i>Dec. 31,</i> <i>2009</i>
Change in unrealized appreciation (depreciation) of holdings	\$10.5	\$2.5	\$1.0	\$0.9
Net income (loss)	\$10.4	\$2.5	\$1.0	\$0.8
Net income (loss) per Unit	\$1.90	\$0.49	\$0.31	\$0.29
Total net assets	\$71.7	\$61.3	\$37.4	\$32.8

**Results of Operations – Net Income (Loss)**

The Trust's earned income objective is secondary to its purpose of holding almost all of its net assets in silver bullion. The Trust maintains adequate cash reserves to enable it to pay the expenses of maintaining the Trust. The Trust's realized revenues are a nominal percentage of its net assets.

AcG-18 requires the Trust to record the change in unrealized appreciation (depreciation) of holdings in income. The net loss (inclusive of the change in unrealized depreciation of holdings) for the three months ended September 30, 2011 was \$14.5 million (\$2.65 per Unit) compared to net income of \$10.4 million (\$1.90 per Unit) for the same period in

2010. For the nine months ended September 30, 2011, the net loss (inclusive of the change in unrealized depreciation of holdings) was \$0.9 million (\$0.17 per Unit) compared to net income of \$13.8 million (\$3.08 per Unit) for the same period in 2010. Virtually all of the reported net loss for the nine month period was a result of the change in unrealized depreciation of silver, and it was the primary contributing factor for the three month period as well. The price of silver decreased by 13.0% during the past three months, and by 0.1% over the nine month period. Interest income currently forms a nominal portion of the Trust's income. Certain expenses, such as administration fees and safekeeping fees, have varied in relation to net asset levels. Administration fees, which are scaled and are calculated monthly based on net assets at each month-end, increased by \$14,167 and \$53,840 respectively during the three and nine month periods ended September 30, 2011 as compared to the similar periods in 2010. The increase in administration fees was a direct result of the higher level of net assets under administration.

Expenses as a percentage of the average of the month-end net assets (the "expense ratio") for the three months ended September 30, 2011 were 0.10% compared with 0.12% during the same period in 2010. The expense ratio for the nine-month period ended September 30, 2011 was 0.31% compared to 0.38% for the same nine-month period in 2010. For the twelve month period ended September 30, 2011, the expense ratio was 0.40% compared to 0.51% for the twelve month period ended September 30, 2010.

#### ***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 nine months ended September 30, 2011, the Trust's cash reserves decreased by \$368,215 to \$2,003,617. This decrease was a result of the amounts used to pay expenses of the Trust. 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.

#### ***Administrator and Other Related Party Information***

Please refer to Note 5 on pages 9 and 10 of this interim report.

#### ***Future accounting policy***

Please refer to Note 9 on page 12 of this interim report.

#### ***Additional Information***

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 MD&A is dated October 26, 2011. Additional information relating to the Trust, including 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).

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

	<i>September 30,</i> <i>2011</i>	<i>December 31,</i> <i>2010</i>
<b>Net assets:</b>		
Silver at market (Note 2)	\$ 95,729,623	96,295,513
Cash (Note 3)	2,003,617	2,371,832
Prepaid expenses and other	51,141	39,594
	97,784,381	98,706,939
Accrued liabilities (Note 5)	(104,744)	(194,600)
<b>Net assets representing Unitholders' equity</b>	<b>\$ 97,679,637</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	44,664,837	45,593,203
	<b>\$ 97,679,637</b>	<b>98,512,339</b>
<b>Net asset value per Unit</b>	<b>\$ 17.87</b>	<b>18.02</b>
<b>Exchange rate:</b>	U.S. \$1.00 = Cdn.	
	\$ 1.0389	0.9946
<b>Expressed in Canadian dollars:</b>		
<b>Net asset value per Unit</b>	<b>\$ 18.56</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)

	<i>Nine months ended Sept. 30,</i>		<i>Three months ended Sept. 30,</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<b>Net assets at beginning of period</b>	\$ 98,512,339	32,765,044	\$112,169,103	61,282,985
Increase in Unit capital (Note 4)	95,664	25,075,161	-	-
Net income (loss) inclusive of the change in unrealized appreciation (depreciation) of holdings	(928,366)	13,838,113	(14,489,466)	10,395,333
Increase (decrease) in net assets during the period	(832,702)	38,913,274	(14,489,466)	10,395,333
<b>Net assets at end of period</b>	<b>\$ 97,679,637</b>	<b>71,678,318</b>	<b>\$ 97,679,637</b>	<b>71,678,318</b>

See accompanying notes to financial statements.

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

	<i>Nine months ended Sept. 30,</i>		<i>Three months ended Sept. 30,</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<b>Income:</b>				
Interest	\$ 4,097	641	\$ 1,282	276
Change in unrealized appreciation (depreciation) of holdings	(571,412)	14,037,734	(14,372,556)	10,469,920
<b>Total income (loss)</b>	<b>(567,315)</b>	<b>14,038,375</b>	<b>(14,371,274)</b>	<b>10,470,196</b>
<b>Expenses:</b>				
Safekeeping fees and bank charges	130,437	44,826	44,184	20,587
Administration fees (Note 5)	95,909	42,069	32,171	18,004
Legal fees (Note 5)	38,137	40,175	13,928	13,989
Auditors' fees	32,774	24,988	7,500	7,500
Regulatory filing fees	15,334	7,763	5,803	3,079
Stock exchange fees	15,113	8,935	5,038	2,664
Registrar and transfer agent fees	12,877	10,726	3,722	2,817
Trustees' fees and expenses (Note 5)	11,483	12,886	4,523	4,534
Unitholder information	8,323	7,300	1,302	1,674
Miscellaneous	183	102	21	15
Foreign currency exchange loss	481	492	-	-
<b>Total expenses</b>	<b>361,051</b>	<b>200,262</b>	<b>118,192</b>	<b>74,863</b>
<b>Net income (loss)</b>				
inclusive of the change in unrealized appreciation (depreciation) of holdings	\$ (928,366)	13,838,113	\$ (14,489,466)	10,395,333
<b>Net income (loss) per Unit</b>				
inclusive of the change in unrealized appreciation (depreciation) of holdings	\$ (0.17)	3.08	\$ (2.65)	1.90

See accompanying notes to financial statements.

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

	<i>Nine months ended Sept. 30,</i>		<i>Three months ended Sept. 30,</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<b>Capital:</b> (Note 4)				
Units: 5,467,228	\$ 53,014,800	52,919,137	\$ 53,014,800	52,919,137
<b>Retained earnings:</b>				
Balance at beginning of period	45,593,203	4,921,068	59,154,303	8,363,848
Net income (loss) inclusive of the change in unrealized appreciation (depreciation) of holdings	(928,366)	13,838,113	(14,489,466)	10,395,333
Balance at end of period	44,664,837	18,759,181	44,664,837	18,759,181
<b>Unitholders' equity</b>	<b>\$ 97,679,637</b>	<b>71,678,318</b>	<b>\$ 97,679,637</b>	<b>71,678,318</b>

See accompanying notes to financial statements.



## ***Notes to Financial Statements***

***For the nine months ended September 30, 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 audited annual financial statements referred to above and, accordingly, should be read in conjunction with those statements.

### **2. Silver bullion:**

Details of silver bullion holdings are as follows:

<i>Silver holdings</i>	<i>September 30, 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	\$ 30.45	\$ 30.63
Market value	\$ 95,729,624	\$ 96,295,513

### **3. Cash:**

As at September 30, 2011 cash deposits of \$2,003,617 (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 September 30, 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 was as follows:

	<i>September 30, 2011</i>	<i>December 31, 2010</i>
<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>	<b>\$53,014,800</b>	<b>\$52,919,136</b>
<b>Weighted average Units outstanding</b>	<b>5,467,228</b>	<b>4,736,009</b>

## 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 nine months ended September 30, 2011 increased to \$95,909 from \$42,069 for the nine months ended September 30, 2010 due to the increase in the value of assets under administration. Included in accrued liabilities at September 30, 2011 is \$9,198 (December 31, 2010: \$9,277) due to the Administrator. The Administrator furnishes administrative, compliance and other 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 \$383,636 (actual \$95,909), and Trustees' fees would have been \$45,932 (actual \$11,483) for the nine months ended September 30, 2011.

The Trust incurred legal fees amounting to \$38,137 for the nine months ended September 30, 2011 (2010: \$40,175) of which \$32,159 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 September 30, 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 September 30, 2011 of Cdn. \$1.0389 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. \$1.75 per Unit or Cdn. \$1.82 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 99.9% 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 as the 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, 2011 would not have had any material impact on the net income for the nine months ended September 30, 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 dealing solely 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 98% of its net assets are in the form of silver bullion which is readily marketable.

## 7. Financial highlights:

	<i>Nine months ended September 30,</i>		<i>Three months ended September 30,</i>	
	<i>2011</i>	<i>2010</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	\$21.55	\$11.21
Net loss before the change in unrealized appreciation (depreciation) of holdings	(0.06)	(0.04)	(0.02)	(0.01)
Change in unrealized appreciation (depreciation) of holdings	(0.11)	3.13	(2.63)	1.91
Exercise of Warrants	-	(0.79)	-	-
<b>Total increase (decrease) <sup>(1)</sup></b>	<b>(0.17)</b>	<b>2.30</b>	<b>(2.65)</b>	<b>1.90</b>
<b>Net asset value per Unit at end of period</b>	<b>\$17.87</b>	<b>\$13.11</b>	<b>\$17.87</b>	<b>\$13.11</b>
<b>Total return for period</b>	<b>(0.8)%</b>	<b>18.4%</b>	<b>(12.9)%</b>	<b>16.9%</b>
<b><i>Percentages and supplemental data:</i></b>				
<b>Ratios as a percentage of average net assets:</b>				
Expenses <sup>(2)</sup>	0.31%	0.38%	0.11%	0.12%
Net loss before the change in unrealized appreciation (depreciation) of holdings <sup>(2)</sup>	0.30%	0.38%	0.11%	0.12%

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, was replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Public companies and trusts are required to provide IFRS comparative information for the previous fiscal year. However, in October 2010, an Exposure Draft issued by the AcSB entitled "Adoption of IFRSs by Investment Companies" was approved allowing qualified entities that currently apply AcG-18 the option to defer implementation of IFRS until its fiscal year beginning on or after January 1, 2012. 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. The Trust has filed for exemptive relief from the relevant Canadian Securities Administrators seeking approval to defer transition to IFRS to its fiscal year beginning January 1, 2013.

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 fiscal year beginning January 1, 2013.

## ***Trust Information***

### ***Trustees***

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

(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

### ***Auditors***

Ernst & Young LLP  
Toronto, Ontario, Canada

### ***Legal Counsel***

Fraser Milner Casgrain LLP  
Toronto, Ontario, Canada  
  
Dorsey & Whitney LLP  
Toronto, Ontario, Canada

### ***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

### ***Custodian***

Canadian Imperial Bank of Commerce  
Canada

### ***Registrars and Transfer Agents***

CIBC Mellon Trust Company, Canada

### ***Stock Exchange Listings***

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

## ***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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**Mailing Address:**

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