



**PURPOSE**  
INVESTMENTS

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE AND UNAUDITED FINANCIAL STATEMENTS

**SILVER BULLION TRUST**

FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2018

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This interim management report of fund performance (“MRFP”) contains financial highlights. Purpose Silver Bullion Trust’s (the “Fund”) interim financial statements are included at the back of the MRFP.

In addition, unitholders can obtain, at no cost, a copy of the Fund’s annual financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure by visiting our website at [www.purposeinvest.com](http://www.purposeinvest.com) or SEDAR at [www.sedar.com](http://www.sedar.com), by calling 1-877-789-1517, or by writing to us at Purpose Investments Inc., 130 Adelaide Street West, Suite 1700, P.O. Box 83, Toronto, Ontario M5H 3P5.

For more information on the Fund’s current and historical net asset values per unit, please visit [www.purposeinvest.com](http://www.purposeinvest.com).

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” or negative versions thereof and similar expressions.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties, and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. We stress that the abovementioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions, and urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

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# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

The management report of fund performance presents the views of the manager and the portfolio management team concerning significant factors and developments that have affected the Fund's performance and outlook.

Please read the caution on the inside of the cover page regarding forward-looking statements.

## INVESTMENT OBJECTIVES AND STRATEGIES

The Fund invests in and holds substantially all of its assets in long-term holdings of silver bullion in order to provide investors with a secure, convenient, low-cost alternative for investors interested in holding an investment in silver bullion.

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

Purpose Investments Inc., ("Purpose" or the "Manager") is the manager and trustee of the Fund. Silver Administrators Ltd. (the "Administrator") acts as the administrator of the Trust pursuant to an Administrative Services Agreement with the Trust. The Fund's investment strategy is to invest substantially all of the assets of the Fund in Silver Bullion.

The Trust's registered office is located at 130 Adelaide St. West, Suite 1700, PO Box 83, Toronto, Ontario, M5H 3P5.

## RISK

The risks of investing in the Fund are disclosed in the Fund's prospectus and there have been no significant changes during the period that affected the overall level of risk associated with the Fund.

## RESULTS OF OPERATIONS

The Fund offers ETF units listed on the Toronto Stock Exchange under the tickers SBT, SBT.B and SBT.U and mutual fund classes in currency hedged, non-currency hedged and U.S. Dollar purchase option.

The net asset value per unit as at:

Class	June 30, 2018 (\$)	December 31, 2017 (\$)
ETF Non-Currency Hedged Unit (SBT.B)	11.72	11.77
ETF Unit USD (SBT.U)	8.92	9.36
ETF Unit (SBT)	9.58	10.06

Silver traded down 4.95% during the first half of 2018. This decline was driven by a strong US dollar, upbeat global economic outlook, more hawkish monetary policy, and silver's inability to attract the safe-haven demand that has supported gold. Low volatility and narrow daily trading ranges, which do not offer a lot of opportunity for market participants, have also contributed to outflows. Bearish technical trends, including lower highs over the past two years and bearish price action, indicate weak sentiment and have contributed to its decline as fundamentals take a backseat to sentiment.

The Fund's performance has been entirely in line with the financial market price of silver, as per the strategy design.

There has been no meaningful change to the strategy or fund positioning over the last six months.

## RECENT DEVELOPMENTS

The members of the Independent Review Committee as at December 31, 2017 were Douglas G. Hall (Chair), Randall C. Barnes, and Michael Hollend. On February 5, 2018 Michael Hollend ceased being a member of the Independent Review Committee. The vacant position was filled by Jean M. Fraser on May 18, 2018.

## RELATED PARTY TRANSACTIONS

Purpose is deemed to be a related party as Manager of the Fund. Please refer to the "Management Fee" section for fees paid to Purpose. Purpose has also appointed an Independent Review Committee ("IRC") as required by National Instrument 81-107 Independent Review Committee for Investment Funds. The mandate of the IRC is to review, and provide input on, the Manager's written policies and procedures that deal with conflict of interest matters in respect of the Funds. IRC members receive fees and reimbursement of expenses for services provided to the Fund and other Purpose managed funds and such costs are allocated among all the Funds on a fair and reasonable basis. The fees for services rendered to the Fund are reported in the Statements of Comprehensive Income. There are no other related party transactions for the Fund.

## INDEPENDENT REVIEW COMMITTEE

The members of the Independent Review Committee as at December 31, 2017 were Douglas G. Hall (Chair), Randall C. Barnes, and Michael Hollend. On February 5, 2018 Michael Hollend ceased being a member of the Independent Review Committee. The vacant position was filled by Jean M. Fraser on May 18, 2018.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods ended December 31, except 2018 which is provided as at June 30:

### NET ASSETS PER UNIT <sup>(1)</sup>

ETF Non-Currency Hedged Unit	2018 <sup>(a)</sup> (\$)	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)	2013 (\$)
<b>Net assets, beginning of period</b>	<b>11.77</b>	<b>12.19</b>	<b>10.77</b>	<b>10.81</b>	<b>12.13</b>	<b>17.39</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	-	-	0.02	0.00	0.00	0.00
Total expenses	(0.04)	(0.08)	(0.08)	(0.41)	(0.06)	(0.07)
Realized gains (losses) for the period	(0.04)	0.03	0.08	(0.02)	-	-
Unrealized gains (losses) for the period	0.03	(0.33)	1.69	(1.54)	(2.24)	(6.19)
Total increase (decrease) from operations <sup>(2)</sup>	(0.05)	(0.38)	1.71	(1.97)	(2.30)	(6.26)
<b>Net assets, end of period</b>	<b>11.72</b>	<b>11.77</b>	<b>12.19</b>	<b>10.77</b>	<b>10.81</b>	<b>12.13</b>

Notes:

(a) Information presented is for the period January 1, 2018 to June 30, 2018.

- This information is derived from the Fund's financial statements prepared in accordance with IFRS. For purposes of unitholder transactions, the Net Asset Value is calculated in accordance with the valuation rules as set out in the Fund's prospectus. The Fund's accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value for transactions with unitholders.
- Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted-average number of units outstanding over the financial period.

### RATIOS AND SUPPLEMENTAL DATA

ETF Non-Currency Hedged Unit	2018	2017	2016	2015	2014	2013
Total net asset value (\$) (000s) <sup>(1)</sup>	47,788	51,530	54,887	58,858	59,101	66,317
Number of units outstanding (000s) <sup>(1)</sup>	4,078	4,378	4,503	5,467	5,467	5,467
Management expense ratio <sup>(2)</sup>	0.65%	0.66%	0.59%	4.59% <sup>5</sup>	0.54%	0.51%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	0.65%	0.66%	0.51%	4.59% <sup>5</sup>	0.54%	0.51%
Trading expense ratio <sup>(3)</sup>	0.11%	0.18%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Closing market price (SBT.B) (\$)	11.66	11.75	11.83	10.17	9.85	10.93
Closing market price (SBT.U) (\$)	10.38	9.32	8.85	7.41	8.30	12.02

Notes:

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund's net asset value calculated for fund pricing purposes ("NAV") and is provided as at December 31 of the year shown, except 2018 which is shown as at June 30. On May 26, 2016, Silver Bullion Trust converted to Silver Bullion Trust Non-Currency Hedged exchange traded fund. The financial information presented includes the period before the conversion.
- The management expense ratio ("MER") is calculated as the total expenses, excluding distributions, commissions and other portfolio transaction costs, for the stated period and is expressed as an annualized percentage of the average daily NAV of the Fund. The Manager, at its sole discretion, may waive management fees or absorb expenses. Such waivers and absorptions can be terminated at any time.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the Fund's daily average NAV. The trading expense ratio is calculated at the portfolio level and applies to all classes of units of the Fund.
- The portfolio turnover rate is based on the lesser of purchases or proceeds of sales of securities for the period, excluding cash, short-term notes, and bonds having maturity dates at acquisition of one year or less, divided by the average value of the portfolio securities for the period. The Fund's portfolio turnover rate indicates how actively the Fund's investment advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the portfolio turnover rate in a year, the greater the trading costs payable in the year and the greater the chance of taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and fund performance. The portfolio turnover rate is calculated at the portfolio level and applies to all classes of units of the Fund.
- During 2015, the Trust incurred additional legal expenses, as authorized by the Trustees at the time, related to a Special Meeting and unsolicited takeover bid by Sprott Asset Management. The MER without these expenses would have been 0.52%. These expenses are non-recurring onetime expenses.

### NET ASSETS PER UNIT <sup>(1)</sup>

ETF Unit	2018 <sup>(a)</sup> (\$)	2017 (\$)	2016 <sup>(b)</sup> (\$)
<b>Net assets, beginning of period</b>	<b>10.06</b>	<b>9.90</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	-	-	0.02
Total expenses	(0.03)	(0.06)	(0.06)
Realized gains (losses) for the period	(0.03)	0.21	(0.13)
Unrealized gains (losses) for the period	(0.42)	0.01	0.08
Total increase (decrease) from operations <sup>(2)</sup>	(0.48)	0.16	(0.09)
<b>Net assets, end of period</b>	<b>9.58</b>	<b>10.06</b>	<b>9.90</b>

Notes:

(a) Information presented is for the period January 1, 2018 to June 30, 2018.

(b) Information presented is for the period from May 24, 2016 to December 31, 2016.

- This information is derived from the Fund's financial statements prepared in accordance with IFRS. For purposes of unitholder transactions, the Net Asset Value is calculated in accordance with the valuation rules as set out in the Fund's prospectus. The Fund's accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value for transactions with unitholders.
- Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted-average number of units outstanding over the financial period.

### RATIOS AND SUPPLEMENTAL DATA

ETF Unit	2018	2017	2016
Total net asset value (\$) (000s) <sup>(1)</sup>	958	1,006	990
Number of units outstanding (000s) <sup>(1)</sup>	100	100	100
Management expense ratio <sup>(2)</sup>	0.60%	0.61%	0.36%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	0.60%	0.61%	0.36%
Trading expense ratio <sup>(3)</sup>	0.00%	0.14%	0.00%
Portfolio turnover rate <sup>(4)</sup>	9.75%	0.00%	7.26%
Closing market price (SBT) (\$)	9.73	10.01	9.54

Notes:

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## ADMINISTRATION FEES

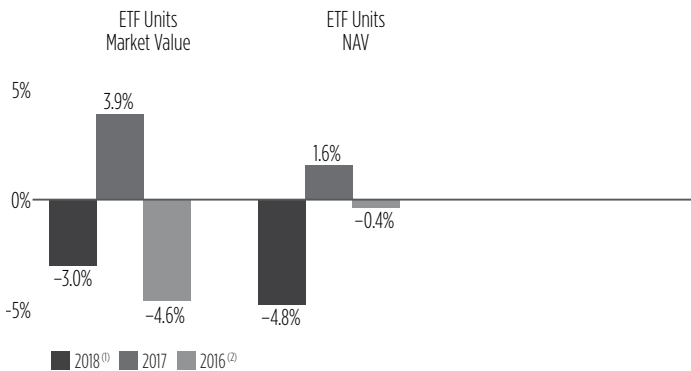
Purpose manages and administers the business, operations and affairs of the Fund. As compensation for the services it provides the Fund will pay Purpose a declining fee (the "Management Fees") pursuant to the terms of the Management Services Agreement, plus applicable HST, on a monthly basis in arrears, equal to: 0.40% per annum on the first U.S.\$100,000,000 of the Fund's total net assets; 0.30% per annum on any excess over U.S.\$100,000,000 up to U.S.\$200,000,000 of total net assets; and 0.20% per annum on any excess over U.S.\$200,000,000 of total net assets as at the month-end Valuation Date. Currently, the annual management fee for the Fund is 0.20% of the NAV of the units.

## PAST PERFORMANCE

Please note that the total return performance information shown in this section assumes that all distributions made by the Fund, if any, in the period shown were reinvested in additional securities of the Fund. It does not take into account sales, redemptions, distributions or other optional charges, or income taxes payable by any investor, which would have reduced the returns. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

### YEAR-BY-YEAR RETURNS

The bar chart shows the performance of the units for the financial period in percentage terms, indicating how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



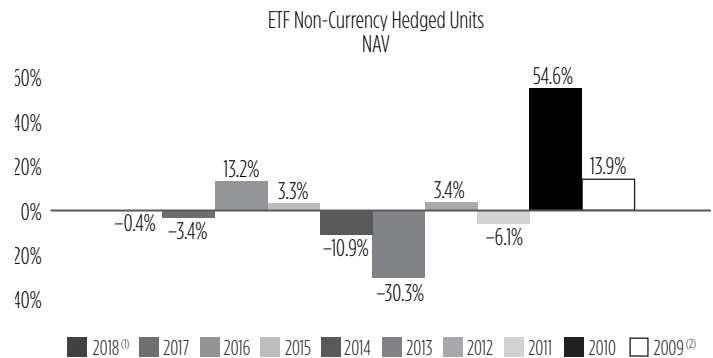
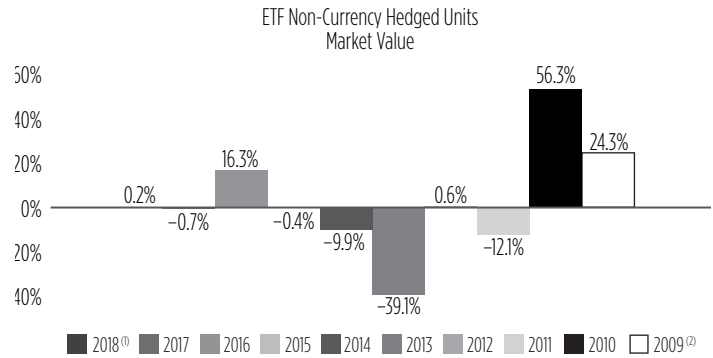
1. Return for the period January 1, 2018 to June 30, 2018.
2. Return for the period May 24, 2016 to December 31, 2016.

## SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2018

### ASSET MIX

	% of Fund's Net Asset Value
Direct Commodities	100.35
Cash and Cash Equivalents	0.01
Net Other Assets	(0.36)
<b>Total Net Asset Value</b>	<b>100.00</b>



1. Return for the period January 1, 2018 to June 30, 2018.
2. Return for the period June 8, 2009 to December 31, 2009

### TOP HOLDINGS

	% of Fund's Net Asset Value
Silver Bars	99.22
Silver Certificate	1.13
Cash and Cash Equivalents	0.01

The investment portfolio may change due to ongoing portfolio transactions. An updated listing is available quarterly.

## INTERIM FINANCIAL STATEMENTS (unaudited)

### NOTICE TO UNITHOLDERS

Purpose Investments Inc., the Manager of Silver Bullion Trust (the “Fund”), appoints independent auditors to audit the Fund’s annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the interim Financial Statements, this must be disclosed in an accompanying notice. The Fund’s independent auditor has not performed a review of these interim Financial Statements in accordance with the standards established by the Chartered Professional Accountants of Canada.

## STATEMENTS OF FINANCIAL POSITION (unaudited)

As at:

	June 30, 2018 (\$)	December 31, 2017 (\$)
<b>Assets</b>		
Investments		
Investments at fair value	48,918,095	52,505,251
Cash and cash equivalents	6,401	110,602
Derivative assets		
Unrealized gain on forward currency contracts	250	19,267
<b>Total assets</b>	<b>48,924,746</b>	<b>52,635,120</b>
<b>Liabilities</b>		
Payables:		
Director & independent review committee fees	1,901	3,998
Other accrued liabilities	155,071	95,132
Derivative liabilities		
Unrealized loss on forward currency contracts	22,196	241
<b>Total liabilities</b>	<b>179,168</b>	<b>99,371</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>48,745,578</b>	<b>52,535,749</b>
<b>Net assets attributable to holders of redeemable units per class</b>		
ETF Unit	957,607	1,005,613
ETF Non-Currency Hedged Unit	47,787,971	51,530,136
Total	48,745,578	52,535,749
<b>Number of units outstanding (note 4)</b>		
ETF Unit	100,000	100,000
ETF Non-Currency Hedged Unit	4,078,331	4,378,331
<b>Net assets attributable to holders of redeemable units per unit</b>		
ETF Unit	9.58	10.06
ETF Non-Currency Hedged Unit	11.72	11.77
ETF Non-Currency Hedged Unit (USD)	8.90	9.36

\* ETF Units commenced operation on May 24, 2016.

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors of Purpose Investments Inc., as trustee and Manager of Silver Bullion Trust.



Som Seif  
Director  
August 29, 2018



Scott Bartholomew  
Director

## STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the periods ended:

	June 30, 2018 (\$)	June 30, 2017 (\$)
<b>Income</b>		
Net gains (losses) on investments and derivatives:		
Interest income for distribution purposes	(2,061)	11,088
Distribution from underlying funds	-	(5,204)
Net realized gain (loss) on foreign exchange transactions	25,999	(6,512)
Net realized gain (loss) on sale of investments	(166,227)	127,427
Net realized gain (loss) on forward currency contracts	(2,841)	(1,076,132)
Net change in unrealized appreciation (depreciation) in value of investments	118,109	(943,190)
Net change in unrealized appreciation (depreciation) in value of forward currency contracts	(40,972)	50,049
Net gains (losses) on investments and derivatives	(67,993)	(1,842,474)
Securities lending income	-	(3,552)
Foreign exchange gain (loss) on cash	(24,296)	(927,062)
<b>Total revenue</b>	<b>(92,289)</b>	<b>(2,773,088)</b>
<b>Expenses</b>		
Administration fees (note 6)	49,856	58,435
Safekeeping fees	39,266	45,391
Transaction costs (note 9)	25,825	13,013
Custodian and fund accounting fees	14,629	14,629
Unitholder reporting	13,886	13,886
Audit fees	8,927	8,927
Legal fees	7,437	7,437
Recordkeeping fees	4,959	11,867
Independent review committee fees (note 6)	3,447	6,907
Listing fees	2,478	2,478
Other expenses (note 6)	17,311	20,576
<b>Total expenses</b>	<b>188,021</b>	<b>203,546</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>(280,310)</b>	<b>(2,976,634)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class (note 7)</b>		
ETF Unit	(48,006)	2,463
ETF Non-Currency Hedged Unit	(232,304)	(1,126,003)
Total	(280,310)	(1,123,540)
<b>Average number of units outstanding for the period per class (note 7)</b>		
ETF Unit	100,000	100,000
ETF Non-Currency Hedged Unit	4,176,121	4,438,414
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (note 7)</b>		
ETF Unit	(0.48)	0.03
ETF Non-Currency Hedged Unit	(0.05)	(0.26)

The accompanying notes are an integral part of the financial statements.

## STATEMENTS OF CHANGES IN FINANCIAL POSITION (unaudited)

For the periods ended:

	June 30, 2018 (\$)	June 30, 2017 (\$)
<b>ETF Unit</b>		
Net assets attributable to holders of redeemable units at beginning of period	1,005,613	990,220
Increase (decrease) in net assets attributable to holders of redeemable units	(48,006)	2,463
Net increase (decrease) in net assets attributable to holders of redeemable units	(48,006)	2,463
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>957,607</b>	<b>992,683</b>
<b>ETF Non-Currency Hedged Unit</b>		
Net assets attributable to holders of redeemable units at beginning of period	51,530,136	54,887,062
Increase (decrease) in net assets attributable to holders of redeemable units	(232,304)	(1,126,003)
<b>Redeemable unit transactions</b>		
Payments for redemption of redeemable units	(3,509,861)	(1,674,781)
Net increase (decrease) from redeemable unit transactions	(3,509,861)	(1,674,781)
Net increase (decrease) in net assets attributable to holders of redeemable units	(3,742,165)	(2,800,784)
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>47,787,971</b>	<b>52,086,278</b>

The accompanying notes are an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS (unaudited)

For the periods ended:

	June 30, 2018 (\$)	June 30, 2017 (\$)
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(280,310)	(1,123,540)
Adjustments for:		
Foreign exchange loss (gain) on cash	24,296	4,893
Purchase of investments	(88,217)	(2)
Proceeds from sale of investments	3,601,429	1,915,074
Net realized loss (gain) on sale of investments	166,227	(127,427)
Net change in unrealized depreciation (appreciation) in value of investments	(118,109)	1,078,182
Net change in unrealized depreciation (appreciation) in value of forward currency contracts	40,972	(50,049)
Net change in non-cash working capital balances	57,849	13,321
Transaction costs (note 9)	25,825	13,013
	3,429,962	1,723,465
<b>Cash Flows from Financing Activities</b>		
Payments for units redeemed	(3,509,861)	(1,674,781)
	(3,509,861)	(1,674,781)
Foreign exchange gain (loss) on cash	(24,296)	(4,893)
Net increase (decrease) in cash and cash equivalents	(79,899)	48,684
Cash and cash equivalents, at beginning of period	110,596	309,315
<b>Cash and cash equivalents, at end of period</b>	<b>6,401</b>	<b>353,106</b>
Interest received	2,061	11,088

The accompanying notes are an integral part of the financial statements.



## SCHEDULE OF INVESTMENTS (unaudited)

As at June 30, 2018

Security	Number of Ounces	Average cost (\$)	Fair value (\$)
<b>Silver Holdings – 100.35%</b>			
Silver Bars	2,283,679	50,589,077	48,366,057
Silver Certificate	26,065	578,042	552,038
<b>Silver Holdings – 100.35%</b>		51,167,119	48,918,095
<b>Total Investments – 100.35%</b>		51,167,119	48,918,095
<b>Net Unrealized Gain (Loss) on Forward Currency Contracts (Schedule 1) – (0.05)%</b>			(21,946)
<b>Cash and Cash Equivalents – 0.01%</b>			6,401
<b>Other Assets, Less Liabilities – (0.31)%</b>			(156,972)
<b>Net Assets – 100.00%</b>			<b>48,745,578</b>

The accompanying notes are an integral part of the financial statements.

## SCHEDULE 1 – FORWARD FOREIGN CURRENCY CONTRACT

For the period ended June 30, 2018:

Counterparty	S&P Credit Rating for Counterparty	Settlement Date	Currency Buys	Par Value (\$)	Currency Sells	Par Value (\$)	Forward Rate	Current Rate	Unrealized Gain (Loss) (\$)
Bank of New York Mellon (The), New York	A-1+	2018/08/10	CAD	897,455	USD	700,000	0.7800	0.7610	(22,196)
Bank of New York Mellon (The), New York	A-1+	2018/08/10	CAD	65,939	USD	50,000	0.7580	0.7610	250
									(21,946)

The accompanying notes are an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (unaudited)

### 1. THE FUND

Silver Bullion Trust (the "Trust") is a mutual fund trust established under the laws of Ontario pursuant to a Declaration of Trust dated June 8, 2009, amended and restated on July 9, 2009 and as amended and restated on February 8, 2016. Its purpose is to acquire, hold and secure silver bullion on behalf of its Unitholders. The manager, investment advisor and trustee of the Fund is Purpose Investments Inc. (the "Manager" or "Purpose"). The Manager has engaged Silver Administrators Ltd. ("SAL"), as the administrator of the silver bullion for the Fund. The Fund's registered office is at 130 Adelaide St. West, Suite 1700, PO Box 83, Toronto, Ontario, M5H 3P5. These financial statements were authorized for issue by Purpose on August 29, 2018.

The Trust has listed on the Toronto Stock Exchange the Silver Bullion Trust ETF Units, Non-Currency Hedged Units and Non-Currency Hedged USD Units, listed under the ticker symbols SBT, SBT.B and SBT.U respectively.

The Fund's financial statements include the *Schedule of Investments* as at June 30, 2018, the *Statements of Financial Position* as at June 30, 2018 and December 31, 2017 and the *Statements of Comprehensive Income*, the *Statements of Changes in Financial Position* and the *Statements of Cash Flows* for the period ended June 30, 2018 and 2017.

### 2. INVESTMENT OBJECTIVES

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

The Fund invests in and holds substantially all of its assets in long-term holdings of silver bullion in order to provide investors with a secure, convenient, low-cost alternative for investors interested in holding an investment in silver bullion.

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a going concern basis using the historical-cost convention. However, the Fund is an investment entity and primarily all financial assets and financial liabilities are measured at fair value in accordance with IFRS. Accordingly, the Fund's accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value for transactions with unitholders.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results may differ from such estimates. The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognized in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Manager has concluded that the Fund has met the additional characteristics of an investment entity within IFRS 10 *Consolidated Financial Statements*.

The financial statements have been presented in Canadian dollars, which is the Fund's functional currency.

### FINANCIAL INSTRUMENTS

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The Fund classifies and measures financial instruments in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"). On initial adoption of IFRS 9, there was no impact to the financial statements of the Fund. Upon initial recognition, financial instruments are classified as fair value through profit or loss ("FVTPL"). All financial instruments are recognized in the Statement of Financial Position when the Fund becomes a party to the contractual requirements of the instrument. Financial assets are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled and expires. As such, investment purchase and sale transactions are recorded as of the trade date. Financial instruments are subsequently measured at FVTPL with changes in fair value recognized in the Statement of Comprehensive Income – Net unrealized gain (loss).

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category amounts relating to receivables in respect of amounts receivable for portfolio securities sold and other short-term receivables.

#### Other financial liabilities

This category includes all financial liabilities, other than those classified as fair value through profit or loss. The Fund includes in this category amounts relating to payables in respect of amounts payable for portfolio securities purchased and other accrued liabilities.

A financial asset or a financial liability is recognized when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date.

#### Valuation of financial instruments

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statements of Financial Position at fair value upon initial recognition. All transaction costs such as brokerage commissions, incurred in the purchase and sale of securities for such instruments are recognized directly in profit or loss. Loans and receivables and other financial liabilities (other than those classified as fair value through profit and loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

After initial measurement, the Fund measures financial instruments that are classified as fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in unrealized appreciation (depreciation) on investments. The applicable period change in unrealized appreciation (depreciation) on investments is included on the Statements of Comprehensive Income. The average cost of portfolio investments represents the sum of the average cost of each portfolio investments. For the purposes of determining the average cost of each portfolio investment, the purchase price of the portfolio investment acquired by the Fund is added to the average cost of the particular portfolio investment immediately prior to the purchase. The average cost of a portfolio investment is reduced by the number of shares or units sold multiplied by the average cost of the portfolio investment at the time of the sale. The average cost per share or unit of each portfolio investment sold is determined by dividing the average cost of the portfolio investment by the number of shares or units held immediately prior to the sale transaction. Transaction costs incurred in portfolio transactions are excluded from the average cost of investments and are recognized immediately in net income and are presented as a separate expense item in the financial statements. Realized gains and losses from the sale of portfolio investments are also calculated based on the average costs, excluding transaction costs, of the related investment.

## NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)

Loans and receivables, and other assets and liabilities (other than those classified as fair value through profit or loss) are measured at amortized cost.

The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount before discount.

The Fund measures their financial instruments, such as equities, bonds and other interest-bearing investments and derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability.

The fair values of each specific type of investment and derivative are determined in the following manner:

### *Valuation of silver holdings*

Silver bullion and silver certificates are measured at fair value by reference to the final London Bullion Market Association ("LBMA") silver price at approximately 12pm (London time) and announced by Thomson Reuters shortly thereafter on each day that the London Silver market is open. With realized gains and losses and unrealized appreciation or depreciation of holdings recorded in income based on the IAS 40 *Investment Property* fair value model, as IAS 40 is the most relevant standard to apply. Investment transactions are accounted for on the trade date. Realized gains and losses and unrealized appreciation and depreciation of holdings are calculated on an average cost basis.

### *Derivatives*

#### *Valuation of forward currency contracts*

The Fund may enter into forward currency contracts for hedging purposes or to establish an exposure to a particular currency. Forward currency contracts are valued based on the difference between the contract forward rate and the forward bid rate (for currency held) or the forward ask rate (for currency sold short) on the valuation date. Upon the closing of a contract, the gain or loss is included in the Statement of Comprehensive Income.

### **Other financial assets and liabilities**

All trade receivables and other accounts receivable are designated as receivables. They are recorded at amortized cost, which approximates their fair value. Similarly, all trade payables and accrued expenses are designated as financial liabilities and are recorded at amortized cost, which approximates their fair value.

## **INCOME RECOGNITION**

### **Interest income for distribution purposes**

The interest for distribution purposes shown on the Statements of Comprehensive Income represents the interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight-line basis. The interest for distribution purposes is the tax basis of calculating the interest received and which is subject to tax.

## **REDEEMABLE PARTICIPATING UNITS**

Redeemable participating units are classified as financial liabilities and are redeemable at the unitholder's option at prices based on the Fund's Net Asset Value per unit at the time of redemption. The amounts are continuously measured at their redemption value prior to discounts. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified and presented as a financial liability.

## **FOREIGN CURRENCY TRANSLATIONS**

Transactions during the year, including purchases and sales of securities, income and expenses, are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date.

Foreign currency transaction gains and losses on financial instruments classified as fair value through profit or loss are included in profit or loss in the Statements of Comprehensive Income as part of the "net gains (losses) of investments and derivatives".

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based the assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

### **Fair value of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the Statements of Financial Position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statements of Financial Position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available.

### **Classification and measurement of investments and application of the fair value option**

In classifying and measuring financial instruments held by the Fund, Purpose is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. Purpose has assessed the Fund's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial instruments.

## **TAXES**

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions could necessitate future adjustments to tax expense already recorded. The Fund establishes provisions, based on reasonable estimate for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Investment's domicile. As the Fund assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

## **4. REDEEMABLE PARTICIPATING UNITS**

The Fund is authorized to issue an unlimited number of redeemable, transferable units of an unlimited number of classes of units, each of which represents an equal, undivided interest in the net assets of the Fund, subject to the terms and conditions of the declaration of trust.

All units have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of redeemable participating unitholders and is entitled

## NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)

to participate equally with respect to any and all distributions, other than management fee distributions.

The redeemable participating units may be traded on the Toronto Stock Exchange under the symbol SBT and SBT.B or in U.S. dollars under the symbol SBT.U. In addition, unitholders may redeem units for cash, subject to a redemption discount. Unitholders may also exchange a prescribed number of units for baskets of cash.

Changes in outstanding units during the periods ended June 30, 2018 and December 31, 2017 are summarized as follows:

	Number of Units	
	ETF Non-Currency Hedged Unit	ETF Unit
Outstanding, December 31, 2016	4,503,331	100,000
Redeemed	(125,000)	-
Outstanding, December 31, 2017	4,378,331	100,000
Redeemed	(300,000)	-
Outstanding, June 30, 2018	4,078,331	100,000

### 5. ADMINISTRATION FEES AND OTHER EXPENSES

Unitholders may be charged an administration fee equal to: 0.40% per annum on the first U.S.\$100,000,000 of the Fund's total net assets; 0.30% per annum on any excess over U.S.\$100,000,000 up to U.S.\$200,000,000 of total net assets; and 0.20% per annum on any excess over U.S.\$200,000,000 of total net assets as at the month-end Valuation Date. Such fees shall be payable on or before the 10th day following the end of each such month.

The Fund will pay for all ordinary expenses incurred in connection with the operation and administration of the Fund including: custodian fees; transfer agency fees; filing fees; listing fees; audit fees; legal expenses; premiums for directors' and officers' insurance coverage for the members of the IRC; fees and expenses of the members of the IRC; income taxes; sales taxes; brokerage expenses and commissions; withholding taxes; extraordinary expenses; accounting fees; expenses incurred in connection with the valuation of the Fund's assets; any costs and expenses incurred in complying with NI 81-107, other operating and administrative expenses incurred in connection with the day-to-day operation of the Fund and, in relation to the ETF Units, any fees associated with the forward contracts relating to the currency hedging strategy of the class. The ordinary expenses payable by the Fund, plus applicable HST, will be calculated and accrued daily and paid monthly in arrears.

The Manager may, from time to time, in its sole discretion, pay all or a portion of any Administrative Expenses which would otherwise be payable by the Fund.

### 6. INCOME TAXES

The Fund qualifies and intends to continue to qualify as a mutual fund trust under the Income Tax Act (Canada) and, accordingly, is subject to tax on its investment income, including net realized capital gains, for any tax year in which its net investment income or sufficient net realized capital gains are not paid or payable to its unitholders as at the end of its tax year. It is the intention of the Manager that all annual net investment income and sufficient net taxable capital gains will be distributed to unitholders on a tax year basis such that no Canadian income taxes are payable by the Fund. As a result thereof, no provision for income taxes is made in these financial statements.

As at December 31, 2017, the Fund had no capital losses and had non-capital losses carry forward of \$2,570,031 (2016 – \$2,684,824) for income tax purpose with expiry as follows: \$148,874 in 2032, \$406,361 in 2033, \$209,490 in 2034 and \$1,805,306 in 2035. Capital losses may be carried forward indefinitely to be applied against future capital gains. Non-capital losses may be utilized to reduce taxable income over the twenty years following the tax year in which they arise.

### 7. INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

Increase (decrease) in net assets from operations attributable to holders of redeemable units per unit of each class is calculated by dividing the Increase (decrease) in net assets attributable to holders of redeemable units from operations (excluding distributions), as reported in the Statement of Comprehensive Income, by the weighted average number of units in issue during the related period.

### 8. FINANCIAL RISKS

In the normal course of business, the Fund is exposed to a variety of financial risks: market price risk, interest rate risk, credit risk, currency risk and liquidity risk. The Fund's primary risk management objective is to protect earnings and cash flow and, ultimately, unitholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Fund's risks and related exposures are consistent with its objectives and risk tolerance.

The investments are made in accordance with the Fund's risk management policies. The policies establish investment objectives, strategies, criteria and restrictions.

The objectives of these policies are to identify and mitigate investment risk through a disciplined investment process and the appropriate structuring of each transaction.

The various risks that the Fund is exposed to as a result of its investment holdings are summarized below.

#### Market price risk

Market price risk arises primarily from uncertainties about the future market prices of instruments held. Market price fluctuations may be caused by factors specific to an individual investment, or factors affecting all securities traded in a market or industry sector. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. The Fund's most significant exposure to market price risk arises from its investment in silver bullion. If silver bullion prices increased or decreased by 5% as at June 30, 2018 with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately \$2.5 million (December 31, 2017 – \$2.6 million). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### Interest rate risk

Interest rate risk arises from interest-bearing financial instruments where the values of those instruments fluctuate due to changes in market interest rates.

As the Fund's financial liabilities are primarily short term in nature and generally not interest bearing, the Fund's exposure to interest rate risk in relation thereto is considered low.

#### Credit risk

Credit risk is the risk that a counterparty to a financial instrument fails to discharge an obligation or commitment that it has entered into with the Fund.

The Fund's main exposure to credit risk is: (a) their trading of silver bullion and certificates – the risk of default is considered minimal as all transactions are settled and paid for upon delivery using approved brokers and (b) the Fund may enter into derivative contracts to hedge their exposure to foreign currencies. The unrealized gain (loss) on outstanding contracts with counterparties represents the maximum credit exposure. These contracts are carried out with counterparties with a credit rating of at least "A-". The exposure to credit risk on these contracts is considered minimal as there are few contracts outstanding at any one time and the transactions are settled and paid for upon delivery.

#### Currency Risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. The Fund is exposed to the risk that the value of financial instruments denominated in other currencies will fluctuate due to changes in exchange

## NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)

rates. Forward currency contracts and options may be utilized by the Fund to hedge against currency fluctuations. The Fund's exposure to currency risk relates primarily to cash and investments which are denominated in U.S. dollars.

The table below summarizes the Fund's direct exposure to the US dollar as at June 30, 2018 and December 31, 2017 including the fair value of currency contracts that are used to hedge the foreign currency risk.

	June 30, 2018		December 31, 2017	
	Fair Value (\$)	% of Net Assets	Fair Value (\$)	% of Net Assets
Foreign currency and equities	48,919,979		52,534,234	
Forward currency agreement	(985,340)		(853,944)	
<b>Net exposure</b>	<b>47,934,639</b>	<b>98.3</b>	<b>51,680,290</b>	<b>98.4</b>

If the Canadian dollar weakened or strengthened by 5% as at June 30, 2018 in relation to the US dollar, with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately \$2.4 million (December 31, 2017 – \$2.6 million). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Liquidity risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at reasonable prices. This risk mainly arises from the Fund's exposure to monthly and annual redemptions. The Fund retains sufficient cash positions to meet its daily cash requirements. All liabilities are due within three months. The Manager regards all of the Trust's assets as liquid. Furthermore, over 99% of its net assets are in the form of silver bullion or silver certificates, which are readily marketable.

## 9. BROKERAGE COMMISSIONS

The Silver Administrators Ltd., the bullion administrator makes decisions, including the selection of markets and dealers and the negotiation of commissions, with respect to the purchase and sale of portfolio securities, certain derivative products (including futures) and the execution of portfolio transactions. Commissions paid to brokers in connection with portfolio transactions are included in transaction costs in the Funds' Statements of Comprehensive Income. Brokerage business is allocated based on which broker can deliver to the Funds the best trade execution.

## 10. FAIR VALUE INVESTMENTS

The Fund's hierarchy for disclosing the fair value of its investments is based on the inputs summarized below:

- Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
  - Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
  - Level 3 – valuation techniques with significant unobservable market inputs.
- For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization at the end of each reporting period.

The following inputs were used in valuing the Fund's investments and derivatives at fair values as at June 30, 2018:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Assets</b>				
Silver	48,918,095	–	–	48,918,095
Currency forward contracts	–	963,394	–	963,394
<b>Total assets</b>	<b>48,918,095</b>	<b>963,394</b>	<b>–</b>	<b>49,881,489</b>
<b>Financial liabilities</b>				
Currency forward contracts	–	985,340	–	985,340
<b>Total financial liabilities</b>	<b>–</b>	<b>985,340</b>	<b>–</b>	<b>985,340</b>
<b>Total assets and financial liabilities</b>	<b>48,918,095</b>	<b>(21,946)</b>	<b>–</b>	<b>48,896,149</b>

The following inputs were used in valuing the Fund's investments and derivatives at fair values as at December 31, 2017.

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial assets</b>				
Silver	52,505,251	–	–	52,505,251
Forward currency contracts	–	973,675	–	973,675
<b>Total financial assets</b>	<b>52,505,251</b>	<b>973,675</b>	<b>–</b>	<b>53,478,926</b>
<b>Financial liabilities</b>				
Forward currency contracts	–	954,649	–	954,649
<b>Total financial liabilities</b>	<b>–</b>	<b>954,649</b>	<b>–</b>	<b>954,649</b>
<b>Total financial assets</b>	<b>52,505,251</b>	<b>19,026</b>	<b>–</b>	<b>52,524,277</b>

During the periods ended June 30, 2018 and December 31, 2017, there were no transfers of assets between Level 1, Level 2 and Level 3.

The Fund's Level 2 investment in foreign currency contracts relies on the foreign exchange rate market data to fair value the foreign currency contract.

## 11. CAPITAL MANAGEMENT

The Fund considers its capital to consist of its issued and outstanding redeemable participating units.

The Fund's investment objectives are outlined in note 2. The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in note 8 while maintaining sufficient liquidity to meet distributions and redemptions. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders. The Fund is not subject to any externally imposed capital requirements.

## 12. RELATED PARTY TRANSACTIONS

Purpose is deemed to be a related party as Manager of the Fund. Please refer to note 5 above for fees paid to Purpose.

The Manager has appointed an Independent Review Committee as required by National Instrument 81-107 *Independent Review Committee for Investment Funds*. The mandate of the IRC is to review, and provide input on, the Manager's written policies and procedures that deal with conflict of interest matters in respect of the Fund. The fees for services rendered to the Fund are reported in the Statements of Comprehensive Income. There are no other related party transactions for the Fund.



# CORPORATE INFORMATION

## MANAGER

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## BULLION ADMINISTRATORS

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## LEGAL COUNSEL

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## AUDITOR

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## CUSTODIAN

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Toronto, ON M5J 0B6

## REGISTRAR AND TRANSFER AGENT

TSX Trust Company  
100 Adelaide Street West, Suite 301  
Toronto, ON M5H 4H1

## TORONTO STOCK EXCHANGE LISTING

Ticker Symbol: SBT, SBT.B, SBT.U

## INDEPENDENT REVIEW COMMITTEE OF PURPOSE SILVER BULLION TRUST

### DOUGLAS G. HALL

Chair of the Independent Review Committee

### RANDALL C. BARNES

Member of the Independent Review Committee

### JEAN M. FRASER

Member of the Independent Review Committee

## OFFICERS AND DIRECTORS OF PURPOSE INVESTMENTS INC.

### SOM SEIF

President, Chief Executive Officer,  
Chairman of the Board of Directors and Director

### SCOTT BARTHOLOMEW

Chief Financial Officer, Chief Operating Officer and Director

### CAITLIN GOSSAGE

Chief Compliance Officer

### JEFF MITELMAN

Director