

**PURPOSE**  
INVESTMENTS

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE AND AUDITED FINANCIAL STATEMENTS

**SILVER BULLION TRUST**

FOR THE FINANCIAL PERIOD ENDED DECEMBER 31, 2016

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

In addition, unitholders can obtain, at no cost, a copy of the Fund’s interim 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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## LETTER TO INVESTORS

## DEAR INVESTOR:

Purpose Investments had another strong year of growth, ending the year with approximately \$2.7 billion in assets under management (AUM) as at December 31, 2016, continuing to outpace our internal growth projections. One of the more exciting developments for Purpose in 2016 was completing the acquisition of Redwood Asset Management Inc. ("Redwood"). The combination of Purpose's industry leading quantitative rules-based strategies and Redwood's specialized high-quality active mandates creates a formidable platform with a full range of solutions designed to help Canadian investors achieve their goals over the next few decades. Adding Redwood's business into Purpose's aligns with our long-term goal to be the leading independent investment management firm in Canada. Reaching this significant AUM milestone in such a short period of time is a testament to our unique offerings and the great value that we provide to investors. More importantly, our success is directly tied to the support and trust you have put in us.

We have built all of our investment funds with the primary purpose of delivering thoughtful strategies designed to deliver specific outcomes while looking out 5-10 years rather than worrying about performing relative to a benchmark that doesn't necessarily align well with your long term goals. Each asset class from equities to bonds to real estate to commodities has unique factors that are both exciting and worrisome as we look forward. But you can be assured that every one of our products has been designed to take into account these factors, even though they may not be issues we are facing at this very moment.

In addition, each product has been built with the purpose of playing a role in your portfolios to help you achieve your long term goals. Each fund has been designed around specific outcomes, which allow you to better understand how they fit into your portfolio and help you achieve your goals. This focus on outcomes means we tend to ignore the performance of the market benchmarks. While in the short term this may mean we differ in performance from a benchmark, we have always been confident that by focusing on achieving specific product goals, over time, we will also outperform the benchmarks. This is what drives us every day at Purpose.

We also believe that every portfolio requires the addition of both traditional investment strategies and risk-managed investment strategies, often known as alternatives or hedge funds. However, just because we employ risk management strategies doesn't mean we employ the same practices as other

alternative managers. We have set out to change the way alternative strategies are priced and delivered to investors. The key differences between Purpose and traditional hedge funds are:

- All our funds are publicly offered under a prospectus available for all investors, large or small;
- We provide daily liquidity;
- We provide daily transparency to all holdings and strategies (no "black box" strategies); and
- All Purpose funds have relatively low management fees, and we do not charge performance fees.

We continued to launch new funds throughout 2016, bringing our fund family to 39 funds. In January, we launched the Purpose Premium Yield Fund, that offers a flexible approach to investing using an option strategy blended with fundamentally selected equity securities to generate an attractive tax-efficient monthly income while mitigating risk. In February, we were able to expand our innovative cash product family with the addition of the Purpose Premium Money Market Fund and the Purpose US Cash ETF. Both of these cash funds preserve capital and liquidity by investing primarily in high interest deposit accounts and high-quality money market securities denominated in Canadian and U.S. dollars respectively, generally with a term-to-maturity not exceeding one year.

Over the year, we saw continued growth in the Unit Traded Fund structure, with the reopening of both the Investment Grade Managed Duration Income Fund and the US Banks Income and Growth Fund. This structure has solved a lot of the concerns investors and advisors had with a traditional closed end fund.

It is our view that investing should not be intimidating or complex. We would encourage you to take the time to learn more about Purpose and all of our funds. More information about our products, including explanations about each of our funds' investment objectives, performance, holdings, distribution history and risks can be found on Purpose's website at [www.purposeinvest.com](http://www.purposeinvest.com).

Our priority first and foremost is to you, the investor. We know that when you win, we win. We thank you for your support and look forward to serving your investment needs in the years to come. If you would like to receive regular updates about Purpose please send an email to [info@purposeinvest.com](mailto:info@purposeinvest.com).

Sincerely yours,



Som Seif  
President & CEO  
Purpose Investments Inc.

# ANNUAL 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

On May 24, 2016, Silver Bullion Trust, completed the conversion into an open ended exchange traded fund and launched a currency-hedged series. The Fund offers ETF shares listed on the Toronto Stock Exchange under the tickers SBT, SBT.B and SBT.U and mutual fund series in currency hedged, non-currency hedged and U.S. Dollar purchase option.

The net asset value per unit as at:

Class	December 31, 2016 (\$)	December 31, 2015 (\$)
ETF Non-Currency Hedged (SBT.B)	12.19	10.77
ETF USD (SBT.U)	9.08	7.78
ETF Currency Hedged (SBT)	9.90	-

## RECENT DEVELOPMENTS

### MARKETS

Silver started off the January 1 to December 31, 2016 period reasonably well, climbing relatively steadily as declining interest rates around the world, a weak global economic outlook and concerns that the U.K. could leave the European Union ("Brexit") spread to the markets. However, after hitting a high of US\$17.82 per ounce on April 29, silver prices saw a slight correction, losing momentum during the month of May on growing certainty of an upcoming U.S. rate hike and a strengthening U.S. dollar. The hike never materialized, and silver rebounded back to the US\$17.00-per-ounce level.

On June 23, the U.K. referendum vote for Brexit shocked markets and caused major turmoil, sending silver prices over US\$20.00 per ounce in the first week of July and reaching the year's high of US\$20.28 on July 29 before retracing gains in the face of U.S. dollar strength. By October, silver had fallen back to average US\$17.00 per ounce. Prices then remained largely rangebound until the days leading up to the U.S. presidential elections, with uncertainty causing movement into safe havens and pushing silver prices to US\$18.45 per ounce by election day, November 9, when the victory of Donald Trump stunned markets. Investors appeared to recover quickly however, and, contrary to most predictions, silver prices fell as risk-on sentiment grew and investors piled into equities. As a result, silver ended 2016 at US\$15.88 – 15.5% higher than it started the year, but down 21.7% off the July high.

## 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.

## 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 period ended

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

	2016	2015	2014	2013	2012
	(\$)	(\$)	(\$)	(\$)	(\$)
Non-Currency Hedged ETF					
<b>Net assets, beginning of period</b>	<b>10.77</b>	<b>10.81</b>	<b>12.13</b>	<b>17.39</b>	<b>16.82</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.02	0.00	0.00	0.00	0.00
Total expenses	(0.08)	(0.41)	(0.06)	(0.07)	(0.08)
Realized gains (losses) for the period	0.08	(0.02)	-	-	-
Unrealized gains (losses) for the period	1.69	(1.54)	(2.24)	(6.19)	1.02
Total increase (decrease) from operations <sup>(2)</sup>	1.71	(1.97)	(2.30)	(6.26)	0.94
<b>Net assets, end of period</b>	<b>12.19</b>	<b>10.77</b>	<b>10.81</b>	<b>12.13</b>	<b>17.39</b>

Notes:

1. This information is derived from the Fund's audited annual financial statements prepared in accordance with IFRS.
2. 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

Non-Currency Hedged ETF	2016	2015	2014	2013	2012
Total net asset value (000s) <sup>(1)</sup>	\$ 54,887	\$ 58,858	\$ 59,101	\$ 66,317	\$ 95,075
Number of units outstanding (000s) <sup>(1)</sup>	4,503	5,467	5,467	5,467	5,467
Management expense ratio <sup>(2)</sup>	0.59%	4.59% <sup>5</sup>	0.54%	0.51%	0.45%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	0.51%	4.59% <sup>5</sup>	0.54%	0.51%	0.45%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Closing market price (SBT.B)	\$ 11.83	\$ 10.17	\$ 9.85	\$ 10.93	\$ 17.94
Closing market price (SBT.U)	\$ 8.85	\$ 7.41	\$ 8.30	\$ 12.02	\$ -

Notes:

1. 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. 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.
2. The management expense ratio ("MER") is calculated as the total expenses, excluding dividends, 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.
3. 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.
4. 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.
5. 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>

Currency Hedged ETF	2016 <sup>(a)</sup> (\$)
<b>Net assets, beginning of period</b>	<b>10.00</b>
<b>Decrease from operations:</b>	
Total revenue	0.02
Total expenses	(0.06)
Realized losses for the period	(0.13)
Unrealized gains for the period	0.08
Total decrease from operations <sup>(2)</sup>	(0.09)
<b>Net assets, end of period</b>	<b>9.90</b>

Notes:

- (a) Information presented is for the period from May 24, 2016 to December 31, 2016.
1. This information is derived from the Fund's audited annual financial statements prepared in accordance with IFRS.
2. 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

Currency Hedged ETF	2016
Total net asset value (000s) <sup>(1)</sup>	\$ 990
Number of units outstanding (000s) <sup>(1)</sup>	100
Management expense ratio <sup>(2)</sup>	0.36%
Management expense ratio excluding issue costs and agency fees <sup>(3)</sup>	0.36%
Trading expense ratio <sup>(3)</sup>	0.00%
Portfolio turnover rate <sup>(4)</sup>	7.26%
Closing market price (SBT)	\$ 9.54

Notes:

1. 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.
2. The management expense ratio ("MER") is calculated as the total expenses, excluding dividends, 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.
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## ADMINISTRATION FEES

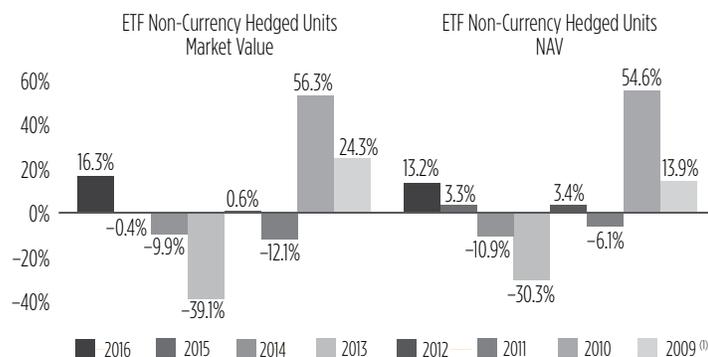
Purpose manages and administers the business, operations and affairs of the Fund. As compensation for the services it provides the Fund will pay Purpose a declining fee (the "Management Fees") pursuant to the terms of the Management Services Agreement, plus applicable HST, on a monthly basis in arrears, 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

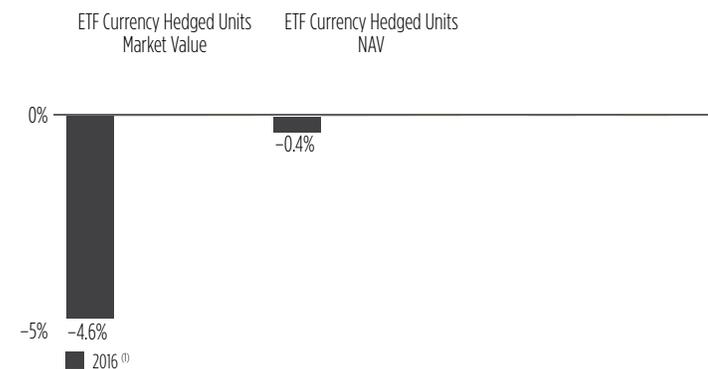
Please note that the total return performance information shown in this section assumes that all distributions made by the Fund, if any, in the period shown were reinvested in additional securities of the Fund. It does not take into account sales, redemptions, distributions or other optional charges, 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 June 8, 2009 to December 31, 2009



1. Return for the period May 24, 2016 to December 31, 2016.

## ANNUAL COMPOUND RETURNS

The table below summarizes the Fund's annual compound total returns for the period ended December 31 as indicated. As a basis of comparison we have provided the performance of COMEX Generic 1st Month Silver Future (USD) ("Index"). As the criteria for determining the constituents of the Fund and the Index differ, it is not expected that the Fund's performance will mirror that of the Index. Further, the return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

Period	ETF Non-Currency Hedged Units <sup>(1)</sup> Market Value	ETF Non-Currency Hedged Units <sup>(1)</sup> NAV	ETF Currency Hedged Units <sup>(2)</sup> Market Value	ETF Currency Hedged Units <sup>(2)</sup> NAV	Index
1 year	16.32%	13.17%	N/A	N/A	15.84%
3 year	2.67%	0.16%	N/A	N/A	(6.19%)
Since inception	1.69%	2.46%	(4.60%)	(0.36%)	(2.81%)

1. Return since inception is for the period starting June 8, 2009.

2. Return since inception is for the period starting May 24, 2016.

**SUMMARY OF INVESTMENT PORTFOLIO**

As at December 31, 2016

**ASSET MIX**

	% of Fund's Net Asset Value
Silver	99.82
Cash and Cash Equivalents	0.55
Net Other Assets	(0.37)
<b>Total Net Asset Value</b>	<b>100.00</b>

**TOP HOLDINGS**

	% of Fund's Net Asset Value
Silver Bars	98.81
Silver Certificate	1.01
Cash and Cash Equivalents	0.55

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

# ANNUAL FINANCIAL STATEMENTS

## INDEPENDENT AUDITORS' REPORT

### TO THE UNITHOLDERS OF SILVER BULLION TRUST (THE "FUND")

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2016 and 2015, the statements of comprehensive income, changes in financial position and cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

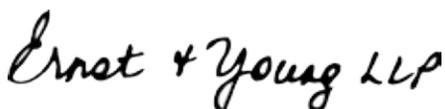
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
March 30, 2017

## STATEMENTS OF FINANCIAL POSITION

As at:

	December 31, 2016 (\$)	December 31, 2015 (\$)
<b>Assets</b>		
Investments		
Investments at fair value	55,777,872	58,563,256
Cash and cash equivalents	309,316	730,394
Receivables:		
Prepaid expenses	-	56,971
<b>Total assets</b>	<b>56,087,188</b>	<b>59,350,621</b>
<b>Liabilities</b>		
Payables:		
Other accrued liabilities	198,230	493,085
Derivative liabilities		
Unrealized loss on forward currency contracts	11,676	-
<b>Total liabilities</b>	<b>209,906</b>	<b>493,085</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>55,877,282</b>	<b>58,857,536</b>
<b>Net assets attributable to holders of redeemable units per class</b>		
ETF Unit	990,220	-
ETF Non-Currency Hedged Unit	54,887,062	-
Equity Unit	-	58,857,536
Total	55,877,282	58,857,536
<b>Number of units outstanding (note 4)</b>		
ETF Unit	100,000	-
ETF Non-Currency Hedged Unit	4,503,331	-
Equity Unit	-	5,467,228
<b>Net assets attributable to holders of redeemable units per unit</b>		
ETF Unit	9.90	-
ETF Non-Currency Hedged Unit	12.19	-
ETF Non-Currency Hedged Unit (USD)	9.08	-
Equity Unit	-	10.77

\* ETF Currency Hedged 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  
March 30, 2017



Scott Bartholomew  
Director

## STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended:

	December 31, 2016 (\$)	December 31, 2015 (\$)
<b>Income</b>		
Net gains (losses) on investments and derivatives:		
Interest income for distribution purposes	388	1,703
Early redemption fees	90,891	-
Net realized gain (loss) on foreign exchange transactions	20,165	(131,793)
Net realized gain on sale of investments	427,302	-
Net realized loss on forward currency contracts	(16,362)	-
Net change in unrealized appreciation (depreciation) in value of investments	8,421,229	(8,402,164)
Net change in unrealized depreciation in value of forward currency contracts	(11,676)	-
Net gains (losses) on investments and derivatives <sup>(1)</sup>	8,931,937	(8,532,254)
Foreign exchange loss on cash	(62,642)	-
<b>Total revenue</b>	<b>8,869,295</b>	<b>(8,532,254)</b>
<b>Expenses (note 5)</b>		
Administration fees	90,267	93,092
Safekeeping fees	96,671	96,726
Transaction cost	88,457	-
Unitholder reporting	25,980	11,889
Audit fees	22,811	31,741
Fund accounting fees	21,028	-
Legal fees	20,410	24,261
Listing fees	19,878	14,816
Recordkeeping fees	20,562	49,911
Independent review committee fees	3,537	-
Unsolicited takeover bid costs (note 14)	-	1,163,317
Special meeting costs (note 13)	-	751,286
<b>Total expenses</b>	<b>409,601</b>	<b>2,237,039</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>8,459,694</b>	<b>(10,769,293)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class (note 7)</b>		
ETF Unit	(9,780)	-
ETF Non-Currency Hedged Unit	8,469,474	-
Equity Unit	-	(10,769,293)
Total	8,459,694	(10,769,293)
<b>Average number of units outstanding for the period per class (note 7)</b>		
ETF Unit	100,000	-
ETF Non-Currency Hedged Unit	4,985,081	-
Equity Unit	-	5,467,228
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (note 7)</b>		
ETF Unit	(0.09)	-
ETF Non-Currency Hedged Unit	1.71	-
Equity Unit	-	(1.97)

(1) Net gains (losses) on investments and derivatives is comprised of:

Assets and liabilities held for trading	(53,162)	-
Assets and liabilities designated at FVTPL <sup>(a)</sup>	8,985,099	(8,532,254)
<b>Total assets and liabilities at FVTPL</b>	<b>8,931,937</b>	<b>(8,532,254)</b>

(a) Fair value through profit or loss

\* ETF Currency Hedged Units commenced operation on May 24, 2016.  
The accompanying notes are an integral part of the financial statements.

## STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the periods ended:

	December 31, 2016 (\$)	December 31, 2015 (\$)
<b>ETF Unit</b>		
Net assets attributable to holders of redeemable units at beginning of period	-	-
Decrease in net assets attributable to holders of redeemable units	(9,780)	-
<b>Redeemable unit transactions</b>		
Proceeds from issuance of redeemable units	1,000,000	-
Net increase from redeemable unit transactions	1,000,000	-
Net increase in net assets attributable to holders of redeemable units	990,220	-
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>990,220</b>	<b>-</b>
<b>ETF Non-Currency Hedged Unit</b>		
Net assets attributable to holders of redeemable units at beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	8,469,474	-
<b>Redeemable unit transactions</b>		
Proceeds from issuance of redeemable units	58,857,538	-
Payments for redemption of redeemable units	(12,384,383)	-
Issuance cost	(55,567)	-
Net decrease from redeemable unit transactions	(12,439,950)	-
Net decrease in net assets attributable to holders of redeemable units	(3,970,476)	-
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>54,887,062</b>	<b>-</b>
<b>Equity Unit</b>		
Net assets attributable to holders of redeemable units at beginning of period	58,857,538	69,626,831
Increase (decrease) in net assets attributable to holders of redeemable units	-	(10,769,293)
<b>Redeemable unit transactions</b>		
Payments for exchange of equity units for ETF Non-Currency Hedged Units	(58,857,538)	-
Issuance cost	-	-
Net decrease from redeemable unit transactions	(58,857,538)	-
Net decrease in net assets attributable to holders of redeemable units	(58,857,538)	(10,769,293)
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>-</b>	<b>58,857,538</b>

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

## STATEMENTS OF CASH FLOWS

For the periods ended:

	December 31, 2016 (\$)	December 31, 2015 (\$)
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	8,459,694	(10,769,293)
Adjustments for:		
Foreign exchange loss on cash	62,642	55,565
Purchase of investments	(974,111)	-
Proceeds from sale of investments	12,519,571	-
Net realized loss (gain) on sale of investments	(427,302)	131,792
Net change in unrealized depreciation (appreciation) in value of investments	(8,421,229)	8,402,164
Net change in unrealized depreciation in value of forward currency contracts	11,676	-
Net change in non-cash working capital balances	(237,884)	339,969
Transaction costs (note 9)	88,457	-
	11,081,514	(1,839,803)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of units	1,000,000	1,547,649
Payments for units redeemed	(12,384,383)	-
Issue cost	(55,567)	-
	(11,439,950)	1,547,649
Net increase (decrease) in cash and cash equivalents	(358,436)	(292,154)
Cash and cash equivalents, at beginning of period	730,394	1,022,548
Foreign exchange gain (loss) on cash	(62,642)	-
<b>Cash and cash equivalents, at end of period</b>	<b>309,316</b>	<b>730,394</b>
Interest received	386	-

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

## SCHEDULE OF INVESTMENTS

As at December 31, 2016

Security	Number of Ounces	Average cost (\$)	Fair value (\$)
<b>Silver Holdings – 99.82%</b>			
Silver Bars	2,532,220	56,102,136	55,214,128
Silver Certificate	25,854	573,123	563,744
<b>Silver Holdings – 99.82%</b>		56,675,259	55,777,872
<b>Transaction Costs</b> (note 9)		(2,215)	-
<b>Total Investments – 99.82%</b>		56,673,044	55,777,872
<b>Net Unrealized Loss on Forward Currency Contracts</b> (Schedule 1) – (0.02)%			(11,676)
<b>Cash and Cash Equivalents – 0.55%</b>			309,316
<b>Other Assets, Less Liabilities – (0.35)%</b>			(198,230)
<b>Net Assets – 100.00%</b>			<b>55,877,282</b>

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

## SCHEDULE 1 - FORWARD FOREIGN CURRENCY CONTRACT

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), Pittsburgh	A-1+	2017/03/13	CAD	981,092	USD	740,000	0.7540	0.7450	(11,673)
Bank of New York Mellon (The), Pittsburgh	A-1+	2017/03/13	USD	40,000	CAD	53,666	1.3420	1.3420	(3)
									(11,676)

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

## NOTES TO THE FINANCIAL STATEMENTS

**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 March 30, 2017.

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

On November 26, 2015, the Trust entered into a Definitive Agreement with Purpose Investments Inc. to (i) amend the amended and restated declaration of Trust of the Trust dated July 9, 2009 to effect a conversion of the Trust into an ETF, (ii) enter into an agreement (the "SBT Management Agreement") to provide for Purpose to act as the investment fund manager of the Trust to provide day to day administration, marketing and promotion; and (iii) enter into an agreement (the "SAL Agreement"), to allow the Administrator to provide bullion asset inventory management and, at the option of the Administrator, daily valuation services to the Trust.

On May 26, 2016, Purpose Investments Inc. completed the conversion of the Silver Bullion Trust into an open ended exchange traded fund. The non-currency hedged units began trading on the Toronto Stock Exchange. The fund also qualified for issuance a new class of ETF Currency Hedged units of the fund.

The Fund's financial statements include the *Schedule of Investments* as at December 31, 2016, the *Statements of Financial Position* as at December 31, 2016 and December 31, 2015 and the *Statements of Comprehensive Income*, the *Statements of Changes in Financial Position* and the *Statements of Cash Flows* for the period ended December 31, 2016 and 2015.

**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.

**Change in functional currency**

The Manager has previously considered the functional currency of the Fund to be the U.S. Dollar. However, as a result of the change in the structure of the Fund from a closed end fund to an open ended exchange traded fund, management determined that the functional currency of the Fund is now the Canadian dollar. The 2015 comparative financial statement balances have been translated and are presented in Canadian dollars to reflect the change in functional currency of the Fund.

**FINANCIAL INSTRUMENTS****Classification and recognition of financial instruments**

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, financial assets and financial liabilities are classified at initial recognition into the following categories:

**Financial assets and liabilities at fair value through profit or loss**

The category of financial assets and liabilities at fair value through profit or loss is sub-divided into:

*Financial assets and liabilities held for trading:* financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives held by the Fund are classified as held for trading, and they do not meet the definition of effective hedging instruments as defined by IAS 39. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

*Financial instruments designated as fair value through profit or loss upon initial recognition:* All investments owned are designated as fair value through profit or loss upon initial recognition. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategy of the Fund, as set out in the Fund's prospectus.

**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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**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 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 December 31, 2016 are summarized as follows:

	Number of Units
<b>Equity Units</b>	
Units outstanding, December 31, 2015	5,467,228
Units redeemed for ETF Non-Currency Hedged Class	(5,467,228)
Units outstanding, December 31, 2016	-
<b>ETF Non-Currency Hedged Class</b>	
Units issued	5,467,228
Units redeemed	(963,897)
Units outstanding, December 31, 2016	4,503,331
<b>ETF Currency Hedged Class</b>	
Issued commencing May 24, 2016	100,000
Units outstanding, December 31, 2016	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 Currency Hedged 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, 2016, the Fund had no capital losses and had non-capital losses carry forward of \$2,684,824 for income tax purpose with expiry as follows: \$263,667 in 2032, \$406,361 in 2033, \$209,490 in 2034 and \$1,805,306 in 2036. 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 December 31, 2016 with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately

## NOTES TO THE FINANCIAL STATEMENTS (continued)

\$2.8 million (December 31, 2015 – \$2.9 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 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 Funds direct exposure to the U.S. dollar as at December 31, 2016 including underlying principal amount of forward currency contracts that is used to hedge the foreign currency risk:

	Fair Value (\$)	% of Net Assets
Foreign currency and equities	56,070,586	
Forward currency agreement	(939,102)	
<b>Net exposure</b>	<b>55,131,484</b>	<b>98.7%</b>

The table below summarizes the Fund's direct exposure to the US dollar as at December 31, 2015 including the fair value of currency contracts that are used to hedge the foreign currency risk.

	Fair Value (\$)	% of Net Assets
Foreign currency and equities	59,293,650	
Forward currency agreement	-	
<b>Net exposure</b>	<b>59,293,650</b>	<b>100%</b>

If the Canadian dollar weakened or strengthened by 5% as at December 31, 2016 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 \$2.8 million (December 31, 2015 – \$3.0 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 December 31, 2016:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Assets</b>				
Silver	55,777,872	-	-	55,777,872
Currency forward contracts	-	1,034,755	-	1,034,755
<b>Total assets</b>	<b>55,777,872</b>	<b>1,034,755</b>	<b>-</b>	<b>56,812,627</b>

### Financial liabilities

Currency forward contracts	-	1,046,431	-	1,046,431
<b>Total financial liabilities</b>	<b>-</b>	<b>1,046,431</b>	<b>-</b>	<b>1,046,431</b>
<b>Total assets and financial liabilities</b>	<b>55,777,872</b>	<b>11,676</b>	<b>-</b>	<b>55,766,196</b>

The following inputs were used in valuing the Fund's investments and derivatives at fair values as at December 31, 2015.

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Assets</b>				
Silver	58,563,256	-	-	-
<b>Total assets</b>	<b>58,563,256</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and financial liabilities</b>	<b>58,563,256</b>	<b>-</b>	<b>-</b>	<b>-</b>

During the periods ended December 31, 2016 and December 31, 2015, 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**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.

**13. SPECIAL MEETING COSTS**

On February 3, 2015, the Board of Trustees of the Trust received a Unitholder requisition for the holding of a special meeting of the Trust's Unitholders. The requisition required that two matters be submitted to Unitholders for consideration: significant alteration of the Trust's existing cash redemption provisions as set out in the Trust's Amended and Restated Declaration of Trust and the inclusion of a new physical bullion redemption feature; and the replacement of the Trust's current Trustees with nominees proposed by the dissident Unitholder. As a result, an Annual and Special Meeting of Unitholders was held on May 20, 2015. The unanticipated Special Meeting costs reflect the legal, financial advisor, printing and mailing, and proxy solicitation fees incurred for the year ended December 31, 2015, as well as fees relating to meetings of the Special Committee and the Trustees. All elements of the requisition put forth by the dissident Unitholder at the Special Meeting were rejected by the Trust's Unitholders.

**14. UNSOLICITED TAKEOVER BID COSTS**

On April 23, 2015, Sprott Asset Management LP, together with Sprott Physical Silver Trust ("Sprott"), announced its intention to commence an unsolicited takeover bid, which it formally launched on May 27, 2015 (the "Sprott offer"), to acquire all of the outstanding Units of the Trust on a net asset value ("NAV") to NAV exchange basis. The Trustees of the Trust appointed a Special Committee composed of independent Trustees to review, analyze and provide recommendations on the unsolicited Sprott offer with a view to the best interests of the Trust and its Unitholders. On December 17, 2015, Sprott announced that it believed that one or more of the conditions to its offer for the Trust would not be satisfied and, as a result, abandoned support for their offer.

**15. ACCOUNTING CHANGES**

The following standard has been issued but is not yet effective up to the date of issuance of the Fund's financial statements. The Fund is currently evaluating the impact of the application of this standard on the financial statements and will adopt this standard when it becomes effective.

***IFRS 9, Financial Instruments – Classification and Measurement***

The IASB issued the final version of IFRS 9 *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses

and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. In addition, the entity's own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

# CORPORATE INFORMATION

## MANAGER

Purpose Investments Inc.  
130 Adelaide Street West  
Suite 1700, P.O. Box 83  
Toronto, ON M5H 3P5

## BULLION ADMINISTRATORS

Silver Administrators Ltd.  
55 Broad Leaf Crescent  
Ancaster, ON L9G 3P2

## LEGAL COUNSEL

Osler, Hoskin & Harcourt LLP  
1 First Canadian Place  
Toronto, ON M5X 1B8

## AUDITOR

Ernst & Young LLP  
Ernst & Young Tower  
222 Bay Street  
Toronto, ON M5K 1J7

## CUSTODIAN

CIBC Mellon Trust Company  
320 Bay Street  
P.O. Box 1  
Toronto, ON M5H 4A6

## REGISTRAR AND TRANSFER AGENT

TSX Trust Company  
200 University Avenue, Suite 300  
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

### MICHAEL HOLLEND

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,  
Chief Compliance Officer and Director

### DANIEL RUBIN

Vice President, Marketing and Director

### VLADIMIR TASEVSKI

Vice President