



Sprott Silver Bullion Fund

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

JUNE 30

2017

The interim management report of fund performance is an analysis and explanation that is designed to complement and supplement an investment fund's financial statements. This report contains financial highlights but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim financial statements at your request, and at no cost, by calling 1-866-299-9906, by visiting our website at www.sprott.com or SEDAR at www.sedar.com or by writing to us at: Sprott Asset Management LP, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario M5J 2J1. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of the Sprott Silver Bullion Fund (the “Fund”) is to seek to provide a secure, convenient alternative for investors seeking to hold silver.

As part of its investment strategy, the Fund:

- invests primarily in unencumbered, fully allocated silver bullion and permitted silver certificates, and/or closed-end funds, the underlying interest of which is silver;
- has obtained exemptive relief to permit the Fund to invest up to 100% of its net asset value, taken at the market value at the time of purchase, in silver and/or permitted silver certificates; and
- may invest a portion of its assets in cash, money market instruments and/or treasury bills.

Risk

The risks of investing in the Fund are described in the Fund’s simplified prospectus. The Fund is suitable for those investors who want exposure to the capital appreciation potential of silver and who want to maintain a high level of liquidity in their investments with a medium tolerance for risk and volatility. There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period.

Results of Operations and Recent Developments

The Sprott Silver Bullion Fund, Series A decreased by 0.3% during the first six months of 2017, versus spot silver, which gained 0.9% in Canadian dollar terms. In U.S. dollar terms, spot silver gained 4.5%. The spot price of silver at June 30, 2017 was \$16.63 an ounce in U.S. dollar terms compared to a price of \$15.92 an ounce as at December 31, 2016.

The first six months of 2017 saw an increase in the price of silver, largely driven by low real interest rates globally, high levels of government debt and a global economic outlook faced with many challenges.

Although the U.S. Federal Reserve Board (the “Fed”) raised its federal funds target rate twice during the period (from 0.75% to 1.25%) and strength continued in global equity markets, silver prices advanced over the period. Inflation growth in the U.S. and the eurozone, along with the relative decline of the U.S. dollar over the period, aided silver’s performance. Additionally, mounting doubt over the U.S. administration’s ability to pass legislation on key campaign promises weighed on investors, resulting in higher silver prices.

Both the European Central Bank and the Bank of Japan maintained their ultra-low interest rates in an effort to stimulate their respective economies, adding little resistance to silver prices. However, the end of the period saw a significant pullback for silver. Persistent strength in equity markets and a less accommodating tone from some central banks, which alluded to signs of a stronger economic outlook, put downward pressure on silver prices. Furthermore, rising global bond yields at the end of the period negatively impacted the price of silver. Still, silver finished the period higher, up approximately 4.5%.

The Fund’s total net asset value increased 2.4% from \$74.9 million on December 31, 2016 to \$76.7 million on June 30, 2017. This change was predominantly due to net subscription of \$2.0 million and offset by realized investment loss of \$788 thousand. The management expense ratio increased compared to the prior year.

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Related Party Transactions

MANAGEMENT FEES

The Fund pays a management fee to the Manager, at an annual rate of 1.30% for Series A units, 0.85% for Series F units and as negotiated by the unitholders for Series I. The management fee is calculated and accrued daily based on the daily net asset value of the applicable series of the Fund, and is paid monthly. For the six-month period ended June 30, 2017, the Fund incurred management fees of \$544,649 (including taxes). The breakdown of the services received in consideration of the management fees, as a percentage of management fees, is as follows:

	Portfolio Advisory	Trailing Commission
Sprott Silver Bullion Fund – Series A	66%	34%
Sprott Silver Bullion Fund – Series F	82%	18%
Sprott Silver Bullion Fund – Series I	100%	–

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$55,320 during six-month period ended June 30, 2017 to Sprott Private Wealth LP, an affiliate of the Manager.

OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, trustee, filing and administrative expenses as well as unitholder reporting costs. The Manager pays certain of these expenses on behalf of the Fund and then is reimbursed by the Fund.

OTHER RELATED PARTY TRANSACTIONS

The Fund relied on the approval, positive recommendation or standing instruction from the Fund's Independent Review Committee with respect to any related party transactions.

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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 six-month period ended June 30, 2017 and the years shown.

The Fund's Net Assets per Unit¹

	Jun 30, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Series A	\$	\$	\$	\$	\$	\$
Net assets, beginning of period	5.02	4.61	4.50	5.21	7.74	7.40
Increase (decrease) from operations:						
Total revenue	-	-	-	-	-	-
Total expenses	(0.06)	(0.11)	(0.10)	(0.10)	(0.12)	(0.14)
Realized losses for the period	(0.05)	(1.52)	(0.22)	(0.26)	(0.67)	(0.12)
Unrealized gains (losses) for the period	0.10	2.02	0.45	(0.33)	(1.79)	0.48
Total increase (decrease) from operations²	(0.01)	0.39	0.13	(0.69)	(2.58)	0.22
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total annual distributions	-	-	-	-	-	-
Net assets, end of period	5.00	5.02	4.61	4.50	5.21	7.73
	Jun 30, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Series F	\$	\$	\$	\$	\$	\$
Net assets, beginning of period	5.15	4.71	4.58	5.27	7.80	7.43
Increase (decrease) from operations:						
Total revenue	-	-	-	-	-	-
Total expenses	(0.05)	(0.08)	(0.08)	(0.08)	(0.09)	(0.10)
Realized losses for the period	(0.06)	(1.64)	(0.23)	(0.25)	(0.65)	(0.11)
Unrealized gains (losses) for the period	0.09	1.95	0.50	(0.48)	(1.87)	0.63
Total increase (decrease) from operations²	(0.02)	0.23	0.19	(0.81)	(2.61)	0.42
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total annual distribution	-	-	-	-	-	-
Net assets, end of period	5.15	5.15	4.71	4.58	5.27	7.80

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Series I	Jun 30, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012 ³
	\$	\$	\$	\$	\$	\$
Net assets, beginning of period	–	5.44	5.25	5.98	8.76	10.00
Increase (decrease) from operations:						
Total revenue	–	–	–	–	–	–
Total expenses	–	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Realized losses for the period	–	(0.58)	(0.21)	(0.30)	(0.76)	(0.22)
Unrealized gains (losses) for the period	–	1.33	0.39	(0.54)	(1.91)	(0.75)
Total increase (decrease) from operations²	–	0.72	0.15	(0.87)	(2.70)	(1.00)
Distributions:						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
Total annual distribution	–	–	–	–	–	–
Net assets, end of period	–	– ⁴	5.44	5.25	5.98	8.75

1 This information is derived from the Fund's audited interim and annual financial statements. Information related to year 2013 and all periods onwards has been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. Information related to all periods prior to January 1, 2013 has been prepared in compliance with Canadian generally accepted accounting principles ("Canadian GAAP") as defined in Part V of the Chartered Professional Accountants of Canada Handbook – Accounting. Under Canadian GAAP, the Fund was required to use bid prices for valuing long positions and ask prices for short positions. As such, the net assets per unit presented in the financial statements may differ from the net asset value calculated for transaction purposes prior to conversion to IFRS.

2 The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. Net assets and distributions are based on the actual number of units outstanding at the relevant time. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

3 Information provided is for the period from March 1, 2012 (first unit issuance) to December 31, 2012.

4 All outstanding Series I units were fully redeemed during 2016.

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Ratios and Supplemental Data

	Jun 30, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Series A						
Total net asset value (000s) ¹	\$56,773	\$56,132	\$46,805	\$43,305	\$50,170	\$79,621
Number of units outstanding ¹	11,353,100	11,190,425	10,159,360	9,617,830	9,637,631	10,286,693
Management expense ratio ²	2.14%	2.01%	1.99%	1.92%	1.89%	1.74%
Trading expense ratio ³	–	–	–	–	–	–
Portfolio turnover rate ⁴	3.69%	17.08%	7.51%	7.13%	4.55%	11.32%
Net asset value per unit ¹	\$5.00	\$5.02	\$4.61	\$4.50	\$5.21	\$7.74
Series F						
Total net asset value (000s) ¹	\$19,949	\$18,798	\$12,955	\$49,265	\$33,912	\$75,015
Number of units outstanding ¹	3,873,776	3,647,921	2,750,262	10,751,111	6,431,807	9,613,940
Management expense ratio ²	1.65%	1.53%	1.51%	1.45%	1.40%	1.26%
Trading expense ratio ³	–	–	–	–	–	–
Portfolio turnover rate ⁴	3.69%	17.08%	7.51%	7.13%	4.55%	11.32%
Net asset value per unit ¹	\$5.15	\$5.15	\$4.71	\$4.58	\$5.27	\$7.80
Series I						
Total net asset value (000s) ¹	–	–	\$55,608	\$13,882	\$10,494	\$10,387
Number of units outstanding ¹	–	–	10,214,932	2,646,966	1,755,751	1,185,538
Management expense ratio ²	–	–	0.58%	0.49%	0.47%	0.36%
Trading expense ratio ³	–	–	–	–	–	–
Portfolio turnover rate ⁴	–	–	7.51%	7.13%	4.55%	11.32%
Net asset value per unit ¹	–	–	\$5.44	\$5.25	\$5.98	\$8.76

1 The information is provided as at June 30, 2017 and December 31 of the years shown prior to 2017.

2 Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

3 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. Since there are no direct trading costs associated with physical bullion trades, the trading expense ratio is nil.

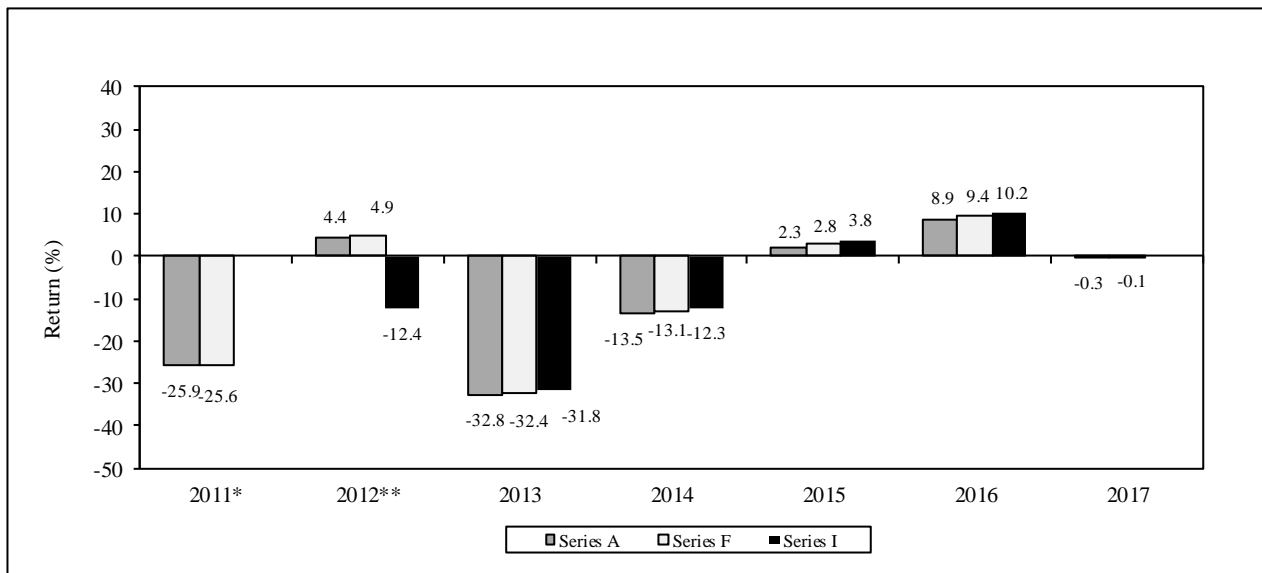
4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover is expressed as a non-annualized percentage.

Past Performance

The indicated rates of return are the historical total returns including changes in unit values and assume reinvestment of all distributions in additional units of the relevant Series of the Fund. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of returns are calculated based on the Net Asset Value of the particular Series of the Fund.

Year-by-Year Returns

The following chart indicates the performance of each Series of the Fund for the six-month period ended June 30, 2017 and each of the previous twelve-month periods ended December 31 shown, unless otherwise noted. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day of each period.



* Return from May 10, 2011 to December 31, 2011 for Series A and F (not annualized).

** Return from March 1, 2012 to December 31, 2012 for Series I (not annualized).

Summary of Investment Portfolio

As at June 30, 2017

All Holdings

	% of Net Asset Value
Silver Bullion	100.0
Cash	0.2
Other Net Liabilities	(0.2)
Total Net Asset Value	100.0

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available on the Internet at www.sprott.com.

Corporate Information

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