

Management Report of Fund Performance (in U.S. dollars)

Investment Objective and Strategies

Sprott Physical Silver Trust (the “Trust”) is a closed-end mutual fund trust organized under the laws of the Province of Ontario, Canada, created to invest and hold substantially all of its assets in physical silver bullion. The Trust seeks to provide a secure, convenient and exchange-traded investment alternative for investors interested in holding physical silver bullion without the inconvenience that is typical of a direct investment in physical silver bullion. The Trust intends to achieve its objective by investing primarily in long-term holdings of unencumbered, fully allocated, physical silver bullion and does not speculate with regard to short-term changes in silver prices.

The units of the Trust are listed on the New York Stock Exchange (“NYSE”) Arca and the Toronto Stock Exchange (“TSX”) under the symbols “PSLV” and “PSLV.U”, respectively.

Risks

The risks of investing in the Trust are detailed in the Trust’s annual information form dated March 28, 2018. There have been no material changes to the Trust since inception that have affected the overall level of risk. The principal risks associated with investing in the Trust are the price of silver, the net asset value and/or the market price of the units, the purchase, transport, insurance and storage of physical silver bullion, liabilities of the Trust, and redemption of units.

Results of Operations

For the year ended December 31, 2017, the total change in unrealized gains on physical silver bullion amounted to \$57.7 million compared to the change in unrealized gains of \$100.4 million during the same period in 2016.

During the year ended December 31, 2017, the Trust issued 2,920,263 units for gross proceeds of \$18,765,423 and net proceeds of \$18,535,006 after fees and expenses. During that period, the Trust redeemed 25,500 units for cash at a cost of \$153,122.

The value of the net assets of the Trust as of December 31, 2017 was \$957.1 million or \$6.40 per unit, compared \$888.5 million or \$6.06 per unit per unit as at December 31, 2016. The Trust held 56,351,093 ounces of physical silver bullion as of December 31, 2017, compared to 55,659,095 ounces at December 31, 2016. As at December 31, 2017, the spot price of silver was \$16.94 an ounce compared to a price of \$15.92 an ounce as at December 31, 2016. The Trust returned 5.2% compared to the return on spot silver of 6.4% for the year ended December 31, 2017.

The Trust’s net asset value per unit on December 31, 2017 was \$6.40 compared to \$6.06 per unit as at December 31, 2016. The units closed at \$6.34 on the NYSE Arca and \$6.35 on the TSX on December 31, 2017 compared to closing prices of \$6.08 on the NYSE Arca and \$6.10 on the TSX on December 31, 2016. The units are denominated in U.S. dollars on both exchanges. During the year ended December 31, 2017, the Trust’s units traded on the NYSE Arca at an average premium to net asset value of approximately -0.2%.

Recent Developments

On January 18, 2016, Sprott Physical Gold Trust successfully completed an offer to acquire all of the outstanding units of Central GoldTrust (“GTU”) on a Net Asset Value (“NAV”) to NAV exchange basis, thereby adding \$1.1 billion (\$CAD) of new assets under management to the Sprott Physical Gold Trust.

On June 24, 2016, the Trust entered into a sales agreement with Cantor Fitzgerald & Co. whereby the Trust may, in its sole discretion and subject to its operating and investment restrictions, offer and sell trust units through an “at the market offering” program (the “ATM Program”) in transactions on the NYSE Arca or any other existing trading market for the trust units in the United States or to or through a market maker in the United States pursuant to a registration statement filed with the U.S. Securities and Exchange Commission and a prospectus supplement to a short form base shelf prospectus filed with the Ontario Securities Commission, as principal regulator, and with each of the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada. During the year ended December 31, 2017, the Trust sold 2,920,263 units through the ATM Program, compared to 5,249,160 in the prior period.

OPERATING EXPENSES

The Trust pays its own operating expenses, which include, but are not limited to, audit, legal, trustee fees, unitholder reporting expenses, general and administrative fees, filing and listing fees payable to applicable securities regulatory authorities and stock exchanges, storage fees for the physical silver bullion, costs incurred in connection with the Trust's continuous disclosure public filing requirements and investor relations and any expenses associated with the implementation and on-going operation of the Independent Review Committee of the Trust. Operating expenses for the year ended December 31, 2017 amounted to \$1,938,258 (not including applicable Canadian taxes) compared to \$1,940,645 for the same period in 2016. Operating expenses for the year ended December 31, 2017 amounted to 0.20% of the average net assets during the period on an annualized basis, compared to 0.21% for the same period in 2016.

Related Party Transactions

MANAGEMENT FEES

The Trust pays the Manager, Sprott Asset Management LP, a monthly management fee equal to $\frac{1}{12}$ of 0.45% of the value of the net assets of the Trust (determined in accordance with the Trust's trust agreement), plus any applicable Canadian taxes. The management fee is calculated and accrued daily and payable monthly in arrears on the last day of each month. For the year ended December 31, 2017, the Trust incurred management fees of \$4,282,624 (not including applicable Canadian taxes) compared to \$4,080,318 for the same period in 2016.

Financial Highlights

The following tables show selected key financial information about the Trust and are intended to help you understand the Trust's financial performance for the years shown.

Net assets per unit¹

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
	\$	\$	\$	\$	\$	\$
Net assets per Unit, beginning of period	6.06	5.33	6.09	7.60	11.86	10.81
Increase (decrease) from operations²:						
Total revenue	–	–	–	–	–	–
Total expenses	(0.04)	(0.04)	(0.05)	(0.05)	(0.06)	(0.08)
Realized losses for the period	(0.01)	(0.02)	(0.03)	–	–	–
Unrealized gains (losses) for the period	0.39	0.67	(0.68)	(1.46)	(4.21)	0.57
Total increase (decrease) from operations	0.34	0.62	(0.76)	(1.51)	(4.27)	0.49
Net assets per Unit, end of period	6.40	6.06	5.33	6.09	7.60	11.86

1. This information is derived from the Trust's financial statements.
2. Net assets per unit is calculated 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 period shown. This table is not intended to be a reconciliation of the beginning to ending net assets per unit.

Ratios and Supplemental Data

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Total net asset value (000's) ¹	\$957,091	\$888,534	\$678,584	\$775,016	\$967,551	\$1,510,942
Number of Units outstanding ¹	149,618,786	146,724,023	127,331,218	127,360,215	127,365,280	127,367,197
Management expense ratio ²	0.69%	0.70%	0.75%	0.76%	0.65%	0.65%
Trading expense ratio ³	nil	nil	nil	nil	nil	nil
Portfolio turnover rate ⁴	0.17%	0.29%	nil	nil	nil	nil
Net asset value per Unit	\$6.40	\$6.06	\$5.33	\$6.09	\$7.60	\$11.86
Closing market price – NYSE Arca	\$6.34	\$6.08	\$5.27	\$6.15	\$7.57	\$12.04
Closing market price – TSX	\$6.35	\$6.10	\$5.29	\$6.16	\$7.58	\$12.07

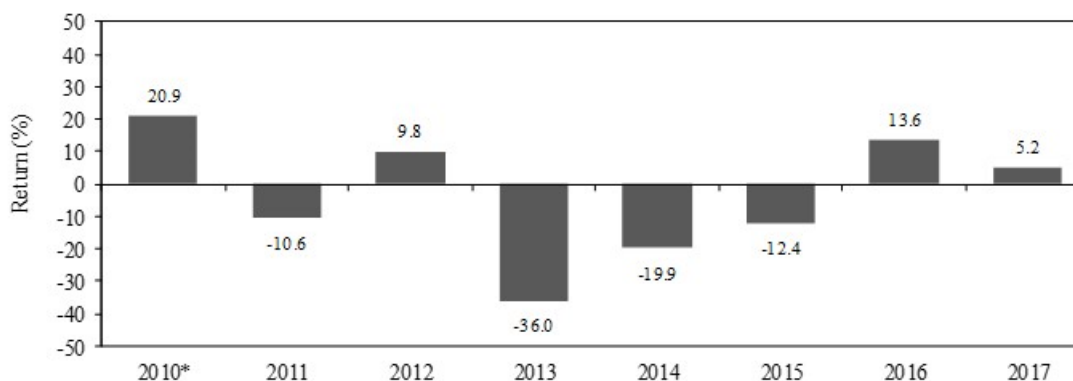
1. This information is provided as at the date shown, as applicable.
2. Management expense ratio ("MER") is based on total expenses (including applicable Canadian taxes and excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of 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 shown. Since there are no direct trading costs associated with physical bullion trades, the trading expense ratio is nil.
4. The Trust's portfolio turnover rate indicates how actively the Trust's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the year. The higher the Trust's portfolio turnover rate in a year, 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 Trust.

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 Trust. 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 units of the Trust.

Year-by-Year Returns

The bar chart below indicates the performance of the Trust units for the years shown. 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 for the period from October 28, 2010 to December 31, 2010 (not annualized)

Summary of Investment Portfolio

As of December 31, 2016

	Ounces	Fair Value per ounce \$	Cost \$	Fair Value \$	% of Net Asset Value %
Physical silver bullion	56,351,093	16.94	1,470,867,599	954,587,514	99.7
Cash				2,495,548	0.3
Other Net Liabilities				8,118	0.0
Total Net Asset Value				957,091,180	100.0

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Trust.