

B M G B U L L I O N F U N D

S E M I - A N N U A L R E P O R T

F O R T H E S I X - M O N T H P E R I O D E N D E D J U N E 3 0 , 2 0 1 7



BMG BullionFund

Semi-Annual Financial Statements

For the six-month period ended June 30, 2017 (unaudited)



**BULLION
MANAGEMENT
SERVICES INC.**
A BMG Company

TABLE OF CONTENTS

Statements of Financial Position	1
Statements of Comprehensive Income	2
Statements of Changes in Net Assets Attributable to Holders of Redeemable Units	3
Statements of Cash Flows	3
Schedule of Investment Portfolio	4
Notes to Financial Statements	4

STATEMENTS OF FINANCIAL POSITION

As at June 30, 2017 and December 31, 2016

(Unaudited)

	2017 \$	2016 \$
ASSETS		
Current assets		
Cash	877,771	1,060,501
Investments in bullion [Average cost \$123,088,459; December 2016 - \$135,236,947]	165,573,744	177,344,115
Subscriptions receivable	46,140	87,298
Total assets	166,497,655	178,491,914
LIABILITIES		
Current liabilities		
Management fees payable	314,814	333,600
Redemptions payable	171,526	357,027
Accounts payable and accrued liabilities	152,505	133,722
Total liabilities (excluding net assets attributable to holders of redeemable units)	638,845	824,349
Net assets attributable to holders of redeemable units	165,858,810	177,667,565
Net assets attributable to holders of redeemable units per class (Note 3)		
Class A	128,302,207	140,658,216
Class B2	1,352,884	1,209,439
Class B3	1,012,972	1,000,237
Class C1	1,280,706	1,275,935
Class C2	4,745,185	4,831,503
Class E15	965,091	965,011
Class F	28,199,765	27,727,224
	165,858,810	177,667,565

Net asset value attributable to holders of redeemable units per class is disclosed in Note 3.

See accompanying notes.

On behalf of the Board of Directors of Bullion Management Services Inc.,
Trustee and Manager of BMG BullionFund



Nick Barisheff
Director



Hema Anganu
Director

STATEMENTS OF COMPREHENSIVE INCOME

For the six-month periods ended June 30

(Unaudited)

	2017 \$	2016 \$
INVESTMENT INCOME		
Net unrealized gains on investments in bullion	378,117	29,828,708
Net realized gains on investments in bullion	2,345,236	1,429,126
Foreign exchange gains (losses)	(2,250)	1,888
Early redemption fees	1,170	1,265
Other	294	5,861
Total investment income	2,722,567	31,266,848
EXPENSES		
Management fees (Note 4)	1,812,819	1,966,825
Security holder reporting costs	262,450	301,525
Bullion storage fees	91,651	94,135
Services tax	199,934	218,604
Other administrative expenses	21,720	32,800
Legal fees	9,231	11,192
Audit fees	13,575	13,650
Filing fees	25,933	27,000
Independent Review Committee fees	7,677	10,283
Total expenses	2,444,990	2,676,014
Increase in net assets attributable to holders of redeemable units	277,577	28,590,834
Increase (decrease) in net assets attributable to holders of redeemable units per class (Note 3)		
Class A	230,411	22,997,408
Class B2	(9,269)	121,398
Class B3	1,939	143,093
Class C1	4,771	225,647
Class C2	24,654	816,724
Class E15	6,148	162,306
Class F	18,923	4,124,258
	277,577	28,590,834

See accompanying notes.

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six-month periods ended June 30

(Unaudited)

	2017 \$	2016 \$
Net assets attributable to holders of redeemable units, beginning of period	177,667,565	182,416,492
Issue of redeemable units	6,110,837	8,497,775
Redemption of redeemable units	(18,197,169)	(15,745,710)
Increase in net assets attributable to holders of redeemable units	277,577	28,590,834
Net assets attributable to holders of redeemable units, end of period	165,858,810	203,759,391

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30

(Unaudited)

	2017 \$	2016 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets attributable to holders of redeemable units	277,577	28,590,834
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities		
Proceeds from sales of investments in bullion	14,493,724	10,261,056
Net realized gains on investments in bullion	(2,345,236)	(1,429,126)
Net unrealized gains on investments in bullion	(378,117)	(29,828,708)
Net changes in non-cash operating balances:		
Increase in due from broker	-	(481,088)
Increase/(decrease) in management fees payable	(18,786)	7,634
Increase in accounts payable and accrued liabilities	18,783	45,544
Net cash provided by operating activities	12,047,945	7,166,146
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of redeemable units	6,110,837	8,497,775
(Increase)/decrease in subscriptions receivable	41,158	(187,856)
Amounts paid on redemption of redeemable units	(18,197,169)	(15,745,710)
Increase/(decrease) in redemptions payable	(185,501)	220,222
Net cash used in financing activities	(12,230,675)	(7,215,569)
Net decrease in cash during the period	(182,730)	(49,423)
Cash, beginning of period	1,060,501	971,760
Cash, end of period	877,771	922,337

See accompanying notes.

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2017

(Unaudited)

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	55,097.792	169.951	55,267.743	56,026,158	89,164,144	53.6
Platinum Bullion	13,750.752	153.767	13,904.519	20,654,693	16,649,722	10.0
Silver Bullion	2,781,570.592	12,303.507	2,793,874.099	46,407,608	59,759,878	35.9
Cash				880,252	877,771	0.5
Total Investment				123,968,711	166,451,515	100.0

The BMG Fund's assets are held pursuant to a custodial agreement with a major Canadian chartered bank (or subsidiary thereof) on an allocated, segregated basis.

The allocated bullion is recorded by refinery, exact weight in ounces and identification number.

The BMG Fund's bullion is free and clear of any lien or claim that the major Canadian chartered bank (or subsidiary thereof) may have, except where the claim arises from any unpaid costs.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Formation of the Fund

BMG BullionFund (the "BMG Fund") was established under the laws of Ontario by a Master Declaration of Trust and a Regulation, each dated January 15, 2002, as amended. The address of the BMG Fund's registered office is: 280-60 Renfrew Drive, Markham, ON, L3R 0E1. Bullion Management Services Inc. (the "Manager") is the trustee and manager of the BMG Fund. The BMG Fund currently offers seven classes of units. These financial statements pertain to Class A, Class B2, Class B3, Class C1, Class C2, Class E15 and Class F.

The classes were first offered on the following dates:

Class A	March 5, 2002	Class C2	March 12, 2014
Class B2	February 24, 2014	Class E15	February 20, 2008
Class B3	November 11, 2013	Class F	September 15, 2004
Class C1	March 27, 2015		

The BMG Fund is also authorized to issue Class G, Class I, Class S1 and Class S2 units, none of which are currently issued. All classes share the same attributes from a valuation perspective, except that they are subject to different management fee rates.

The BMG Fund invests in equal dollar proportions of unencumbered gold, silver and platinum bullion, with the objective of providing a secure, convenient, low-cost, medium-risk alternative for investors seeking to hold bullion for capital preservation, long-term appreciation, portfolio diversification and portfolio hedging purposes. The BMG Fund's fixed investment strategy avoids the need for a portfolio manager.

NOTES TO FINANCIAL STATEMENTS *(continued)*

(Unaudited)

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of Preparation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The BMG Fund prepared these interim financial statements for the six-month period ended June 30, 2017 (and comparative results for the six-month period ended June 30, 2016) in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the annual financial statements contained in the BMG Fund’s 2016 Annual Report.

The interim financial statements were authorized for issue by the Board of Directors on August 10, 2017.

The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, and are presented in Canadian dollars, which is the BMG Fund’s functional and presentation currency.

Financial Instruments

(a) Classification

The BMG Fund classifies its investments in bullion at fair value through profit or loss.

This category has two subcategories: financial assets or financial liabilities held for trading; and financial assets or financial liabilities designated at fair value through profit or loss at inception.

i) Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together, and for which there is evidence of a recent actual pattern of short-term profit taking.

ii) Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the BMG Fund’s documented investment strategy.

The BMG Fund classifies financial assets and financial liabilities other than its investments in bullion into the following categories:

- Financial assets at amortized cost and designated as loans and receivables: Cash and subscriptions receivable.
- Financial liabilities at amortized cost and designated as other financial liabilities: Accounts payable and accrued liabilities, redemptions payable, and management fees payable.

NOTES TO FINANCIAL STATEMENTS *(continued)*

(Unaudited)

(b) Recognition/derecognition

Purchases and sales of investments in bullion are recognized on the trade date, the date on which the BMG Fund commits to purchase or sell the investment. For financial assets acquired, cost is the fair value of the consideration given, while for financial liabilities, cost is the fair value of the consideration received. Transaction costs for such instruments are recognized directly in the Statement of Comprehensive Income as incurred. Financial assets classified as loans and receivables are recognized on the day that they are transferred to the BMG Fund at fair value, plus transaction costs that are directly attributable to their acquisition or issue.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or the BMG Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities, other than those at fair value through profit or loss, are recognized initially at fair value plus transaction costs that are directly attributable to their acquisition or issue. Financial liabilities arising from the redeemable units issued by the BMG Fund are presented at the redemption amount representing the investors' right to a residual interest in the BMG Fund's assets. Financial liabilities are not recognized unless one of the parties has performed its obligation.

Realized gains and losses on investments in bullion are recognized in the Statements of Comprehensive Income. Costs of investments in bullion are determined on an average-cost basis.

(c) Subsequent measurement

Subsequent to initial recognition, the BMG Fund measures all financial instruments classified at fair value through profit or loss at fair value, with changes in the fair value recognized in the Statements of Comprehensive Income. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments traded in active markets is based on their quoted market prices at the close of trading on the reporting date. The fair value of financial instruments that are not traded in an active market is determined using a valuation technique, or sourced from a reputable broker/counterparty.

(d) Fair value measurement

Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the BMG Fund has access at that date.

The value of gold, silver and platinum bullion is priced based on available spot prices. The difference between the bullion spot prices and the average cost of the respective investments in bullion is shown as "Net unrealized gains on investments in bullion."

The market values of investments denominated in foreign currencies are translated into Canadian dollars at the rates of exchange applicable on the relevant valuation date.

NOTES TO FINANCIAL STATEMENTS *(continued)*

(Unaudited)

(e) Classification of fair value measurement

IFRS 13 requires the BMG Fund to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

Level 1	Unadjusted quoted prices in active markets
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices)
Level 3	Unobservable inputs

Fair value of investments in bullion is classified at Level 1 within the fair value hierarchy.

Income and Expense Recognition

The BMG Fund follows the daily accrual method of recording investment income and expenses. Expenses specifically related to each class of units of the BMG Fund are charged directly to that class of units. Income, expenses and realized and unrealized gains (losses) are allocated to each class of the BMG Fund based on that class's pro-rated share of the total net assets of the BMG Fund.

Foreign Currency Translation

The BMG Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates that transactions occur. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing on the measurement date. Foreign exchange gains and losses are presented in the Statements of Comprehensive Income.

Offsetting Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the Statements of Financial Position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

The BMG Fund assesses on each reporting date whether a financial asset or group of financial assets measured at amortized cost is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's amortized cost and the present value of estimated future cash flows discounted using the asset's original effective interest rate. Impairment losses on assets measured at amortized cost are reversed in subsequent periods if the amount of the loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized.

Calculation of Per-Unit Net Asset Value ("NAV") Attributable to Holders of Redeemable Units

The NAV of each class of units of the BMG Fund is calculated in Canadian dollars at 4:00 p.m. (EST) on each day that the Toronto Stock Exchange is open for trading.

The NAV per unit of each class of the BMG Fund that is used for subscriptions and redemptions is the same as the net assets attributable to holders of redeemable units per unit of that class that is used in these financial statements.

A separate NAV is calculated for each class of units of the BMG Fund by taking that class's proportionate share of the BMG Fund's assets less that class's proportionate share of the BMG Fund's common liabilities, and deducting from this amount all liabilities that relate solely to that specific class. The NAV per unit for each class is determined by dividing the NAV of each class by the number of units of that class outstanding at the relevant valuation date.

NOTES TO FINANCIAL STATEMENTS *(continued)*

(Unaudited)

Income Taxes

The BMG Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the BMG Fund's net income for tax purposes and sufficient capital gains realized in any period are required to be distributed to unitholders such that no tax is payable by the BMG Fund. As a result, the BMG Fund does not record income taxes. Since the BMG Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. Refer to Note 6 for unused losses.

Increase (Decrease) in Per-Unit Net Assets Attributable to Holders of Redeemable Units

Any increase (decrease) in per-unit net assets attributable to holders of redeemable units represents the change in net assets attributable to holders of redeemable units of each class divided by the weighted average number of units of that class of the BMG Fund outstanding during the period (see Note 3).

Critical Estimates and Judgments

In the application of the BMG Fund's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience, and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Board of Directors considers the currency of the primary economic environment in which the BMG Fund operates to be the Canadian dollar, as this is the currency that, in their opinion, most faithfully represents the economic effects of underlying transactions, events and conditions. Furthermore, the Canadian dollar is the currency in which the BMG Fund measures its performance, and also issues and redeems its redeemable units.

New Standards, Interpretations and Amendments Not Yet Adopted

A number of new standards, amendments to standards, and interpretations have been issued but are not yet effective for the six months ended June 30, 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the BMG Fund, with the possible exception of IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 was issued by the International Accounting Standards Board ("IASB") on October 28, 2010, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach, and is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The BMG Fund is currently evaluating the impact of IFRS 9 on its financial statements.

3. Redeemable Units

Each unit of each class of the BMG Fund represents an interest in the assets of that class of the BMG Fund. All units of a class of the BMG Fund generally have the same rights and privileges. Each unit of each class of the BMG Fund is entitled to one vote at any meeting of unitholders of the BMG Fund. Each unit of each class of the BMG Fund is also entitled, subject to any management fee distributions, to participate equally in any distributions by the BMG Fund. Fractional units of a class of the BMG Fund are proportionately entitled to all the same rights as other units of that class of the BMG Fund, except that they are non-voting. All units of each class of the BMG Fund are fully paid when issued, and are generally not transferable. Units of each class of the BMG Fund are redeemable at the option of the unitholder owning such units. The number of units of the BMG Fund that may be issued is unlimited. The units of each class of the BMG Fund are issued and redeemed at the NAV per unit of that class of the BMG Fund. There are no differences between the NAV per unit of each class of the BMG Fund and the Net Assets Attributable to Holders of Redeemable Units per unit of each class of the BMG Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Unaudited)

Unitholder transactions during the six-month periods ended June 30:

	Class A		Class B2	
	2017	2016	2017	2016
Balance - beginning of period	15,643,512	17,188,905	137,592	77,500
Issued	266,491	557,480	16,954	22,734
Redeemed	(1,593,633)	(1,352,204)	(773)	(1,318)
Balance - end of period	14,316,370	16,394,181	153,773	98,916
Average units outstanding	14,961,996	16,800,025	147,945	84,050

(Unaudited)

	Class B3		Class C1	
	2017	2016	2017	2016
Balance - beginning of period	103,334	93,156	132,398	141,903
Issued	2,098	2,201	-	10,434
Redeemed	(1,039)	-	-	(1,375)
Balance - end of period	104,393	95,357	132,398	150,962
Average units outstanding	103,827	94,365	132,398	150,137

	Class C2		Class E15	
	2017	2016	2017	2016
Balance - beginning of period	541,453	569,627	86,918	102,822
Issued	1,018	18,420	-	-
Redeemed	(12,793)	(6,120)	(514)	(24,429)
Balance - end of period	529,678	581,927	86,404	78,393
Average units outstanding	533,148	579,460	86,679	87,535

	Class F	
	2017	2016
Balance - beginning of period	2,698,378	2,583,455
Issued	311,052	261,058
Redeemed	(271,121)	(256,525)
Balance - end of period	2,738,309	2,587,988
Average units outstanding	2,727,722	2,547,065

Total Net Assets Attributable to Holders of Redeemable Units per Class and per Unit

For the six-month period ended June 30, 2017

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	Increase (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period	Net assets attributable to holders of redeemable units per unit	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	140,658,216	2,528,184	(15,114,604)	230,411	128,302,207	8.96	0.02
Class B2	1,209,439	160,078	(7,364)	(9,269)	1,352,884	8.80	(0.06)
Class B3	1,000,237	21,796	(11,000)	1,939	1,012,972	9.70	0.02
Class C1	1,275,935	-	-	4,771	1,280,706	9.67	0.04
Class C2	4,831,503	9,800	(120,772)	24,654	4,745,185	8.96	0.05
Class E15	965,011	-	(6,068)	6,148	965,091	11.17	0.07
Class F	27,727,224	3,390,979	(2,937,361)	18,923	28,199,765	10.30	0.01
Total	177,667,565	6,110,837	(18,197,169)	277,577	165,858,810	N/A	N/A

NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

For the six-month period ended June 30, 2016

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period	Net assets attributable to holders of redeemable units per unit	Increase in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	148,499,609	5,233,613	(12,689,620)	22,997,408	164,041,010	10.01	1.37
Class B2	648,868	204,975	(11,713)	121,398	963,528	9.74	1.44
Class B3	856,156	22,000	-	143,093	1,021,249	10.71	1.52
Class C1	1,295,071	100,000	(13,141)	225,647	1,607,577	10.65	1.50
Class C2	4,811,589	163,631	(55,338)	816,724	5,736,606	9.86	1.41
Class E15	1,076,115	-	(278,999)	162,306	959,422	12.24	1.85
Class F	25,229,084	2,773,556	(2,696,899)	4,124,258	29,429,999	11.37	1.62
Total	182,416,492	8,497,775	(15,745,710)	28,590,834	203,759,391	N/A	N/A

4. Related-Party Transactions

Management Fees

The Manager is responsible for the day-to-day activities of the BMG Fund, providing or arranging for all required administrative services, and arranging for the distribution of units of the BMG Fund. For these services, the BMG Fund pays the Manager an annual management fee as defined by the rates set out below. The fees are payable monthly in arrears based on the average daily net assets of the BMG Fund.

Class A	2.25%	Class C2	0.87%
Class B2	1.49%	Class E15	0.50%
Class B3	1.25%	Class F	1.25%
Class C1	1.00%		

For the six months ended June 30, 2017, the BMG Fund incurred management fees of \$1,812,819 [2016: \$1,966,825].

For the six months ended June 30, 2017, the Manager absorbed the BMG Fund operating expenses of \$Nil [2016: \$Nil]. The decision to reduce the BMG Fund operating expenses is made at the discretion of the Manager, and may be changed at any time.

Holdings of Related Party

The Manager held units in the following Class as at June 30:

	2017	2016
Class A	1	1

5. Sales Commission

A sales commission may be charged by a registered dealer or representative at the time an investor buys Class A units, Class B units, Class E units, Class G units or Class S units of the BMG Fund. The maximum amount of the sales commission for Classes A, B, E and G is 5.26% of the net amount invested. The sales commission is only negotiable for Classes A, B, E and G. No sales commission is currently charged for the other classes of units of the BMG Fund.

The Manager paid trailer fees to dealers of \$702,674 during the first six months of 2017 [2016: \$771,758].

NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

6. Income Tax Loss Carryforwards

The BMG Fund has non-capital loss carryforwards of approximately \$40,896,000 [2016: \$39,727,000] available to offset future years' taxable income.

Non-capital losses expire in the taxation year ending December 31:

Year	\$	Year	\$
2026	888,000	2032	6,218,000
2027	3,432,000	2033	3,212,000
2028	5,027,000	2034	3,288,000
2029	2,727,000	2035	3,147,000
2030	3,094,000	2036	3,138,000
2031	5,556,000	2037	1,169,000

7. Financial Risk Management

The BMG Fund's financial instruments consist primarily of cash, subscriptions receivable, investments in bullion, management fees payable, redemptions payable, and accounts payable and accrued liabilities. The BMG Fund's cash and bullion holdings are exposed to various types of risk, including market risk, credit risk, liquidity risk, interest rate risk and currency risk. These risks and related risk-management practices employed by the BMG Fund are described below.

Market Risk

Market risk is the risk that the fair value or future cash flows of investments in bullion will fluctuate because of changes in market prices or transaction timing. The market price of gold, silver and platinum is affected by a variety of factors, including demand, supply, international events and economic events. The BMG Fund employs a purchase-and-hold investment strategy, with purchases allocated one-third to each of gold, silver and platinum bullion. Since the BMG Fund does not lease bullion, the only future cash flows will be from dispositions of bullion. Dispositions of bullion will be necessary to pay redemptions when cash reserves are not adequate.

As at June 30, 2017, the effect on the BMG Fund's net assets if there were a 5% increase, or decrease, in the price of gold, silver and platinum bullion, with all other variables held constant, would be an increase, or decrease, of \$8,278,687 [December 31, 2016: \$8,867,206] or 5% [December 31, 2016: 5%].

The actual results will vary depending upon the quantity of bullion held and other factors, and the difference may be material.

Credit Risk

As at June 30, 2017, the BMG Fund had no investments in debt instruments and/or derivatives. The BMG Fund limits its exposure to credit loss by placing its cash in high-credit-quality issuers. Dispositions of bullion, if any, are with a major Canadian chartered bank (or subsidiary thereof) that is a recognized dealer in bullion. The BMG Fund may have credit exposure to the Canadian chartered bank (or subsidiary thereof) to the extent of any unsettled trades.

Liquidity Risk

The BMG Fund is exposed to daily cash redemptions of redeemable units. The BMG Fund aims to retain sufficient cash positions to maintain liquidity. In addition, bullion is readily realizable and liquid. Therefore, the BMG Fund's liquidity risk is minimal. All liabilities are payable within a year. Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically retain them for longer periods. The tables below analyze the BMG Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows.

June 30, 2017

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 314,814	\$ 314,814
Redemptions payable	-	171,526	171,526
Accounts payable and accrued liabilities	-	152,505	152,505
Redeemable units	165,858,810	-	165,858,810

NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

December 31, 2016

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 333,600	\$ 333,600
Redemptions payable	-	357,027	357,027
Accounts payable and accrued liabilities	-	133,722	133,722
Redeemable units	177,667,565	-	177,667,565

Interest Rate Risk

The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at June 30, 2017 and December 31, 2016. Accordingly, the BMG Fund is not directly exposed to significant risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

Bullion is generally quoted and traded in U.S. dollars and, as a result, the BMG Fund is subject to foreign currency risk. The BMG Fund does not hedge its foreign currency exposure.

The BMG Fund holds cash in Canadian and U.S. dollars to pay redemptions and operating costs. The Manager monitors the cash balance of the BMG Fund on a daily basis, and only purchases bullion when surplus cash is available. Normally the cash balance is less than 5% of the assets of the BMG Fund.

As at June 30, 2017, 99.9% [December 31, 2016: 99.9%] of the BMG Fund's net assets were exposed to U.S. dollars. If the exchange rate with the Canadian dollar increased or decreased by 1%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$1,656,794 [December 31, 2016: \$1,774,762].

Actual results may differ from this sensitivity analysis and the difference could be material, because the price of bullion tends to be negatively correlated with the U.S. dollar.

Foreign Currency Exposure

June 30, 2017

Description	US \$	Canada \$	Total \$
Cash	123,807	753,964	877,771
Investments in bullion	165,573,744	-	165,573,744
Other Net Assets	(18,148)	(574,557)	(592,705)
Net Assets	165,679,403	179,407	165,858,810
Percent	99.9%	0.1%	100.0%

December 31, 2016

Description	US \$	Canada \$	Total \$
Cash	84,442	976,059	1,060,501
Investments in bullion	177,344,115	-	177,344,115
Other Net Assets	47,655	(784,706)	(737,051)
Net Assets	177,476,212	191,353	177,667,565
Percent	99.9%	0.1%	100%

NOTES TO FINANCIAL STATEMENTS *(continued)*

(Unaudited)

8. Capital Management

Redeemable units issued and outstanding are considered to be the capital of the BMG Fund. The BMG Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the BMG Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice must be received no later than 4:00 p.m. EST on the valuation day upon which the units are to be redeemed. Additionally, the notice must be irrevocable, and the signature thereon must be guaranteed by a Canadian chartered bank, a trust company or an investment dealer acceptable to the Manager. The units are redeemable for cash equal to a pro rata share of the BMG Fund's net asset value.

9. Fair Value Measurement

All fair value measurements above are recurring. The carrying values of cash, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable, management fees payable and the BMG Fund's obligation for net assets attributable to holders of redeemable units approximate their fair values because of their short-term nature. Fair values are classified as Level 1 when the related investment is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are classified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

There were no transfers between levels for the six months ended June 30, 2017 and 2016. In addition, there were no investments or transactions classified in Level 3 for the six months ended June 30, 2017 and 2016.



BULLION MANAGEMENT SERVICES INC.

HEAD OFFICE 280-60 RENFREW DRIVE, MARKHAM, ON L3R 0E1 CANADA
1.888.474.1001 | 905.474.1001 | BMGBULLION.COM | INFO@BMGBULLION.COM

The BMG Group of Companies includes the parent company, Bullion Management Group Inc., and its wholly owned subsidiaries, Bullion Management Services Inc., Bullion Marketing Services Inc., BMG DSC Inc. and Bullion Custodial Services Inc. (collectively, "BMG").

The forward-looking information, opinions, estimates and projections contained herein are solely those of Bullion Management Services Inc. ("BMS"), a BMG company, and are subject to change without notice. BMS makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, BMS assumes no responsibility for any losses or damages, whether direct or indirect, that arise out of the use of this information. BMS is the investment manager of BMG BullionFund™, BMG Gold BullionFund™ and BMG Silver BullionFund™ (collectively, "BMG Funds"). The information should not be regarded by recipients as a substitute for the exercise of their own judgment. Commissions, trailing commissions, management fees and expenses may all be associated with an investment in BMG Funds™. Please read the prospectus before investing. BMG BullionFund™, BMG Gold BullionFund™ and BMG Silver BullionFund™ are not guaranteed, their units fluctuate in value and past performance may not be repeated.