

# **BMG Gold BullionFund**

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## **Annual Financial Statements (Amended)**

For the years ended December 31, 2017 and 2016



**B M G**  
**MANAGEMENT**  
**SERVICES INC.**  
A BMG Company

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## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

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The accompanying financial statements of BMG Gold BullionFund (the “BMG Fund”) have been prepared by BMG Management Services Inc., in its capacity as manager (the “Manager”) of the BMG Fund, and have been approved by the Board of Directors of BMG Management Services Inc. The Board of Directors is responsible for the information and representations contained in these financial statements, and in the Management Report of Fund Performance.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards, and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies that the Manager believes are appropriate for the BMG Fund are described in Note 2 to the financial statements.

The Audit Committee of the Board of Directors is responsible for reviewing the financial statements and the Management Report of Fund Performance, and for recommending them to the Board of Directors of the Manager for approval, in addition to meeting with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

BDO Canada LLP is the external auditor of the BMG Fund, and is appointed by the trustee of the BMG Fund. The auditor of the BMG Fund has audited the financial statements in accordance with Canadian Generally Accepted Auditing Standards to enable it to express to the unitholders its opinion on the financial statements. The auditor’s report is set out herein.



Nick Barisheff  
President & CEO  
Director



Hema Anganu  
Chief Financial Officer  
Director



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## Independent Auditor's Report

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### To the Unitholders of BMG Gold BullionFund

We have audited the accompanying financial statements of BMG Gold BullionFund, which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, 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.

### Auditor's 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 audits 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 BMG Gold BullionFund as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter - Amended Financial Statements

We draw attention to Note 6 of the amended financial statements, which describes that the financial statements that we originally reported on March 16, 2018 have been amended including the nature of the amendment. Our opinion is not modified in respect of this matter.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

November 23, 2018  
Toronto, Ontario

## STATEMENTS OF FINANCIAL POSITION

As at December 31

	2017 \$	2016 \$
<b>ASSETS</b>		
Current assets		
Cash	733,152	565,137
Investments in gold bullion [Average cost \$81,434,423; December 2016 - \$100,498,995]	91,265,111	108,689,756
Due from broker	-	125,999
Subscriptions receivable	9,700	35,453
<b>Total assets</b>	<b>92,007,963</b>	<b>109,416,345</b>
<b>LIABILITIES</b>		
Current liabilities		
Management fees payable	176,417	211,130
Redemptions payable	54,649	186,299
Accounts payable and accrued liabilities	117,990	102,234
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>349,056</b>	<b>499,663</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>91,658,907</b>	<b>108,916,682</b>
<b>Net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	71,760,140	88,712,135
Class B3	585,169	571,377
Class C3	768,441	937,453
Class F	14,940,933	11,888,289
Class G09	2,446,865	5,628,322
Class S1	1,110,934	1,133,916
Class S2	46,425	45,190
	<b>91,658,907</b>	<b>108,916,682</b>

*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 BMG Management Services Inc.,  
Trustee and Manager of BMG Gold BullionFund



Nick Barisheff  
Director



Hema Anganu  
Director

## STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

	2017 \$	2016 \$
<b>INVESTMENT INCOME</b>		
Net unrealized gains on investments in gold bullion	1,639,927	3,616,246
Net realized gains on investments in gold bullion	3,199,628	1,304,796
Foreign exchange losses	(17,561)	(6,312)
Early redemption fees	5,830	3,497
Other	1,355	1,035
<b>Total investment income</b>	<b>4,829,179</b>	<b>4,919,262</b>
<b>EXPENSES</b>		
Management fees (Note 4)	2,151,978	2,459,317
Security holder reporting costs	308,234	312,376
Bullion storage fees	79,289	90,616
Services tax	289,786	327,623
Other administrative expenses	19,555	23,189
Legal fees	24,280	14,106
Audit fees	26,400	28,250
Filing fees	29,571	26,369
Independent Review Committee fees	5,814	7,128
<b>Total expenses</b>	<b>2,934,907</b>	<b>3,288,974</b>
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>1,894,272</b>	<b>1,630,288</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class (note 3)</b>		
Class A	1,402,459	1,964,094
Class B3	13,792	(20,445)
Class C3	30,354	96,112
Class F	283,328	(693,532)
Class G09	127,125	228,436
Class S1	35,979	51,720
Class S2	1,235	3,903
	<b>1,894,272</b>	<b>1,630,288</b>

See accompanying notes.

STATEMENTS OF CHANGES IN net assets attributable to holders of redeemable units  
For the years ended December 31

	2017 \$	2016 \$
Net assets attributable to holders of redeemable units, beginning of year	108,916,682	103,983,387
Issue of redeemable units	15,395,735	26,370,900
Redemption of redeemable units	(34,547,782)	(23,067,893)
Increase in net assets attributable to holders of redeemable units	1,894,272	1,630,288
<b>Net assets attributable to holders of redeemable units, end of year</b>	<b>91,658,907</b>	<b>108,916,682</b>

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the years ended December 31

	2017 \$	2016 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Increase in net assets attributable to holders of redeemable units	1,894,272	1,630,288
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities		
Purchase of investments in gold bullion	(5,823,423)	(12,362,707)
Proceeds from sales of investments in gold bullion	28,087,623	12,364,638
Net realized gains on investments in gold bullion	(3,199,628)	(1,304,796)
Net unrealized gains on investments in gold bullion	(1,639,927)	(3,616,246)
Net changes in non-cash operating balances:		
(Increase) decrease in due from broker	125,999	(125,999)
Increase (decrease) in management fees payable	(34,713)	6,919
Increase in accounts payable and accrued liabilities	15,756	3,258
<b>Net cash provided by (used in) operating activities</b>	<b>19,425,959</b>	<b>(3,404,645)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of redeemable units	15,395,735	26,370,900
(Increase) decrease in subscriptions receivable	25,753	(9,982)
Amounts paid on redemption of redeemable units	(34,547,782)	(23,067,893)
Increase (decrease) in redemptions payable	(131,650)	145,594
<b>Net cash provided by (used in) financing activities</b>	<b>(19,257,944)</b>	<b>3,438,619</b>
<b>Net increase in cash during the year</b>	<b>168,015</b>	<b>33,974</b>
<b>Cash, beginning of the year</b>	<b>565,137</b>	<b>531,163</b>
<b>Cash, end of year</b>	<b>733,152</b>	<b>565,137</b>

See accompanying notes.

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	55,569.584	612.838	56,182.422	81,434,423	91,265,111	99.2
Cash				734,773	733,152	0.8
<b>Total Investment</b>				<b>82,169,196</b>	<b>91,998,263</b>	<b>100.0</b>

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

The BMG Fund's gold 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

### 1. Formation of the Fund

BMG Gold Bullion Fund (the "BMG Fund") was established under the laws of Ontario by a Master Declaration of Trust and Regulation each dated September 4, 2009, as amended. The address of the BMG Fund's registered office is: 280-60 Renfrew Drive, Markham, ON, L3R 0E1. BMG 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 B3, Class C3, Class F, Class G09, Class S1 and Class S2 units. The classes were first offered on the following dates:

Class A	September 4, 2009	Class G09	June 10, 2010
Class B3	March 27, 2015	Class S1	November 9, 2010
Class C3	March 12, 2014	Class S2	November 9, 2010
Class F	January 18, 2010		

The BMG Fund invests only in gold bullion, with the objective of providing a secure, convenient, low-cost alternative for investors seeking to hold gold 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*)

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

The amended financial statements were authorized for issue by the Board of Directors on November 23, 2018.

The 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 gold 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 gold bullion into the following categories:

- Financial assets at amortized cost and designated as loans and receivables: Cash, due from broker 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)*

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### *(b) Recognition/derecognition*

Purchases and sales of investments in gold 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 Statements 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 gold bullion are recognized in the Statements of Comprehensive Income. Costs of investments in gold 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 bullion is priced based on available spot prices. The difference between the gold bullion spot price and the average cost is shown as "Net unrealized gains (losses) on investments in gold 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)*

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### *(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:

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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

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Fair value of investments in gold 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)*

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### 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 year ended December 31, 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 does not expect IFRS9 to have a material impact 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)

### Unitholder transactions during the year ended December 31:

	Class A		Class B3	
	2017	2016	2017	2016
Balance - beginning of year	18,284,540	18,673,326	57,102	12,590
Issued	801,383	2,350,151	-	44,512
Redeemed	(4,467,950)	(2,738,937)	-	-
<b>Balance - end of year</b>	<b>14,617,973</b>	<b>18,284,540</b>	<b>57,102</b>	<b>57,102</b>
Average units outstanding	16,909,104	18,700,992	57,102	17,577

  

	Class C3		Class F	
	2017	2016	2017	2016
Balance - beginning of year	95,582	145,228	2,106,585	1,137,417
Issued	-	3,059	1,284,228	1,948,717
Redeemed	(19,407)	(52,705)	(804,675)	(979,549)
<b>Balance - end of year</b>	<b>76,175</b>	<b>95,582</b>	<b>2,586,138</b>	<b>2,106,585</b>
Average units outstanding	87,872	102,888	2,262,089	2,048,036

  

	Class G09		Class S1	
	2017	2016	2017	2016
Balance - beginning of year	505,439	591,877	118,050	125,696
Issued	323,556	119,863	-	-
Redeemed	(614,437)	(206,301)	(6,000)	(7,646)
<b>Balance - end of year</b>	<b>214,558</b>	<b>505,439</b>	<b>112,050</b>	<b>118,050</b>
Average units outstanding	401,077	565,098	114,325	120,539

  

	Class S2	
	2017	2016
Balance - beginning of year	4,800	6,800
Issued	-	-
Redeemed	-	(2,000)
<b>Balance - end of year</b>	<b>4,800</b>	<b>4,800</b>
Average units outstanding	4,800	5,683

### Total net assets attributable to holders of redeemable units per class and per unit

#### For the year ended December 31, 2017

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	Increase/ (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year	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	88,712,135	4,014,962	(22,369,416)	1,402,459	71,760,140	4.91	0.08
Class B3	571,377	-	-	13,792	585,169	10.25	0.24
Class C3	937,453	-	(199,366)	30,354	768,441	10.09	0.35
Class F	11,888,289	7,517,993	(4,748,677)	283,328	14,940,933	5.78	0.13
Class G09	5,628,322	3,862,780	(7,171,362)	127,125	2,446,865	11.40	0.32
Class S1	1,133,916	-	(58,961)	35,979	1,110,934	9.91	0.31
Class S2	45,190	-	-	1,235	46,425	9.67	0.26
<b>Total</b>	<b>108,916,682</b>	<b>15,395,735</b>	<b>(34,547,782)</b>	<b>1,894,272</b>	<b>91,658,907</b>	<b>N/A</b>	<b>N/A</b>

## NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2016

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	Increase/ (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year	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	88,682,987	12,386,043	(14,320,989)	1,964,094	88,712,135	4.85	0.11
Class B3	121,815	470,007	-	(20,445)	571,377	10.01	(1.16)
Class C3	1,371,395	34,154	(564,208)	96,112	937,453	9.81	0.93
Class F	6,213,744	12,041,714	(5,673,637)	(693,532)	11,888,289	5.64	(0.34)
Class G09	6,373,381	1,438,982	(2,412,477)	228,436	5,628,322	11.14	0.40
Class S1	1,158,340	-	(76,144)	51,720	1,133,916	9.61	0.43
Class S2	61,725	-	(20,438)	3,903	45,190	9.41	0.69
<b>Total</b>	<b>103,983,387</b>	<b>26,370,900</b>	<b>(23,067,893)</b>	<b>1,630,288</b>	<b>108,916,682</b>	<b>N/A</b>	<b>N/A</b>

### 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 G09	1.25%
Class B3	1.25%	Class S1	0.45%
Class C3	0.75%	Class S2	0.95%
Class F	1.25%		

For the year ended December 31, 2017 the BMG Fund incurred management fees of \$2,151,978 [2016: \$2,459,317].

#### Holdings of Related Party

The Manager held units in the following Class as at December 31:

	2017	2016
Class A	23,942	23,942

### 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 G units or Class S units of the BMG Fund. The maximum amount of the sales commission for Classes A, B, and G is 5.26% of the net amount invested, and for Class S 5.82% of the net amount invested. The sales commission is only negotiable for Classes A, B 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 \$841,581 during the 2017 fiscal year [2016: \$970,638].

## NOTES TO FINANCIAL STATEMENTS *(continued)*

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### **6. Income Taxes (Amended)**

As at December 31, 2017, the BMG Fund had no capital or non-capital losses available to offset future years' taxable income. This differs from what was previously reported.

For tax purposes, the BMG Fund generally treats gains from the disposition of bullion as capital gains, rather than income, as it intends to be a long-term passive holder of bullion, and it generally disposes of its holdings in bullion only for the purposes of meeting redemptions or to fund the payment of expenses incurred by the BMG Fund. The Canada Revenue Agency has, however, expressed the opinion, that gains or losses of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. The Canada Revenue Agency may assert that its position applies to BMG Fund's transactions in respect of bullion.

### **7. Financial Risk Management**

The BMG Fund's financial instruments consist primarily of cash, subscriptions receivable, due from broker, investments in gold bullion, management fees payable, redemptions payable, and accounts payable and accrued liabilities. The BMG Fund's cash and gold 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 gold bullion investments will fluctuate because of changes in market prices or transaction timing. The market price of gold 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 in one type of investment. Since the BMG Fund does not lease gold, the only future cash flows will be from dispositions of gold bullion. Dispositions of bullion will be necessary to pay redemptions when cash reserves are not adequate.

As at December 31, 2017, the effect on the BMG Fund's net assets if there were a 5% increase or decrease in the price of gold bullion, with all other variables held constant, would be an increase, or decrease, of \$4,563,256 [December 31, 2016: \$5,434,488] or 4.98% [December 31, 2016: 4.99%].

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

#### **Credit Risk**

As at December 31, 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 gold 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, gold 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.

## NOTES TO FINANCIAL STATEMENTS (continued)

### December 31, 2017

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 176,417	\$ 176,417
Redemptions payable	-	54,649	54,649
Accounts payable and accrued liabilities	-	117,990	117,990
Redeemable units	91,658,907	-	91,658,907

### December 31, 2016

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 211,130	\$ 211,130
Redemptions payable	-	186,229	186,229
Accounts payable and accrued liabilities	-	102,234	102,234
Redeemable units	108,916,682	-	108,916,682

### Interest Rate Risk

The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at December 31, 2017 and 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

Gold bullion is generally quoted and traded in US 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 US dollars to pay redemptions and operating costs. The Manager monitors the cash balance of the BMG Fund on a daily basis, and only purchases gold bullion when surplus cash is available. Normally the cash balance is less than 5% of the assets of the BMG Fund.

As at December 31, 2017, 99.7% [December 31, 2016: 99.9%;] of the BMG Fund's net assets were exposed to US 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 \$913,543 [December 31, 2016: \$1,087,905].

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 US dollar.

### Foreign Currency Exposure

#### December 31, 2017

Description	US \$	Canada \$	Total \$
Cash	97,340	635,812	733,152
Investments in gold bullion	91,265,111	-	91,265,111
Other Net Assets	(8,191)	(331,165)	(339,356)
<b>Net Assets</b>	<b>91,354,260</b>	<b>304,647</b>	<b>91,658,907</b>
<b>Percent</b>	<b>99.7%</b>	<b>0.3%</b>	<b>100.0%</b>

#### December 31, 2016

Description	US \$	Canada \$	Total \$
Cash	111,732	453,405	565,137
Investments in gold bullion	108,689,756	-	108,689,756
Other Net Assets	(10,942)	(327,269)	(338,211)
<b>Net Assets</b>	<b>108,790,546</b>	<b>126,136</b>	<b>108,916,682</b>
<b>Percent</b>	<b>99.9%</b>	<b>0.1%</b>	<b>100.0%</b>

## NOTES TO FINANCIAL STATEMENTS *(continued)*

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### **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, due from broker, 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 years ended December 31, 2017 and 2016. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2017 and 2016.



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