



# Semi-Annual Report

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FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015

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## BMG BullionFund



BULLION  
MANAGEMENT  
SERVICES INC.

A BMG Company

# **BMG BullionFund**

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## **Semi-Annual Financial Statements**

For the six-month period ended June 30, 2015 (unaudited)



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

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## STATEMENTS OF FINANCIAL POSITION

As at June 30, 2015 and December 31, 2014

(Unaudited)

	2015 \$	2014 \$
<b>ASSETS</b>		
Current assets		
Cash	855,944	986,821
Investments in bullion [Average cost \$164,415,146; December 2014 - \$180,594,840]	202,715,335	213,660,897
Accounts receivable	597,999	-
Subscriptions receivable	54,404	275,237
Due from Manager (Note 4)	17,673	187,917
<b>Total assets</b>	<b>204,241,355</b>	<b>215,110,872</b>
<b>LIABILITIES</b>		
Current liabilities		
Management fees payable	377,851	411,453
Redemptions payable	155,311	138,934
Accounts payable and accrued liabilities	203,466	292,431
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>736,628</b>	<b>842,818</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>203,504,727</b>	<b>214,268,054</b>
<b>Net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	165,669,008	170,302,667
Class B2	366,091	357,616
Class B3	882,185	461,695
Class C1	3,048,428	-
Class C2	5,173,431	482,689
Class E09	-	113,925
Class E10	-	267,286
Class E11	-	2,683,017
Class E12	-	1,850,732
Class E15	1,269,418	1,427,974
Class F	27,096,166	18,065,378
Class G01	-	6,395,917
Class G05	-	403,147
Class G09	-	8,738,285
Class G10	-	973,866
Class G11	-	1,733,125
Class G15	-	10,735
	<b>203,504,727</b>	<b>214,268,054</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 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)

	2015 \$	2014 \$
<b>INVESTMENT INCOME</b>		
Net unrealized gains on investments in bullion	5,234,132	17,349,133
Net realized gains on investments in bullion	3,066,450	4,098,949
Foreign exchange losses	(4,479)	(24,673)
Early redemption fees	837	951
Other	405	2,100
<b>Total investment income</b>	<b>8,297,345</b>	<b>21,426,460</b>
<b>EXPENSES</b>		
Management fees (Note 4)	2,248,251	2,700,307
Security holder reporting costs	326,060	459,437
Bullion storage fees	184,087	279,900
Services tax	275,838	405,128
Other administrative expenses	32,720	43,370
Legal fees	10,947	8,182
Audit fees	13,394	11,180
Filing fees	27,000	32,190
Independent Review Committee fees	12,671	10,600
<b>Total expenses</b>	<b>3,130,968</b>	<b>3,950,294</b>
Expenses absorbed by Manager (Note 4)	(17,673)	(183,209)
<b>Total expenses after absorption</b>	<b>3,113,295</b>	<b>3,767,085</b>
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>5,184,050</b>	<b>17,659,375</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	3,577,754	13,786,624
Class B2	8,696	(10,197)
Class B3	(14,999)	36,053
Class C1	(197,404)	-
Class C2	(286,816)	(19,998)
Class E09	10,525	9,649
Class E10	24,661	22,327
Class E11	249,348	322,485
Class E12	172,545	172,268
Class E15	46,814	165,227
Class F	(106,391)	1,746,934
Class G01	601,521	617,624
Class G05	36,727	51,019
Class G09	809,145	495,742
Class G10	90,363	75,560
Class G11	161,397	155,087
Class G15	164	32,971
	<b>5,184,050</b>	<b>17,659,375</b>

See accompanying notes.

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

For the six-month periods ended June 30

(Unaudited)

	2015 \$	2014 \$
Net assets attributable to holders of redeemable units, beginning of period	214,268,054	251,706,649
Issue of redeemable units	7,969,990	15,800,539
Redemption of redeemable units	(23,917,367)	(31,409,504)
Increase in net assets attributable to holders of redeemable units	5,184,050	17,659,375
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>203,504,727</b>	<b>253,757,059</b>

See accompanying notes.

## STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30

(Unaudited)

	2015 \$	2014 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Increase in net assets attributable to holders of redeemable units	5,184,050	17,659,375
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities		
Purchase of investments in bullion	-	(1,341,999)
Proceeds from sales of investments in bullion	19,246,145	21,620,359
Net realized gains on investments in bullion	(3,066,450)	(4,098,949)
Net unrealized gains on investments in bullion	(5,234,132)	(17,349,133)
Net changes in non-cash operating balances:		
Increase in accounts receivable	(597,999)	(16,001)
(Increase)/decrease in due from manager	170,244	(181,821)
Decrease in management fees payable	(33,602)	(25,275)
Increase/(decrease) in accounts payable and accrued liabilities	(88,965)	164,669
<b>Net cash provided by operating activities</b>	<b>15,579,291</b>	<b>16,431,225</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of redeemable units	7,969,990	15,800,539
(Increase)/decrease in subscriptions receivable	220,832	(47,364)
Amounts paid on redemption of redeemable units	(23,917,367)	(31,409,504)
Increase/(decrease) in redemptions payable	16,377	(66,351)
<b>Net cash used in financing activities</b>	<b>(15,710,168)</b>	<b>(15,722,680)</b>
<b>Net increase/(decrease) in cash during the period</b>	<b>(130,877)</b>	<b>708,545</b>
<b>Cash, beginning of the period</b>	<b>986,821</b>	<b>925,522</b>
<b>Cash, end of period</b>	<b>855,944</b>	<b>1,634,067</b>

See accompanying notes.

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2015

(Unaudited)

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	65,183.909	542.264	65,726.173	65,644,732	96,087,821	47.20
Platinum Bullion	26,564.189	608.434	27,172.623	40,305,899	36,570,320	17.96
Silver Bullion	3,535,297.953	38,912.975	3,574,210.928	58,464,515	70,057,194	34.42
Cash				854,349	855,944	0.42
<b>Total Investment</b>				<b>165,269,495</b>	<b>203,571,279</b>	<b>100.00</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 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		

Up to March 27, 2015, the BMG Fund also issued units for Class E09, Class E10, Class E11, Class E12, Class G01, Class G05, Class G09, Class G10, Class G11 and Class G15 (see Note 3, Reclassification of Certain Classes).

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)*

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(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, 2015 (and comparative results for the six-month period ended June 30, 2014) 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 2014 Annual Report.

The interim financial statements were authorized for issue by the Board of Directors on August 12, 2015.

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, accounts receivable, due from manager 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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### (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 Statement 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 Statement 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.

When the London market is open for trading, gold, silver and platinum bullion are priced at fair value by using the London Bullion Market Association (LBMA) internationally recognized price benchmarks, the LBMA Gold Price PM, the LBMA Silver Price, and the LBMA Platinum Price PM. Gold and platinum have a price fix generally set twice daily, and identified by an AM or PM suffix. Silver has one price fix per day. COMEX closing prices will be used when the London market is not open.

Commencing in 2014, the operation and administration systems of the internationally recognized benchmarks for gold, silver and platinum were revised. The London Fix price for silver, platinum and gold formerly used to fair value bullion was replaced by the LBMA Silver Price, LBMA Platinum Price and LBMA Gold Price effective August 15, 2014, December 1, 2014 and March 20, 2015, respectively.

The difference between these official bullion prices and the average cost of the respective investments in bullion is shown as "Net unrealized gains/(losses) 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)*

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(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:

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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 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 Statement 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 class that is disclosed 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.

### **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.

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

### 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, 2015, 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 the Redeemable Units per Unit of each class of the BMG Fund.

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

	Class A		Class B2	
	2015	2014	2015	2014
Balance - beginning of period	19,394,233	21,660,979	42,407	-
Issued	510,195	967,589	-	16,137
Redeemed	(2,047,677)	(2,144,606)	(25)	(25)
Reclassified in/(out)	642,936	-	-	-
Balance - end of period	18,499,687	20,483,962	42,382	16,112
Average units outstanding	19,044,123	21,162,665	42,403	16,134

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)	Class B3		Class C1	
	2015	2014	2015	2014
Balance - beginning of period	50,000	50,000	-	-
Issued	-	-	-	-
Redeemed	(450)	-	(169)	-
Reclassified in/(out)	43,606	-	324,745	-
<b>Balance - end of period</b>	<b>93,156</b>	<b>50,000</b>	<b>324,576</b>	<b>-</b>
Average units outstanding	73,011	50,000	324,670	-

  

	Class C2		Class E09	
	2015	2014	2015	2014
Balance - beginning of period	57,063	-	11,601	12,655
Issued	9,714	57,063	-	-
Redeemed	(6,388)	-	-	-
Reclassified in/(out)	534,924	-	(11,601)	-
<b>Balance - end of period</b>	<b>595,313</b>	<b>57,063</b>	<b>-</b>	<b>12,655</b>
Average units outstanding	342,024	53,293	11,601	12,655

  

	Class E10		Class E11	
	2015	2014	2015	2014
Balance - beginning of period	27,014	27,934	267,120	512,231
Issued	-	-	-	-
Redeemed	(313)	-	-	(245,111)
Reclassified in/(out)	(26,701)	-	(267,120)	-
<b>Balance - end of period</b>	<b>-</b>	<b>27,934</b>	<b>-</b>	<b>267,120</b>
Average units outstanding	26,737	27,934	267,120	487,855

  

	Class E12		Class E15	
	2015	2014	2015	2014
Balance - beginning of period	247,373	289,155	136,821	201,667
Issued	-	-	-	-
Redeemed	(1,000)	(29,148)	(18,669)	(43,604)
Reclassified in/(out)	(246,373)	-	-	-
<b>Balance - end of period</b>	<b>-</b>	<b>260,007</b>	<b>118,152</b>	<b>158,063</b>
Average units outstanding	247,021	273,448	132,845	179,868

  

	Class F		Class G01	
	2015	2014	2015	2014
Balance - beginning of period	1,840,183	2,235,041	719,021	949,730
Issued	270,390	237,341	636	35,480
Redeemed	(336,528)	(423,416)	(85,031)	(50,312)
Reclassified in/(out)	917,943	-	(634,626)	-
<b>Balance - end of period</b>	<b>2,691,988</b>	<b>2,048,966</b>	<b>-</b>	<b>934,898</b>
Average units outstanding	2,273,920	2,091,415	681,617	932,896

  

	Class G05		Class G09	
	2015	2014	2015	2014
Balance - beginning of period	40,983	73,989	896,512	709,094
Issued	-	-	22,392	225,403
Redeemed	-	(29,963)	(6,141)	(121,739)
Reclassified in/(out)	(40,983)	-	(912,763)	-
<b>Balance - end of period</b>	<b>-</b>	<b>44,026</b>	<b>-</b>	<b>812,758</b>
Average units outstanding	40,983	46,674	905,217	737,167

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)	Class G10		Class G11	
	2015	2014	2015	2014
Balance - beginning of period	99,897	99,897	175,000	200,000
Issued	-	-	-	-
Redeemed	-	-	-	-
Reclassified in/(out)	(99,897)	-	(175,000)	-
<b>Balance - end of period</b>	<b>-</b>	<b>99,897</b>	<b>-</b>	<b>200,000</b>
Average units outstanding	99,897	99,897	175,000	200,000

	Class G15	
	2015	2014
Balance - beginning of period	1,000	37,728
Issued	-	-
Redeemed	(1,000)	(9,998)
Reclassified in/(out)	-	-
<b>Balance - end of period</b>	<b>-</b>	<b>27,730</b>
Average units outstanding	1,000	34,646

### Total Net Assets Attributable to Holders of Redeemable Units per Class and per Unit For the six-month period ended June 30, 2015

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	Reclassified in/(out)	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	170,302,667	4,818,851	(19,182,081)	6,151,817	3,577,754	165,669,008	8.96	0.19
Class B2	357,616	-	(221)	-	8,696	366,091	8.64	0.21
Class B3	461,695	1	(4,386)	439,874	(14,999)	882,185	9.47	(0.21)
Class C1	-	5	(1,621)	3,247,448	(197,404)	3,048,428	9.39	(0.61)
Class C2	482,689	86,709	(56,718)	4,947,567	(286,816)	5,173,431	8.69	(0.84)
Class E09	113,925	-	-	(124,450)	10,525	-	-	0.91
Class E10	267,286	-	(3,250)	(288,697)	24,661	-	-	0.92
Class E11	2,683,017	-	-	(2,932,365)	249,348	-	-	0.93
Class E12	1,850,732	-	(8,075)	(2,015,202)	172,545	-	-	0.70
Class E15	1,427,974	-	(205,370)	-	46,814	1,269,418	10.74	0.35
Class F	18,065,378	2,822,224	(3,528,684)	9,843,639	(106,391)	27,096,166	10.07	(0.05)
Class G01	6,395,917	6,327	(851,948)	(6,151,817)	601,521	-	-	0.88
Class G05	403,147	-	-	(439,874)	36,727	-	-	0.90
Class G09	8,738,285	235,873	(64,114)	(9,719,189)	809,145	-	-	0.89
Class G10	973,866	-	-	(1,064,229)	90,363	-	-	0.90
Class G11	1,733,125	-	-	(1,894,522)	161,397	-	-	0.92
Class G15	10,735	-	(10,899)	-	164	-	-	0.16
<b>Total</b>	<b>214,268,054</b>	<b>7,969,990</b>	<b>(23,917,367)</b>	<b>-</b>	<b>5,184,050</b>	<b>203,504,727</b>	<b>N/A</b>	<b>N/A</b>

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

For the six-month period ended June 30, 2014

	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	198,337,219	9,662,343	(21,107,126)	13,786,624	200,679,060	9.80	0.65
Class B2	-	161,369	(221)	(10,197)	150,951	9.37	(0.63)
Class B3	476,242	-	-	36,053	512,295	10.25	0.72
Class C2	-	554,550	-	(19,998)	534,552	9.37	(0.38)
Class E09	128,250	-	-	9,649	137,899	10.90	0.76
Class E10	285,003	-	(890)	22,327	306,440	10.97	0.80
Class E11	5,300,406	-	(2,648,119)	322,485	2,974,772	11.14	0.66
Class E12	2,224,486	-	(242,241)	172,268	2,154,513	8.29	0.63
Class E15	2,156,429	-	(497,718)	165,227	1,823,938	11.54	0.92
Class F	22,642,995	2,584,101	(4,648,924)	1,746,934	22,325,106	10.90	0.84
Class G01	8,808,514	356,384	(505,026)	617,624	9,277,496	9.92	0.66
Class G05	757,486	-	(325,732)	51,019	482,773	10.97	1.09
Class G09	7,131,010	2,481,792	(1,316,956)	495,742	8,791,588	10.82	0.67
Class G10	1,005,547	-	-	75,560	1,081,107	10.82	0.76
Class G11	2,042,342	-	-	155,087	2,197,429	10.99	0.78
Class G15	410,720	-	(116,551)	32,971	327,140	11.80	0.95
<b>Total</b>	<b>251,706,649</b>	<b>15,800,539</b>	<b>(31,409,504)</b>	<b>17,659,375</b>	<b>253,757,059</b>	<b>N/A</b>	<b>N/A</b>

### Reclassification of Certain Classes

On March 27, 2015, all of the outstanding units of certain classes of the BMG Fund on that date were reclassified into certain other classes of the BMG Fund as noted below:

Classes reclassified	Total units of the classes reclassified	Value of the units reclassified	Classes reclassified into	New units issued of the classes reclassified into	Value of new units issued
Class E09	11,601	\$ 124,450	Class F	11,605	\$ 124,450
Class E10	26,701	\$ 288,697	Class C1	28,870	\$ 288,697
Class E11	267,120	\$ 2,932,365	Class C2	317,042	\$ 2,932,365
Class E12	246,373	\$ 2,015,202	Class C2	217,882	\$ 2,015,202
Class G01	634,626	\$ 6,151,817	Class A	642,936	\$ 6,151,817
Class G05	40,983	\$ 439,874	Class B3	43,606	\$ 439,874
Class G09	912,763	\$ 9,719,189	Class F	906,338	\$ 9,719,189
Class G10	99,897	\$ 1,064,229	Class C1	106,423	\$ 1,064,229
Class G11	175,000	\$ 1,894,522	Class C1	189,452	\$ 1,894,522

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

### 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 E15	0.50%
Class B2	1.49%	Class F	1.25%
Class B3	1.25%	Class G01	2.25%
Class C1	1.00%	Class G05	1.75%
Class C2	0.87%	Class G09	1.25%
Class E09	1.25%	Class G10	1.125%
Class E10	1.125%	Class G11	1.00%
Class E11	1.00%	Class G15	0.50%
Class E12	0.875%		

For the six months ended June 30, 2015, the BMG Fund incurred management fees of \$2,248,251 [2014: \$2,700,307].

For the six months ended June 30, 2015, the Manager absorbed Fund operating expenses of \$17,673 [2014: \$183,209]. The decision to reduce 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:

	2015	2014
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 \$887,633 during the first six months of 2015 [2014: \$1,070,897].

### 6. Income Tax Loss Carryforwards

The BMG Fund has non-capital loss carryforwards of approximately \$35,731,000 [2014: \$34,356,000] available to offset future years' taxable income.

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

Year	\$	Year	\$
2015	914,000	2031	5,556,000
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	1,375,000
2030	3,094,000		

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

### 7. Financial Risk Management

The BMG Fund's financial instruments consist primarily of cash, accounts receivable, subscriptions receivable, due from manager, 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, 2015, 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 \$10,135,767 [December 31, 2014: \$10,683,045] or 5% [December 31, 2014: 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, 2015, 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, 2015

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 377,851	\$ 377,851
Redemptions payable	-	155,311	155,311
Accounts payable and accrued liabilities	-	203,466	203,466
Redeemable units	203,504,727	-	203,504,727

#### December 31, 2014

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 411,453	\$ 411,453
Redemptions payable	-	138,934	138,934
Accounts payable and accrued liabilities	-	292,431	292,431
Redeemable units	214,268,054	-	214,268,054



## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

### Interest Rate Risk

The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at June 30, 2015 and December 31, 2014. 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 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 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, 2015, 99.7% [December 31, 2014: 99.8%] 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 \$2,029,080 [December 31, 2014: \$2,138,304].

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

June 30, 2015

Description	US \$	Canada \$	Total \$
Cash	223,380	632,564	855,944
Investments in bullion	202,715,335	-	202,715,335
Other Net Assets	(30,763)	(35,789)	(66,552)
<b>Net Assets</b>	<b>202,907,952</b>	<b>596,775</b>	<b>203,504,727</b>
<b>Percent</b>	<b>99.7%</b>	<b>0.3%</b>	<b>100.0%</b>

December 31, 2014

Description	US \$	Canada \$	Total \$
Cash	238,730	748,091	986,821
Investments in bullion	213,660,897	-	213,660,897
Other Net Assets	(69,262)	(310,402)	(379,664)
<b>Net Assets</b>	<b>213,830,365</b>	<b>437,689</b>	<b>214,268,054</b>
<b>Percent</b>	<b>99.8%</b>	<b>0.2%</b>	<b>100.0%</b>

## NOTES TO FINANCIAL STATEMENTS *(continued)*

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(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, accounts receivable, due from manager, 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, 2015 and 2014. In addition, there were no investments or transactions classified in Level 3 for the six months ended June 30, 2015 and 2014.

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").

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