

BMG BULLIONFUND

SEMI-ANNUAL REPORT

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019



BMG BullionFund

Semi-Annual Financial Statements

For the six-month period ended June 30, 2019 (unaudited)



**B M G
M A N A G E M E N T
S E R V I C E S I N C .**

A BMG Company

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STATEMENTS OF FINANCIAL POSITION

As at June 30, 2019 and December 31, 2018

(Unaudited)

	2019 \$	2018 \$
ASSETS		
Current assets		
Cash	485,872	966,978
Investments in bullion [Average cost \$76,131,916; December 2018 - \$85,680,010]	102,863,713	116,891,915
Subscriptions receivable	-	118,745
Due from broker	182,999	-
Total assets	103,532,584	117,977,638
LIABILITIES		
Current liabilities		
Management fees payable	181,975	204,108
Redemptions payable	153,213	433,907
Distributions payable	-	18,397
Accounts payable and accrued liabilities	161,907	173,776
Total liabilities (excluding net assets attributable to holders of redeemable units)	497,095	830,188
Net assets attributable to holders of redeemable units	103,035,489	117,147,450
Net assets attributable to holders of redeemable units per class (Note 3)		
Class A	73,978,676	87,069,366
Class B2	1,271,152	1,295,190
Class B3	788,779	961,809
Class C1	1,178,017	1,603,123
Class C2	4,844,652	4,618,109
Class D	1,300,538	238,253
Class E15	899,640	907,286
Class F	18,774,035	20,454,314
	103,035,489	117,147,450

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 BullionFund



Nick Barisheff
Director



Marty Nicandro
Director

STATEMENTS OF COMPREHENSIVE LOSS

For the six-month periods ended June 30

(Unaudited)

	2019 \$	2018 \$
INVESTMENT INCOME		
Net unrealized losses on investments in bullion	(4,480,108)	(4,619,693)
Net realized gains on investments in bullion	4,750,717	5,272,426
Foreign exchange gains (losses)	(5,326)	7,140
Early redemption fees	60	126
Other	2,635	1,601
Total investment income	267,978	661,600
EXPENSES		
Management fees (Note 4)	1,060,456	1,378,231
Security holder reporting costs	213,580	253,400
Bullion storage fees	55,803	71,305
Services tax	129,214	160,026
Other administrative expenses	12,670	14,480
Legal fees	9,955	9,955
Audit fees	19,005	19,005
Filing fees	15,385	15,385
Independent Review Committee fees	11,946	12,851
Total expenses	1,528,014	1,934,638
Decrease in net assets attributable to holders of redeemable units	(1,260,036)	(1,273,038)
Decrease in net assets attributable to holders of redeemable units per class (Note 3)		
Class A	(1,089,847)	(1,090,089)
Class B2	(9,106)	(11,206)
Class B3	(7,893)	(6,296)
Class C1	(15,295)	(7,558)
Class C2	(13,877)	(35,091)
Class D	9,489	(3,626)
Class E15	(1,861)	(2,693)
Class F	(131,646)	(116,479)
	(1,260,036)	(1,273,038)

See accompanying notes.

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

For the six-month periods ended June 30

(Unaudited)

	2019 \$	2018 \$
Net assets attributable to holders of redeemable units, beginning of period	117,147,450	143,980,745
Issue of redeemable units	3,780,422	3,312,542
Redemption of redeemable units	(16,632,347)	(17,434,778)
Decrease in net assets attributable to holders of redeemable units	(1,260,036)	(1,273,038)
Net assets attributable to holders of redeemable units, end of period	103,035,489	128,585,471

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30

(Unaudited)

	2019 \$	2018 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable units	(1,260,036)	(1,273,038)
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities		
Purchases of investments in bullion	(260,000)	-
Proceeds from sales of investments in bullion	14,558,811	16,025,364
Net realized gains on investments in bullion	(4,750,717)	(5,272,426)
Net unrealized losses on investments in bullion	4,480,108	4,619,693
Net changes in non-cash operating balances:		
Increase in due from broker	(182,999)	-
Decrease in management fees payable	(22,133)	(28,100)
Decrease in distribution payable	(18,397)	-
Decrease in accounts payable and accrued liabilities	(11,869)	(6,772)
Net cash provided by operating activities	12,532,768	14,064,721
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of redeemable units	3,780,422	3,312,542
Decrease in subscriptions receivable	118,745	36,034
Amounts paid on redemption of redeemable units	(16,632,347)	(17,434,778)
Increase (decrease) in redemptions payable	(280,694)	212,490
Net cash used in financing activities	(13,013,874)	(13,873,712)
Net increase (decrease) in cash during the period	(481,106)	191,009
Cash, beginning of period	966,978	698,827
Cash, end of period	485,872	889,836

See accompanying notes.

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2019

(Unaudited)

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	30,260.916	391.796	30,652.712	31,232,803	56,437,960	54.6
Platinum Bullion	10,339.816	141.808	10,481.624	15,412,792	11,204,364	10.8
Silver Bullion	1,749,026.992	21,900.763	1,770,927.755	29,486,321	35,221,389	34.1
Cash				487,852	485,872	0.5
Total Investment				76,619,768	103,349,585	100.0

The BMG Fund's bullion is 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. BMG Management Services Inc. (the "Manager") is the trustee and manager of the BMG Fund. The BMG Fund currently offers eight classes of units. These financial statements pertain to Class A, Class B2, Class B3, Class C1, Class C2, Class D, 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 D	January 16, 2018
Class B3	November 11, 2013	Class E15	February 20, 2008
Class C1	March 27, 2015	Class F	September 15, 2004

The BMG Fund is also authorized to issue Class G and Class I 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 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, 2019 (and comparative results for the six-month period ended June 30, 2018) 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 2018 Annual Report.

The interim financial statements were authorized for issue by the Board of Directors on August 19, 2018.

The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments in bullion 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.

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

- Financial assets at amortized cost: Cash and due from broker.
- Financial liabilities at amortized cost and designated as other financial liabilities: Accounts payable and accrued liabilities, redemptions payable, and management fees payable.

(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. Transaction costs for such instruments are recognized directly in the Statement of Comprehensive Income (Loss) as incurred. Financial assets classified at amortized cost 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 net assets.

Realized gains and losses on investments in bullion are recognized in the Statements of Comprehensive Income (Loss). 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 (Loss). 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

(Unaudited)

(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 held at the Statements of Financial Position date is shown as “Net unrealized gains (losses) on investments in bullion.”

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

(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, such as management fees, 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 monetary 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 Loss.

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.

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 income tax 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

Effective January 1, 2018, the BMG Fund adopted IFRS 9, Financial Instruments ("IFRS 9"). The new standard requires financial assets to be classified into one of three categories: carried at amortized cost, carried at fair value with changes recognized in profit or loss, or carried at fair value with changes through other comprehensive income. The classification is based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

The classification and measurement of financial liabilities remains generally unchanged, with the exception of financial liabilities recorded at fair value through profit or loss, where fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income, unless they affect amounts recorded in income.

Upon adoption of the new standard, the classification of loans and receivables no longer exists, and all financial assets classified as loans and receivables, including cash and subscription receivables, have been classified as financial assets at amortized cost. The Company's investments in bullion continue to be classified as fair value through profit or loss. The Company's financial liabilities also continue to be classified as financial liabilities at amortized cost.

Under the transitional provisions, management has opted to retain prior figures as reported under the previous standards, recognizing the cumulative effect, if any, of applying IFRS 9 as an adjustment to the opening balance of net assets attributable to holders of redeemable units as at the date of initial application.

The impact of applying IFRS 9, including the adoption of the 'expected loss' impairment model, was determined to be insignificant. Accordingly, no adjustments were considered necessary to these interim financial statements as a result of adopting IFRS 9 with an effective date of January 1, 2018.

Effective January 1, 2019, the BMG Fund adopted IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ["IFRIC 23"], which clarifies the accounting treatment used to reflect uncertainty in the recognition and measurement of income taxes. IFRIC 23 specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

- How an entity considers changes in facts and circumstances

The BMG Fund has considered the impact of IFRIC 23 on the recognition and measurement of uncertainties over income tax treatments across the jurisdictions in which it operates and has determined that there is no cumulative effect to opening deficit or other appropriate components of equity upon adoption.

3. Redeemable Units

Each unit of each class of the BMG Fund represents an interest in the net 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.

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

	Class A		Class B2	
	2019	2018	2019	2018
Balance - beginning of period	9,965,128	12,509,611	149,096	152,003
Issued	155,987	169,839	702	1,366
Redeemed	(1,558,075)	(1,479,058)	(2,426)	(3,612)
Balance - end of period	8,563,040	11,200,392	147,372	149,757
Average units outstanding	9,294,106	11,842,880	147,668	150,535

	Class B3		Class C1	
	2019	2018	2019	2018
Balance - beginning of period	99,899	99,674	166,391	132,398
Issued	-	1,146	-	-
Redeemed	(17,474)	(1,575)	(43,588)	-
Balance - end of period	82,425	99,245	122,803	132,398
Average units outstanding	93,351	99,101	151,936	132,398

	Class C2		Class D	
	2019	2018	2019	2018
Balance - beginning of period	517,230	525,509	24,164	-
Issued	54,265	23,411	110,613	11,308
Redeemed	(26,706)	-	(1,904)	-
Balance - end of period	544,789	548,920	132,873	11,308
Average units outstanding	532,144	538,702	96,195	3,904

	Class E15		Class F	
	2019	2018	2019	2018
Balance - beginning of period	80,994	85,630	2,003,994	2,446,780
Issued	-	-	87,492	138,945
Redeemed	(526)	(2,338)	(241,344)	(399,954)
Balance - end of period	80,468	83,292	1,850,142	2,185,771
Average units outstanding	80,752	85,332	1,960,720	2,329,021

NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

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

For the six-month period ended June 30, 2019

	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	87,069,366	1,349,067	(13,349,910)	(1,089,847)	73,978,676	8.64	(0.12)
Class B2	1,295,190	6,000	(20,932)	(9,106)	1,271,152	8.63	(0.06)
Class B3	961,809	-	(165,137)	(7,893)	788,779	9.57	(0.08)
Class C1	1,603,123	-	(409,811)	(15,295)	1,178,017	9.59	(0.10)
Class C2	4,618,109	474,466	(234,046)	(13,877)	4,844,652	8.89	(0.03)
Class D	238,253	1,071,227	(18,431)	9,489	1,300,538	9.79	0.10
Class E15	907,286	-	(5,785)	(1,861)	899,640	11.18	(0.02)
Class F	20,454,314	879,663	(2,428,296)	(131,646)	18,774,035	10.15	(0.07)
Total	117,147,450	3,780,423	(16,632,348)	(1,260,036)	103,035,489	N/A	N/A

For the six-month period ended June 30, 2018

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	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	Decrease in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	109,986,267	1,522,355	(13,218,447)	(1,090,089)	97,200,086	8.68	(0.09)
Class B2	1,317,577	12,068	(31,797)	(11,206)	1,286,642	8.59	(0.07)
Class B3	954,418	11,000	(15,664)	(6,296)	943,458	9.51	(0.06)
Class C1	1,265,459	-	-	(7,558)	1,257,901	9.50	(0.06)
Class C2	4,652,872	214,329	-	(35,091)	4,832,110	8.80	(0.07)
Class D	-	113,944	-	(3,626)	110,318	9.76	(0.93)
Class E15	947,258	-	(26,600)	(2,693)	917,965	11.02	(0.03)
Class F	24,856,894	1,438,846	(4,142,270)	(116,479)	22,036,991	10.08	(0.05)
Total	143,980,745	3,312,542	(17,434,778)	(1,273,038)	128,585,471	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 D	1.50%
Class B3	1.25%	Class E15	0.50%
Class C1	1.00%	Class F	1.25%

For the six months ended June 30, 2019, the BMG Fund incurred management fees of \$1,060,456 [2018: \$1,378,231].

Holdings of Related Party

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

	2019	2018
Class A	-	1
Class D	-	100

NOTES TO FINANCIAL STATEMENTS *(continued)*

(Unaudited)

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. A discount dealer may charge a fee at the time an investor buys class D units.

The Manager paid trailer fees to dealers of \$372,095 during the first six months of 2019 [2018: \$528,233].

6. Income Tax Loss Carryforwards

As at December 31, 2018, the BMG Fund had no capital or non-capital losses available to offset future years' taxable income.

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, 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, 2019, 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 \$5,143,186 [December 31, 2018: \$5,844,596].

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, 2019, 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.

NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

June 30, 2019

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 181,975	\$ 181,975
Redemptions payable	-	153,213	153,213
Accounts payable and accrued liabilities	-	161,907	161,907
Redeemable units	103,035,489	-	103,035,489

December 31, 2018

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 204,108	\$ 204,108
Redemptions payable	-	433,907	433,907
Distributions payable	-	18,397	18,397
Accounts payable and accrued liabilities	-	173,776	173,776
Redeemable units	117,147,450	-	117,147,450

Interest Rate Risk

The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at June 30, 2019 and December 31, 2018. 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, 2019, 99.9% [December 31, 2018: 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 \$1,029,343 [December 31, 2018: \$1,169,300].

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, 2019

Description	US \$	Canada \$	Total \$
Cash	78,107	407,765	485,872
Investments in bullion	102,863,713	-	102,863,713
Other Net Assets	(7,517)	(306,579)	(314,096)
Net Assets	102,934,303	101,186	103,035,489
Percent	99.9%	0.1%	100.0%

December 31, 2018

Description	US \$	Canada \$	Total \$
Cash	48,622	918,356	966,978
Investments in bullion	116,891,915	-	116,891,915
Other Net Assets	(10,580)	(700,863)	(711,443)
Net Assets	116,929,957	217,493	117,147,450
Percent	99.8%	0.2%	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, 2019 and 2018. In addition, there were no investments or transactions classified in Level 3 for the six months ended June 30, 2019 and 2018.



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