

BMG SILVER BULLIONFUND

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020



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BMG Silver BullionFund

Annual Financial Statements

For the years ended December 31, 2020 and 2019



BMG
MANAGEMENT
SERVICES INC.
A BMG Company

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of BMG Silver 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.

RSM 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



Marty Nicandro
VP & General Manager
Director

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of BMG Silver BullionFund

Opinion

We have audited the financial statements of BMG Silver BullionFund, (the "Fund"), which comprise the statements of financial position as at December 31, 2020 and 2019 and the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

THE POWER OF BEING UNDERSTOOD

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In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 26, 2021
Toronto, Ontario

STATEMENTS OF FINANCIAL POSITION

As at December 31

	2020	2019
	\$	\$
ASSETS		
Current assets		
Cash	214,367	109,375
Investments in silver bullion [Average cost \$13,751,743; December 2019 - \$10,576,793]	19,742,474	11,522,024
Subscriptions receivable	4,700	3,200
Due from Manager (Note 4)	21,846	44,830
Total assets	19,983,387	11,679,429
LIABILITIES		
Current liabilities		
Management fees payable	16,636	8,507
Redemptions payable	1,000	36,505
Accounts payable and accrued liabilities	56,549	26,889
Total liabilities (excluding net assets attributable to holders of redeemable units)	74,185	71,901
Net assets attributable to holders of redeemable units	19,909,202	11,607,528
Net assets attributable to holders of redeemable units per class (Note 3)		
Class A	6,047,164	3,342,947
Class D	3,281,988	852,232
Class F	637,889	335,932
Class I	9,942,161	7,076,417
	19,909,202	11,607,528

See accompanying notes.

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



Nick Barisheff
Director



Marty Nicandro
Director

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

	2020 \$	2019 \$
INVESTMENT INCOME		
Change in net unrealized gains on investments in silver bullion	5,045,500	1,281,933
Net realized losses on investments in silver bullion	317,488	(28,149)
Net foreign exchange gains (losses)	(4,180)	(360)
Other income	8,078	-
Total investment loss	5,366,866	1,253,424
EXPENSES		
Management fees (Note 4)	131,897	87,286
Security holder reporting costs	73,200	71,770
Bullion storage fees	22,351	14,165
Services tax	26,593	20,274
Other administrative expenses	7,365	6,235
Legal fees	14,640	10,040
Audit fees	12,810	12,775
Filing fees	30,541	27,913
Independent Review Committee fees	767	306
Total expenses	320,164	250,764
Expenses absorbed by Manager (Note 4)	(21,846)	(44,830)
Total expenses after absorption	298,318	205,934
Increase/(decrease) in net assets attributable to holders of redeemable units	5,068,568	1,047,490
Increase/(decrease) in net assets attributable to holders of redeemable units per class (note 3)		
Class A	1,416,117	205,345
Class D	632,367	39,606
Class F	154,340	26,192
Class I	2,865,744	776,347
	5,068,568	1,047,490

See accompanying notes.

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

For the years ended December 31

	2020 \$	2019 \$
Net assets attributable to holders of redeemable units, beginning of period	11,607,528	4,454,204
Issue of redeemable units	5,306,695	7,549,077
Redemption of redeemable units	(2,073,589)	(1,443,243)
Increase/(decrease) in net assets attributable to holders of redeemable units	5,068,568	1,047,490
Net assets attributable to holders of redeemable units, end of period	19,909,202	11,607,528

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the years ended December 31

	2020 \$	2019 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Decrease in net assets attributable to holders of redeemable units	5,068,568	1,047,490
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities		
Purchase of investments in silver bullion	(4,281,000)	(6,902,000)
Proceeds from sales of investments in silver bullion	1,423,538	1,008,821
Net realized losses on investments in silver bullion	(317,488)	28,149
Change in net unrealized (gains)/losses on investments in silver bullion	(5,045,500)	(1,281,933)
Net changes in non-cash operating balances:		
Increase in due from Manager	22,984	8,757
Increase/(decrease) in management fees payable	8,129	562
Decrease in due to broker	-	36,505
Increase in accounts payable and accrued liabilities	29,660	(9,613)
Net cash provided by (used in) operating activities	(3,091,109)	(6,063,262)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of redeemable units	5,163,003	7,549,077
(Increase) decrease in subscriptions receivable	(1,500)	(3,200)
Amounts paid on redemption of redeemable units	(1,929,897)	(1,443,243)
Increase (decrease) in redemptions payable	(35,505)	-
Net cash provided by (used in) financing activities	3,196,101	6,102,634
Net increase in cash during the period	104,992	39,372
Cash, beginning of period	109,375	70,003
Cash, end of period	214,367	109,375

See accompanying notes.

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Silver Bullion	581,161.569	7,341.388	588,502.957	13,751,743	19,742,474	99.2
Net Investment				13,751,743	19,742,474	99.2
Cash and Other Assets Less Liabilities					166,728	0.8
Net assets attributable to holders of redeemable units					19,909,202	100.0

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

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

The BMG Fund's silver 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 Silver BullionFund (the “BMG Fund”) was established under the laws of Ontario by a Master Declaration of Trust and Regulation each dated September 21, 2016, as amended. The BMG Fund commenced operation on September 26, 2016. 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 four classes of units.

The classes were first started on the following dates:

Class A	September 26, 2016	Class F	September 26, 2016
Class D	January 16, 2018	Class I	February 27, 2019

All classes share the same attributes from a valuation perspective, except that they are subject to different management fee rates.

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

The BMG Fund has been closely monitoring developments related to COVID-19, including the existing and potential effect on global and local economies, and has implemented its business continuity plan, thus ensuring minimal interruption to the business. Governments worldwide have put various measures in place to contain the spread of the virus; these have directly and indirectly affected many businesses. During the reporting period, pandemic did not have a significant adverse impact on the Fund’s financial statements as the fair value of investments had appreciated. The longer-term effects of the COVID-19 situation will depend on future developments that are highly uncertain, rapidly evolving and difficult to predict. These effects may differ in magnitude depending on a number of scenarios, which the BMG Fund continues to monitor and take into consideration.

The financial statements were authorized for issue by the Board of Directors on March 25, 2021.

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

New Standards, Interpretations and Amendments effective January 1, 2020

The IASB has made amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

NOTES TO FINANCIAL STATEMENTS *(continued)*

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

This standard did not have a significant impact on the financial statements of the BMG Fund.

Financial Instruments

(a) Classification

The BMG Fund classifies its investments in silver bullion based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The performance of the investments in silver bullion is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. As such, the BMG Fund classifies its investments in silver bullion at fair value through profit or loss.

The Funds’ obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

(b) Recognition/derecognition

Purchases and sales of investments in silver 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 Statements of Comprehensive 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 silver bullion are recognized as “Net realized losses on investments in silver bullion” in the Statements of Comprehensive Income. Costs of investments in silver 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 as “Change in net unrealized gains on investments in silver bullion” 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, if any, is determined using a valuation technique, or sourced from a reputable broker/counterparty.

NOTES TO FINANCIAL STATEMENTS *(continued)*

(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 silver bullion is priced based on the available spot price. The difference between the silver bullion spot price and the average cost of the investment in silver bullion held at the Statements of Financial Position date is shown as “Change in net unrealized gains on investments in silver 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	Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the BMG Fund can access at the measurement date
Level 2	Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Inputs are unobservable inputs for the asset or liability

Fair value of investments in silver 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 monetary 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.

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)*

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.

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 after December 31, 2020 that have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after December 31, 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the BMG Fund.

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 D	
	2020	2019	2020	2019
Balance - beginning of year	415,405	469,731	81,693	33,883
Issued	209,867	57,329	212,722	78,797
Redeemed	(79,788)	(111,655)	(67,699)	(30,987)
Balance - end of year	545,484	415,405	226,716	81,693
Average units outstanding	462,947	436,910	150,978	54,067

	Class F		Class I	
	2020	2019	2020	2019
Balance - beginning of year	40,288	76,429	641,045	-
Issued	51,309	4,166	-	641,145
Redeemed	(36,657)	(40,307)	-	(100)
Balance - end of year	54,940	40,288	641,045	641,045
Average units outstanding	49,122	58,122	641,045	599,448

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

For the year ended December 31, 2020

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period	Net assets attributable to holders of redeemable units per unit	Increase in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	3,342,947	2,096,379	(808,279)	1,416,117	6,047,164	11.09	3.06
Class D	852,232	2,708,298	(910,909)	632,367	3,281,988	14.48	4.19
Class F	335,932	502,018	(354,401)	154,340	637,889	11.61	3.14
Class I	7,076,417	-	-	2,865,744	9,942,161	15.51	4.47
Total	11,607,528	5,306,695	(2,073,589)	5,068,568	19,909,202	N/A	N/A

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended December 31, 2019

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period	Net assets attributable to holders of redeemable units per unit	Increase in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	3,536,325	433,101	(831,824)	205,345	3,342,947	8.05	0.47
Class D	328,199	781,791	(297,364)	39,606	852,232	10.43	0.73
Class F	589,680	33,185	(313,125)	26,192	335,932	8.34	0.45
Class I	-	6,301,000	(930)	776,347	7,076,417	11.04	1.30
Total	4,454,204	7,549,077	(1,443,243)	1,047,490	11,607,528	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 D	1.50%
Class F	1.25%
Class I	0.00%

For the year ended December 31, 2020, the BMG Fund incurred management fees of \$131,897 (2019: \$87,286).

For the year ended December 31, 2020, the Manager absorbed the BMG Fund operating expenses of \$21,846 (2019: \$44,830). The decision to reduce expenses is made at the discretion of the Manager and may be changed at any time.

Holdings of Related Party

The Manager did not hold any units of funds on December 31, 2020 and 2019.

5. Sales Commission

A sales commission may be charged by a registered dealer or representative at the time an investor buys Class A units or Class B units of the BMG Fund. The maximum amount of the sales commission for Classes A and B is 5.26% of the net amount invested. The sales commission is only negotiable for Classes A and B. No sales commission is currently charged for the Class F 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 \$43,863 in 2020 [2019: \$31,978].

NOTES TO FINANCIAL STATEMENTS (continued)

6. Income Tax Loss Carryforwards

As at December 31, 2020, the BMG Fund had no 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.

As at December 31, 2020, the BMG Fund has no capital loss carryforwards [December 31, 2019: \$0] available to offset future years' taxable income.

7. Financial Risk Management

The BMG Fund's financial instruments consist primarily of cash, subscriptions receivable, due from Manager, investments in silver bullion, management fees payable, redemptions payable, due to broker, and accounts payable and accrued liabilities. The BMG Fund's cash and silver 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.

Liquidity Risk

Liquidity risk is the risk that a fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. 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, silver 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.

December 31, 2020

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 16,636	\$ 16,636
Redemptions payable	-	1,000	1,000
Accounts payable and accrued liabilities	-	56,549	56,549
Redeemable units	19,909,202	-	19,909,202

December 31, 2019

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 8,507	\$ 8,507
Redemptions payable	-	36,505	36,505
Accounts payable and accrued liabilities	-	26,889	26,889
Redeemable units	11,607,528	-	11,607,528

NOTES TO FINANCIAL STATEMENTS (continued)

Interest Rate Risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at December 31, 2020 and December 31, 2019. Accordingly, the BMG Fund is not directly exposed to significant risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

Foreign currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. Silver 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 silver 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, 2020, 99.3% [December 31, 2019: 99.3%] 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 \$197,704 [December 31, 2019: \$115,302].

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, 2020

Description	US \$	Canada \$	Total \$
Cash	27,920	186,447	214,367
Investments in silver bullion	19,742,474	-	19,742,474
Other Net Assets	-	(47,639)	(47,639)
Net Assets	19,770,394	138,808	19,909,202
Percent	99.3%	0.7%	100.0%

December 31, 2019

Description	US \$	Canada \$	Total \$
Cash	10,215	99,160	109,375
Investments in silver bullion	11,522,024	-	11,522,024
Other Net Assets	(2,002)	(21,869)	(23,871)
Net Assets	11,530,237	77,291	11,607,528
Percent	99.3%	0.7%	100.0%

NOTES TO FINANCIAL STATEMENTS *(continued)*

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 Manager, accounts payable and accrued liabilities, 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 their fair value requires the use of significant unobservable inputs, in which case they are classified as Level 3.

There were no transfers between levels for the period ended December 31, 2020 and 2019. In addition, there were no investments or transactions classified in Level 3 for the period ended December 31, 2020 and 2019.



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

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