

BMG GOLD BULLIONFUND

SEMI-ANNUAL REPORT

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021



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BMG Gold BullionFund

Semi-Annual Financial Statements

For the six months period ended June 30, 2021 and 2020 (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

STATEMENTS OF FINANCIAL POSITION

As at June 30, 2021 and December 31, 2020

(Unaudited)

	2021 \$	2020 \$
ASSETS		
Current assets		
Cash	594,194	-
Investments in gold bullion [Average cost \$77,840,292; December 2020 - \$80,695,719]	102,719,738	118,246,774
Subscriptions receivable	3,100	703,450
Total assets	103,317,032	118,950,224
LIABILITIES		
Current liabilities		
Cash Overdraft	-	1,250
Management fees payable	141,847	163,487
Redemptions payable	52,233	31,510
Accounts payable and accrued liabilities	219,551	224,163
Total liabilities (excluding net assets attributable to holders of redeemable units)	413,631	420,410
Net assets attributable to holders of redeemable units	102,903,401	118,529,814
Net assets attributable to holders of redeemable units per class (Note 3)		
Class A	52,817,225	62,376,115
Class B3	144,081	160,567
Class C2	479,835	1,035,438
Class C3	3,780,181	4,225,700
Class D	4,735,250	5,124,712
Class F	13,991,893	16,399,239
Class G09	2,129,302	2,571,753
Class I	23,654,211	25,306,810
Class S1	1,147,693	1,295,328
Class S2	23,730	34,152
	102,903,401	118,529,814

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

See accompanying notes.

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



Nick Barisheff
Director



Marty Nicandro
Director

STATEMENTS OF COMPREHENSIVE INCOME

For the six-month periods ended June 30
(Unaudited)

	2021 \$	2020 \$
INVESTMENT INCOME		
Change in net unrealized (losses) gains on investments in gold bullion	(12,671,609)	19,943,126
Net realized gains on investments in gold bullion	1,528,571	920,882
Net Foreign exchange (losses) gains	(15,094)	4,239
Other Income	2,072	12,963
Total investment income	(11,156,060)	20,881,210
EXPENSES		
MANAGEMENT FEES (NOTE 4)	796,408	830,609
Security holder reporting costs	139,370	140,140
Bullion storage fees	41,177	41,667
Services tax	112,320	116,533
Other administrative expenses	10,878	10,965
Legal fees	13,575	13,650
Audit fees	12,851	12,922
Filing fees	13,756	13,832
Independent Review Committee fees	3,077	3,094
Total expenses	1,143,412	1,183,412
(Decrease) Increase in net assets attributable to holders of redeemable units	(12,299,472)	19,697,798
(Decrease) Increase in net assets attributable to holders of redeemable units (Note 3)		
Class A	(6,658,769)	10,631,863
Class B3	(16,486)	27,765
Class C2	(84,982)	88,254
Class C3	(424,064)	608,577
Class D	(557,165)	596,395
Class F	(1,649,222)	2,716,607
Class G09	(256,490)	397,232
Class I	(2,520,890)	4,389,316
Class S1	(128,482)	235,849
Class S2	(2,922)	5,940
	(12,299,472)	19,697,798

See accompanying notes.

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

For the six-month periods ended June 30
(Unaudited)

	2021 \$	2020 \$
Net assets attributable to holders of redeemable units, beginning of period	118,529,814	95,582,303
Issue of redeemable units	4,962,724	13,476,696
Redemption of redeemable units	(8,289,665)	(8,612,382)
(Decrease) Increase in net assets attributable to holders of redeemable units	(12,299,472)	19,697,798
Net assets attributable to holders of redeemable units, end of period	102,903,401	120,144,415

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30
(Unaudited)

	2021 \$	2020 \$
CASH FLOW FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets attributable to holders of redeemable units	(12,299,472)	19,697,798
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities		
Purchase of investments in gold bullion	(1,447,414)	(6,856,460)
Proceeds from sales of investments in gold bullion	5,831,412	3,365,188
Net realized gains on investments in gold bullion	(1,528,571)	(920,882)
Change in net unrealized losses (gains) on investments in gold bullion	12,671,609	(19,943,126)
Net changes in non-cash operating balances:		
(Decrease) increase in management fees payable	(21,640)	19,042
(Decrease) increase in accounts payable and accrued liabilities	(4,612)	27,835
Net cash used in operating activities	3,201,312	(4,610,605)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of redeemable units	4,317,776	13,476,696
(Increase) decrease in subscriptions receivable	700,350	(128,701)
Amounts paid on redemption of redeemable units	(7,644,717)	(8,612,382)
Decrease in redemptions payable	20,723	(19,001)
Net cash provided by financing activities	(2,605,868)	4,716,612
Net increase (decrease) in cash during the period	595,444	106,007
Cash, beginning of period	(1,250)	673,762
Cash, end of period	594,194	779,769

See accompanying notes.

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2021

(Unaudited)

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	47,032.678	15.135	47,047.813	77,840,292	102,719,738	99.8
Net Investment				77,840,292	102,719,738	99.8
Cash and Other Assets Less Liabilities					183,663	0.2
Net assets attributable to holders of redeemable units					102,903,401	100.0

As at December 31, 2020

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	48,218.196	810.086	49,028.282	80,695,719	118,246,774	99.8
Net Investment				80,695,719	118,246,774	99.8
Cash and Other Assets Less Liabilities					283,040	0.2
Net assets attributable to holders of redeemable units					118,529,814	100.0

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

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

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

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Formation of the Fund

BMG Gold BullionFund (the “BMG Fund”) was established under the laws of Ontario by a Master Declaration of Trust and Regulation each dated September 4, 2009, as amended. The address of the BMG Fund’s registered office is: 280-60 Renfrew Drive, Markham, ON, L3R 0E1. BMG Management Services Inc. (the “Manager”) is the trustee and manager of the BMG Fund. The BMG Fund currently offers ten classes of units.

The classes were first offered on the following dates:

Class A	September 4, 2009	Class F	January 18, 2010
Class B3	March 27, 2015	Class G09	June 10, 2010
Class C2	March 27, 2018	Class I	April 04, 2018
Class C3	March 12, 2014	Class S1	November 9, 2010
Class D	January 16, 2018	Class S2	November 9, 2010

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 gold bullion, with the objective of providing a secure, convenient, low-cost alternative for investors seeking to hold gold bullion for capital preservation, long-term appreciation, portfolio diversification and portfolio hedging purposes. The BMG Fund’s fixed investment strategy avoids the need for a portfolio manager.

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. 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 interim financial statements were authorized for issue by the Board of Directors on **August 17, 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 interim financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) including International Accounting Standards (“IAS”) 34: *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”).

The Statements of Financial Position are as at June 30, 2021 and December 31, 2020, and the Statements of Comprehensive Income (Loss), Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows are for the six-month periods ended June 30, 2021 and 2020. The Schedule of Investment Portfolio is as at June 30, 2021. Throughout this document, reference to the periods refers to the reporting periods described above. These interim financial statements should be read in conjunction with the annual financial statements contained in the BMG Fund’s 2020 Annual Report.

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

Realized gains and losses on investments in gold bullion are recognized as "Net realized gains on investments in gold bullion" in the Statements of Comprehensive Income. Costs of investments in gold bullion are determined on an average cost basis.

(c) Subsequent measurement

Subsequent to initial recognition, the BMG Fund measures all financial instruments classified at fair value through profit or loss at fair value, with changes in the fair value recognized as "Change in net unrealized gains on investments in gold 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.

(d) Fair value measurement

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

The value of gold bullion is priced based on available spot prices. The difference between the gold bullion spot price and the average cost is shown as "Change in net unrealized gains on investments in gold 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 gold bullion is classified at Level 1 within the fair value hierarchy.

Income and Expense Recognition

The BMG Fund follows the daily accrual method of recording investment income and expenses. Expenses, 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 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 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.

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.

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. The COVID-19 pandemic has had a positive effect on the price of gold, which has resulted in the appreciation of the fair value of investments during the current reporting period. 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.

New Standards, Interpretations and Amendments effective January 1, 2021

The BMG Fund did not have to change its accounting policies or make retrospective adjustments for new or amended standards that are applicable for the current reporting period.

New Standards, Interpretations and Amendments effective after June 30, 2021 that have not been early adopted

No new standards and interpretations that are effective after June 30, 2021, have been early adopted in preparing these interim financial statements. None of these are expected to have a material effect on the interim 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.

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

	Class A		Class B3	
	2021	2020	2021	2020
Balance - beginning of period	9,415,664	9,594,728	11,210	11,210
Issued	265,794	759,435	-	-
Redeemed	(743,257)	(738,255)	-	-
Balance - end of period	8,938,201	9,615,908	11,210	11,210
Average units outstanding	9,188,641	9,550,820	11,210	11,210
	Class C2		Class C3	
	2021	2020	2021	2020
Balance - beginning of period	77,665	37,223	295,493	236,536
Issued	4,213	2,827	-	25,666
Redeemed	(41,828)	-	(1,539)	(2,132)
Balance - end of period	40,050	40,050	293,954	260,070
Average units outstanding	71,796	38,948	294,198	251,172
	Class D		Class F	
	2021	2020	2021	2020
Balance - beginning of period	377,102	205,068	2,035,350	2,014,864
Issued	67,699	201,439	193,327	349,749
Redeemed	(55,748)	(58,157)	(292,257)	(320,760)
Balance - end of period	389,053	348,350	1,936,420	2,043,863
Average units outstanding	383,149	285,557	2,028,430	1,994,633
	Class G09		Class I	
	2021	2020	2021	2020
Balance - beginning of period	161,138	132,622	1,803,016	1,700,114
Issued	711	89,424	70,079	121,925
Redeemed	(13,168)	(33,577)	(6,876)	(17,375)
Balance - end of period	148,681	188,469	1,866,219	1,804,664
Average units outstanding	151,775	160,814	1,858,637	1,772,966
	Class S1		Class S2	
	2021	2020	2021	2020
Balance - beginning of period	91,196	96,950	2,500	2,500
Issued	-	-	-	-
Redeemed	(1,500)	(5,750)	(567)	-
Balance - end of period	89,696	91,200	1,933	2,500
Average units outstanding	90,323	93,403	1,993	2,500

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

For the six-month period ended June 30, 2021

	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	62,376,115	1,643,282	(4,543,403)	(6,658,769)	52,817,225	5.91	(0.72)
Class B3	160,567	-	-	(16,486)	144,081	12.85	(1.47)
Class C2	1,035,438	50,000	(520,621)	(84,982)	479,835	11.98	(1.18)
Class C3	4,225,700	-	(21,455)	(424,064)	3,780,181	12.86	(1.44)
Class D	5,124,712	862,333	(694,630)	(557,165)	4,735,250	12.17	(1.45)
Class F	16,399,239	1,439,178	(2,197,302)	(1,649,222)	13,991,893	7.23	(0.81)
Class G09	2,571,753	10,461	(196,422)	(256,490)	2,129,302	14.32	(1.69)
Class I	25,306,810	957,470	(89,179)	(2,520,890)	23,654,211	12.67	(1.36)
Class S1	1,295,328	-	(19,153)	(128,482)	1,147,693	12.80	(1.42)
Class S2	34,152	-	(7,500)	(2,922)	23,730	12.28	(1.47)
Total	118,529,814	4,962,724	(8,289,665)	(12,299,472)	102,903,401	N/A	N/A

For the six-month period ended June 30, 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	53,708,084	4,849,300	(4,603,161)	10,631,863	64,586,086	6.72	1.11
Class B3	134,060	-	-	27,765	161,825	14.44	2.48
Class C2	413,223	36,000	-	88,254	537,477	13.42	2.27
Class C3	2,811,996	350,000	(30,458)	608,577	3,740,115	14.38	2.42
Class D	2,335,905	2,609,418	(761,090)	596,395	4,780,628	13.72	2.09
Class F	13,571,503	2,736,008	(2,418,037)	2,716,607	16,606,081	8.12	1.36
Class G09	1,767,046	1,363,761	(496,797)	397,232	3,031,242	16.08	2.47
Class I	19,671,279	1,532,209	(226,643)	4,389,316	25,366,161	14.06	2.48
Class S1	1,140,781	-	(76,196)	235,849	1,300,434	14.26	2.53
Class S2	28,426	-	-	5,940	34,366	13.75	2.38
Total	95,582,303	13,476,696	(8,612,382)	19,697,798	120,144,415	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 F	1.25%
Class B3	1.25%	Class G09	1.25%
Class C2	0.87%	Class I	0.00%
Class C3	0.75%	Class S1	0.45%
Class D	1.50%	Class S2	0.95%

For the six-month period ended June 30, 2021, the BMG Fund incurred management fees of \$796,408 [2020: \$830,609].

Holdings of Related Party

The Manager did not hold any units of funds on June 30, 2021 and 2020.

5. Sales Commission

A sales commission may be charged by a registered dealer or representative at the time an investor buys Class A units, Class B units, Class G units or Class S units of the BMG Fund. The maximum amount of the sales commission for Classes A, B, and G is 5.26% of the net amount invested, and for Class S 5.82% of the net amount invested. The sales commission is only negotiable for Classes A, B and G. No sales commission is currently charged for the other classes of units of the BMG Fund.

The Manager paid trailer fees to dealers of \$274,201 during the first six months of 2021 [2020: \$293,572].

6. Income Tax Loss Carryforwards

As at December 31, 2020, 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, due from broker, investments in gold bullion, management fees payable, redemptions payable, and accounts payable and accrued liabilities. The BMG Fund's cash and gold bullion holdings are exposed to various types of risk, including market risk, credit risk, liquidity risk, interest rate risk and currency risk. These risks and related risk-management practices employed by the BMG Fund are described below.

Market Risk

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

As at June 30, 2021, the effect on the BMG Fund's net assets if there were a 5% increase or decrease in the price of gold bullion, with all other variables held constant, would be an increase, or decrease, of \$5,135,987 [December 31, 2020: \$5,912,339].

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at June 30, 2021 and December 31, 2020, the BMG Fund had no investments in debt instruments and/or derivatives. The BMG Fund limits its exposure to credit loss by placing its cash in high-credit-quality issuers. Dispositions of gold bullion, if any, are with a major Canadian chartered bank (or subsidiary thereof) that is a recognized dealer in bullion. The BMG Fund may have credit exposure to the Canadian chartered bank (or subsidiary thereof) to the extent of any unsettled trades.

Liquidity Risk

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

June 30, 2021

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 141,847	\$ 141,847
Redemptions payable	-	52,233	52,233
Accounts payable and accrued liabilities	-	219,551	219,551
Redeemable units	102,903,401	-	102,903,401

December 31, 2020

Financial liabilities	On demand	< 3 Months	Total
Cash overdraft	\$ 1,250	\$ -	\$ 1,250
Management fees payable	-	163,487	163,487
Redemptions payable	-	31,510	31,510
Accounts payable and accrued liabilities	-	224,163	224,163
Redeemable units	118,529,814	-	118,529,814

Interest Rate Risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market 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 June 30, 2021 and December 31, 2020. Accordingly, the BMG Fund is not 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. Gold bullion is generally quoted and traded in US dollars and, as a result, the BMG Fund is subject to foreign currency risk. The BMG Fund does not hedge its foreign currency exposure.

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

As at June 30, 2021, 100.0% [December 31, 2020: 100.0%;] 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 \$1,029,122 [December 31, 2020: \$1,184,885].

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, 2021

Description	US \$	Canada \$	Total \$
Cash	192,476	401,718	594,194
Investments in gold bullion	102,719,738	-	102,719,738
Other Net Assets	-	(410,531)	(410,531)
Net Assets	102,912,214	(8,813)	102,903,401
Percent	100.0%	0.0%	100.0%

December 31, 2020

Description	US \$	Canada \$	Total \$
Cash	241,770	(243,020)	(1,250)
Investments in gold bullion	118,246,774	-	118,246,774
Other Net Assets	-	284,290	284,290
Net Assets	118,488,544	41,270	118,529,814
Percent	100.0%	0.0%	100.0%

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 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 six month period ended June 30, 2021 and for the year ended 2020. In addition, there were no investments or transactions classified in Level 3 for the six month period ended June 30, 2021 and for the year ended December 31 2020.



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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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