



Annual Report

FOR THE YEAR ENDED DECEMBER 31, 2014

BMG Gold BullionFund



BULLION
MANAGEMENT
SERVICES INC.

A BMG Company

BMG Gold BullionFund

Annual Financial Statements

For the years ended December 31, 2014 and 2013



**BULLION
MANAGEMENT
SERVICES INC.**

A BMG Company

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of BMG Gold BullionFund have been prepared by Bullion Management Services Inc., in its capacity as manager (the “Manager”) of the BMG Fund, and have been approved by the Board of Directors of Bullion 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 judgements 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 Bullion Management Services Inc. and the trustee for approval, in addition to meeting with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

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



Nick Barisheff
President & CEO
Director



Hema Anganu
Chief Financial Officer
Director



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Independent Auditor's Report

To the Unitholders of BMG Gold BullionFund:

We have audited the accompanying financial statements of BMG Gold BullionFund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units, and cash flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BMG Gold BullionFund as at December 31, 2014, December 31, 2013 and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

March 9, 2015

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STATEMENTS OF FINANCIAL POSITION

As at December 31, 2014, December 31, 2013, and January 1, 2013

	December 31, 2014	December 31, 2013	January 1, 2013
	\$	\$	\$
ASSETS			
Current assets			
Cash	1,159,880	335,306	803,136
Investments in gold bullion [Average cost \$103,642,068; December 2013 - \$121,621,509, January 2013 - \$133,062,234]	102,265,037	110,318,109	157,058,007
Accounts receivable	-	197,000	-
Subscriptions receivable	33,439	52,334	281,116
Due from Manager (Note 4)	93,411	19,027	1,194
Total assets	103,551,767	110,921,776	158,143,453
LIABILITIES			
Current liabilities			
Management fees payable	206,116	223,441	312,380
Redemptions payable	44,236	252,886	60,484
Accounts payable and accrued liabilities	139,542	85,420	367,336
Total liabilities (excluding net assets attributable to holders of redeemable units)	389,894	561,747	740,200
Net assets attributable to holders of redeemable units	103,161,873	110,360,029	157,403,253
Net assets attributable to holders of redeemable units per class (Note 3)			
Class A	87,595,961	92,288,730	132,887,184
Class C3	1,392,035	-	-
Class F	3,635,630	5,832,167	10,164,022
Class G01	2,568,076	3,299,631	5,410,986
Class G05	51,946	49,016	65,296
Class G09	6,516,614	5,391,548	1,988,033
Class G15	-	8,321	10,876
Class I	-	1,883,132	1,700,800
Class S1	1,295,585	1,460,359	3,629,254
Class S2	106,026	147,125	1,546,802
	103,161,873	110,360,029	157,403,253

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

See accompanying notes.

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



Nick Barisheff
Director



Hema Anganu
Director

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31

	2014 \$	2013 \$
INVESTMENT INCOME		
Net change in unrealized gains/(losses) on investments in gold bullion	9,926,369	(35,299,173)
Net realized gains/(losses) on investments in gold bullion	(319,365)	424,275
Foreign exchange gains	6,641	44,373
Early redemption fees	790	4,923
Other	1,812	13,157
Total investment income (loss)	9,616,247	(34,812,445)
EXPENSES		
Management fees (Note 4)	2,345,200	2,771,112
Security holder reporting costs	362,796	344,998
Bullion storage fees	171,325	196,724
Services tax	375,870	392,460
Other administrative expenses	28,317	38,630
Legal fees	14,164	2,376
Audit fees	25,012	44,100
Filing fees	28,380	25,075
Independent Review Committee fees	1,633	1,203
Interest and bank charges	70	1,276
Total expenses	3,352,767	3,817,954
Expenses absorbed by Manager (Note 4)	(118,861)	(30,913)
Total expenses after absorption	3,233,906	3,787,041
Increase (decrease) in net assets attributable to holders of redeemable units	6,382,341	(38,599,486)
Increase (decrease) in net assets attributable to holders of redeemable units per class (note 3)		
Class A	5,016,021	(32,907,377)
Class C3	(53,249)	-
Class F	558,014	(2,168,471)
Class G01	218,141	(1,346,253)
Class G05	2,930	(16,280)
Class G09	331,573	(902,877)
Class G15	533	(2,555)
Class I	189,011	(625,668)
Class S1	109,561	(577,310)
Class S2	9,806	(52,695)
	6,382,341	(38,599,486)

See accompanying notes.

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

For the years ended December 31

	2014 \$	2013 \$
Net assets attributable to holders of redeemable units, beginning of year (Note 10)	110,360,029	157,403,253
Issue of redeemable units	15,298,415	25,801,575
Redemption of redeemable units	(28,878,912)	(34,245,313)
Increase/(decrease) in net assets attributable to holders of redeemable units	6,382,341	(38,599,486)
Net assets attributable to holders of redeemable units, end of year	103,161,873	110,360,029

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the years ended December 31

	2014 \$	2013 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Increase/(decrease) in net assets attributable to holders of redeemable units	6,382,341	(38,599,486)
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	(1,783,264)	(9,549,000)
Proceeds from sales of investments in gold bullion	19,443,340	21,414,000
Net realized (gains)/losses on investments in gold bullion	319,365	(424,275)
Net change in unrealized (gains)/losses on investments in gold bullion	(9,926,369)	35,299,173
Net changes in non-cash operating balances:		
(Increase)/decrease in accounts receivable	197,000	(197,000)
Increase in due from manager	(74,384)	(17,833)
Decrease in management fees payable	(17,325)	(88,939)
Increase/(decrease) in accounts payable and accrued liabilities	54,122	(281,916)
Net cash provided by operating activities	14,594,826	7,554,724
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of redeemable units	15,298,415	25,801,575
Decrease in subscriptions receivable	18,895	228,782
Amounts paid on redemption of redeemable units	(28,878,912)	(34,245,313)
Increase/(decrease) in redemptions payable	(208,650)	192,402
Net cash used in financing activities	(13,770,252)	(8,022,554)
Net increase/(decrease) in cash during the year	824,574	(467,830)
Cash, beginning of the year	335,306	803,136
Cash, end of year	1,159,880	335,306

See accompanying notes.

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	73,306.433	316.719	73,623.152	103,642,068	102,265,037	98.88
Cash				1,160,068	1,159,880	1.12
Total Investment				104,802,136	103,424,917	100.00

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

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

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

NOTES TO FINANCIAL STATEMENTS

1. Formation of the Fund

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

These financial statements pertain to Class A, Class C3, Class F, Class G01, Class G05, Class G09, Class G15, Class I, Class S1 and Class S2 units. The inception dates of the classes are as follows:

Class A	September 4, 2009	Class G09	June 10, 2010
Class C3	March 12, 2014	Class G15	May 13, 2011
Class F	January 18, 2010	Class I	September 5, 2012
Class G01	August 31, 2010	Class S1	November 9, 2010
Class G05	October 6, 2011	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, medium-risk alternative for investors seeking to hold gold bullion for capital preservation, long-term appreciation, portfolio diversification and portfolio hedging purposes. The BMG Fund's fixed investment strategy avoids the need for a portfolio manager.

NOTES TO FINANCIAL STATEMENTS (*continued*)

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 and Adoption of IFRS

These 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 adopted this basis of accounting in 2014, as required by Canadian securities regulation and the Canadian Accounting Standards Board. Previously, the BMG Fund prepared interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles as defined in Part V of the CPA Handbook (“Canadian GAAP”). As these are the BMG Fund’s first annual financial statements prepared using IFRS, IFRS 1 – First-Time Adoption of International Financial Reporting Standards (“IFRS 1”) – has been applied. An explanation of how the transition from Canadian GAAP to IFRS has affected the statements of financial position, statements of comprehensive income (loss), and statements of changes in net assets attributable to holders of redeemable units is provided in Note 10.

The financial statements were authorized for issue by the Board of Directors on March 9, 2015.

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

Financial Instruments

(a) Classification

The BMG Fund classifies its investments in gold bullion at fair value through profit or loss.

This category has two subcategories: financial assets or financial liabilities held for trading; and financial assets or financial liabilities designated at fair value through profit or loss at inception.

i) *Financial assets and liabilities held for trading*

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together, and for which there is evidence of a recent actual pattern of short-term profit taking.

ii) *Financial assets and liabilities designated at fair value through profit or loss at inception*

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the BMG Fund’s documented investment strategy.

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

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

(b) Recognition/derecognition

Purchases and sales of investments in gold bullion are recognized on the trade date, the date on which the BMG Fund commits to purchase or sell the investment. For financial assets acquired, cost is the fair value of the consideration given, while for financial liabilities, cost is the fair value of the consideration received. Transaction costs for such instruments are recognized directly in the statement of comprehensive income (loss) as incurred. Financial assets classified as loans and receivables are recognized on the day that they are transferred to the BMG Fund at fair value, plus transaction costs that are directly attributable to their acquisition or issue.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or the BMG Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities, other than those at fair value through profit or loss, are recognized initially at fair value plus transaction costs that are directly attributable to their acquisition or issue. Financial liabilities arising from the redeemable units issued by the BMG Fund are presented at the redemption amount representing the investors' right to a residual interest in the BMG Fund's assets. Financial liabilities are not recognized unless one of the parties has performed its obligation.

Realized gains and losses on investments in gold bullion are recognized in the statement of comprehensive income (loss). Costs of investments in gold bullion are determined on an average cost basis.

(c) Subsequent measurement

Subsequent to initial recognition, the BMG Fund measures all financial instruments classified at fair value through profit or loss at fair value, with changes in the fair value recognized in the statement 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.

(d) Fair value measurement

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

When the London market is open for trading, gold bullion is priced at fair value by using the London PM Fix price. This is an internationally recognized price benchmark set by the London Bullion Market Association (LBMA). Gold has a price fix generally set twice daily, and identified by an AM or PM suffixes. COMEX closing prices will be used when the London market is not open. The difference between this official bullion price and the average cost is shown as "Net change in unrealized gains/(losses) on investments in gold bullion".

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

(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 gold bullion is classified at Level 1 within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS (continued)

Income and Expense Recognition

The BMG Fund follows the daily accrual method of recording investment income and expenses. Expenses specifically related to each class of units of the BMG Fund are charged directly to that class of units. Income, expenses and realized and unrealized gains (losses) are allocated to each class of the BMG Fund based on that class's pro-rated share of the total net assets of the BMG Fund.

Foreign Currency Translation

The BMG Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates that transactions occur. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses are presented in the statements of comprehensive income (loss).

Offsetting Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

The BMG Fund assesses on each reporting date whether a financial asset or group of financial assets measured at amortized cost is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's amortized cost and the present value of estimated future cash flows discounted using the asset's original effective interest rate. Impairment losses on assets measured at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Calculation of Per Unit Net Asset Value ("NAV") Attributable to Holders of Redeemable Units

The NAV of each class of units of the BMG Fund is calculated in Canadian dollars at 4:00 p.m. (EST) on each day that the Toronto Stock Exchange is open for trading.

The NAV per unit of each class of the BMG Fund that is used for subscriptions and redemptions is the same as the net assets attributable to holders of redeemable units per 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 losses.

Increase (Decrease) in Per Unit Net Assets Attributable to Holders of Redeemable Units

Any increase (decrease) in per unit net assets attributed 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).

NOTES TO FINANCIAL STATEMENTS *(continued)*

Critical Estimates and Judgements

In the application of the BMG Fund's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Board of Directors considers the currency of the primary economic environment in which the BMG Fund operates to be the Canadian dollar, as this is the currency that, in their opinion, most faithfully represents the economic effects of underlying transactions, events and conditions. Furthermore, the Canadian dollar is the currency in which the BMG Fund measures its performance and also issues and redeems its redeemable units.

New Standards, Interpretations and Amendments Not Yet Adopted

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the BMG Fund, with possibly the exception of IFRS 9, Financial Instruments ("IFRS 9"). IFRS9 was issued by the International Accounting Standards Board ("IASB") on October 28, 2010, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach and is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The BMG Fund is currently evaluating the impact of IFRS 9 on its financial statements.

3. Redeemable Units

Each unit of each class of the BMG Fund represents an interest in the assets of that class of the BMG Fund. All units of a class of the BMG Fund generally have the same rights and privileges. Each unit of each class of the BMG Fund is entitled to one vote at any meeting of unitholders of the BMG Fund. Each unit of each class of the BMG Fund is also entitled, subject to any management fee distributions, to participate equally in any distributions by the BMG Fund. Fractional units of a class of the BMG Fund are proportionately entitled to all the same rights as other units of that class of the BMG Fund, except that they are non-voting. All units of each class of the BMG Fund are fully paid when issued, and are generally not transferable. Units of each class of the BMG Fund are redeemable at the option of the unitholder owning such units. The number of units of the BMG Fund that may be issued is unlimited. The units of each class of the BMG Fund are issued and redeemed at the NAV per unit of that class of the BMG Fund. There are no differences between the NAV per unit of each class of the BMG Fund and the Net Asset Attributable to Holders of Redeemable Units per Unit of each class of the BMG Fund.

Unitholder transactions during the years ended December 31:

	Class A		Class C3	
	2014	2013	2014	2013
Balance - beginning of year	21,089,045	22,643,692	-	-
Issued	2,072,080	2,745,727	162,084	-
Redeemed	(4,170,811)	(4,300,374)	(7,751)	-
Balance - end of year	18,990,314	21,089,045	154,333	-
Average units outstanding	20,123,850	22,032,460	90,585	-

	Class F		Class G01	
	2014	2013	2014	2013
Balance - beginning of year	1,183,930	1,556,336	358,522	438,717
Issued	344,729	534,318	23,760	97,622
Redeemed	(835,670)	(906,724)	(117,520)	(177,817)
Balance - end of year	692,988	1,183,930	264,762	358,522
Average units outstanding	767,552	1,330,559	294,390	416,382

NOTES TO FINANCIAL STATEMENTS (continued)

	Class G05		Class G09	
	2014	2013	2014	2013
Balance - beginning of year	6,639	6,639	556,044	154,734
Issued	-	-	146,547	505,367
Redeemed	-	-	(71,878)	(104,057)
Balance - end of year	6,639	6,639	630,713	556,044
Average units outstanding	6,639	6,639	604,419	369,386

	Class G15		Class I	
	2014	2013	2014	2013
Balance - beginning of year	968	968	246,959	171,498
Issued	119	-	36,610	229,382
Redeemed	(1,087)	-	(283,569)	(153,921)
Balance - end of year	-	968	-	246,959
Average units outstanding	145	968	165,832	261,587

	Class S1		Class S2	
	2014	2013	2014	2013
Balance - beginning of year	178,190	336,896	17,833	141,884
Issued	-	-	-	-
Redeemed	(30,499)	(158,706)	(5,625)	(124,051)
Balance - end of year	147,691	178,190	12,208	17,833
Average units outstanding	155,981	219,593	14,183	32,364

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

For the year ended December 31, 2014

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	Increase/ (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year	Net assets attributable to holders of redeemable units per unit	Increase/ (decrease) in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	92,288,730	9,858,376	(19,567,166)	5,016,021	87,595,961	4.61	0.25
Class C3	-	1,513,284	(68,000)	(53,249)	1,392,035	9.02	(0.59)
Class F	5,832,167	1,834,546	(4,589,097)	558,014	3,635,630	5.25	0.73
Class G1	3,299,631	236,934	(1,186,630)	218,141	2,568,076	9.70	0.74
Class G5	49,016	-	-	2,930	51,946	7.82	0.44
Class G9	5,391,548	1,549,188	(755,695)	331,573	6,516,614	10.33	0.55
Class G15	8,321	1,087	(9,941)	533	-	-	-
Class I	1,883,132	305,000	(2,377,143)	189,011	-	-	-
Class S1	1,460,359	-	(274,335)	109,561	1,295,585	8.77	0.70
Class S2	147,125	-	(50,905)	9,806	106,026	8.68	0.69
Total	110,360,029	15,298,415	(28,878,912)	6,382,341	103,161,873	N/A	N/A

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2013

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	Decrease in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year	Net assets attributable to holders of redeemable units per unit	Decrease in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	132,887,184	14,083,707	(21,774,784)	(32,907,377)	92,288,730	4.38	(1.49)
Class F	10,164,022	3,072,585	(5,235,969)	(2,168,471)	5,832,167	4.93	(1.63)
Class G1	5,410,986	1,078,307	(1,843,409)	(1,346,253)	3,299,631	9.20	(3.23)
Class G5	65,296	-	-	(16,280)	49,016	7.38	(2.45)
Class G9	1,988,033	5,375,976	(1,069,584)	(902,877)	5,391,548	9.70	(2.44)
Class G15	10,876	-	-	(2,555)	8,321	8.60	(2.64)
Class I	1,700,800	2,191,000	(1,383,000)	(625,668)	1,883,132	7.63	(2.39)
Class S1	3,629,254	-	(1,591,585)	(577,310)	1,460,359	8.20	(2.63)
Class S2	1,546,802	-	(1,346,982)	(52,695)	147,125	8.25	(1.63)
Total	157,403,253	25,801,575	(34,245,313)	(38,599,486)	110,360,029	N/A	N/A

Reclassification of Certain Classes

On or around March 27, 2015, all of the outstanding units of Class G1 and Class G5 of the BMG Fund on that date will be reclassified into Class A and Class B3 units of the BMG Fund.

4. Related-Party Transactions

Management Fees

The Manager is responsible for the day-to-day activities of the BMG Fund, providing or arranging for all required administrative services, and arranging for the distribution of units of the BMG Fund. For these services, the BMG Fund pays the Manager an annual management fee as defined by the rates set out below. The fees are payable monthly in arrears based on the average daily net assets of the BMG Fund.

Class A	2.25%	Class G09	1.25%
Class C3	0.75%	Class G15	0.50%
Class F	1.25%	Class I	negotiable
Class G01	2.25%	Class S1	0.45%
Class G05	1.75%	Class S2	0.95%

For the year ended December 31, 2014 the BMG Fund incurred management fees of \$2,345,200 [2013: \$2,771,112].

For the year ended December 31, 2014, the Manager absorbed the BMG Fund operating expenses of \$118,861 [2013: \$30,913]. 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 held units in the following Class as at December 31, 2014 and 2013, and January 1, 2013:

	December 31, 2014	December 31, 2013	January 1, 2013
Class A	51,062	51,062	51,062

BMG Gold Advantage Return BullionFund held units in the following Class as at December 31, 2014 and 2013, and January 1, 2013:

	December 31, 2014	December 31, 2013	January 1, 2013
Class I	-	246,959	171,498

NOTES TO FINANCIAL STATEMENTS (continued)

The BMG Gold Advantage Return BullionFund (the “Merging Fund”) merged with the BMG Fund on August 28, 2014. The merger was effected on a taxable basis and subsequent to the merger, unitholders of Merging Fund who became unitholders of the BMG Fund were issued units of the BMG Fund. A total of 397,254.725 units of the BMG Fund, shown in the table below, were issued on August 28, 2014 to unitholders of the Merging Fund pursuant to the merger. The merger was subject to the receipt of applicable regulatory approval and unitholder approval of the Merging Fund.

Terminated classes of the Merging Fund	Total units of terminated classes	Value of terminated classes	Continuing classes of The BMG Fund	New units issued of continuing classes	Value of new units issued of continuing classes
Class A	288,613.757	\$ 1,725,431.17	Class A	366,440.482	\$ 1,725,431.17
Class F	19,116.679	\$ 118,148.72	Class F	22,140.154	\$ 118,148.72
Class G1	14,824.515	\$ 85,891.81	Class G1	8,674.089	\$ 85,891.81
Total	322,554.951	\$ 1,929,471.70	Total	397,254.725	\$ 1,929,471.70

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 G units or Class S units of the BMG Fund. The maximum amount of the sales commission for Classes A 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 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 \$969,685 during the 2014 fiscal year [2013: \$1,156,204].

6. Income Tax Loss Carryforwards

The BMG Fund has non-capital loss carryforwards of approximately \$13,605,000 [2013: \$10,574,000] available to offset future years' taxable income.

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

Year	\$
2029	3,000
2030	1,518,000
2031	2,223,000
2032	3,540,000
2033	3,290,000
2034	3,031,000

7. Financial Risk Management

The BMG Fund's financial instruments consist primarily of cash, subscriptions receivable, due from manager and investments in gold bullion. The BMG Fund's cash and gold bullion holdings are exposed to various types of risk, including market risk, credit risk, liquidity risk, interest rate risk and currency risk. These risks and related risk management practices employed by the BMG Fund are described below:

Market Risk

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

As at December 31, 2014, 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 \$5,113,252 [December 31, 2013: \$5,515,905; January 1, 2013: \$7,852,900] or 4.96% [December 31, 2013: 5%; January 1, 2013: 4.99%].

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

NOTES TO FINANCIAL STATEMENTS (continued)

Credit Risk

As at December 31, 2014, December 31, 2013 and January 1, 2013, the BMG Fund had no significant investments in debt instruments and/or derivatives. The BMG Fund limits its exposure to credit loss by placing its cash in high-credit-quality issuers. Dispositions of gold bullion, if any, are with a major Canadian chartered bank (or subsidiary thereof) that is a recognized dealer in bullion. The BMG Fund may have credit exposure to the Canadian chartered bank (or subsidiary thereof) to the extent of any unsettled trades.

Liquidity Risk

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

December 31, 2014

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 206,116	\$ 206,116
Redemptions payable	-	44,236	44,236
Accounts payable and accrued liabilities	-	139,542	139,542
Redeemable units	103,161,873	-	103,161,873

December 31, 2013

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 223,441	\$ 223,441
Redemptions payable	-	252,886	252,886
Accounts payable and accrued liabilities	-	85,420	85,420
Redeemable units	110,360,029	-	110,360,029

January 1, 2013

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 312,380	\$ 312,380
Redemptions payable	-	60,484	60,484
Accounts payable and accrued liabilities	-	367,336	367,336
Redeemable units	157,403,253	-	157,403,253

Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these units typically retain them for a longer period.

Interest Rate Risk

The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at December 31, 2014, December 31, 2013 and January 1, 2013. Accordingly, the BMG Fund is not directly exposed to significant risk due to fluctuations in the prevailing levels of market interest rates.

NOTES TO FINANCIAL STATEMENTS (continued)

Currency Risk

Gold bullion is generally quoted and traded in US dollars and, as a result, the BMG Fund is subject to foreign currency risk. The BMG Fund does not hedge its foreign currency exposure.

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

As at December 31, 2014, 99.3% [December 31, 2013: 100.2%; January 1, 2013: 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 \$1,024,113 [December 31, 2013: \$1,105,622; January 1, 2013: \$1,574,636].

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, 2014

Description	US \$	Canada \$	Total \$
Cash	176,802	983,078	1,159,880
Investments in gold bullion	102,265,037	-	102,265,037
Other Net Assets	(30,508)	(232,536)	(263,044)
Net Assets	102,411,331	750,542	103,161,873
Percent	99.3%	0.7%	100.0%

December 31, 2013

Description	US \$	Canada \$	Total \$
Cash	261,303	74,003	335,306
Investments in gold bullion	110,318,109	-	110,318,109
Other Net Assets	(17,258)	(276,128)	(293,386)
Net Assets	110,562,154	(202,125)	110,360,029
Percent	100.2%	(0.2%)	100.0%

January 01, 2013

Description	US \$	Canada \$	Total \$
Cash	430,849	372,287	803,136
Investments in gold bullion	157,058,007	-	157,058,007
Other Net Assets	(25,239)	(432,651)	(457,890)
Net Assets	157,463,617	(60,364)	157,403,253
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.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Fair Value Measurement

All fair value measurements above are recurring. The carrying values of cash, accounts receivable, due from manager, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable and management fees payable and the BMG Fund's obligation for net assets attributable to holders of redeemable units approximate their fair values because of their short-term nature. Fair values are classified as Level 1 when the related investment is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are classified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

There were no transfers between levels for the years ended December 31, 2014 and 2013, and at January 1, 2013. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2014 and 2013, and at January 1, 2013.

10. Transition to IFRS

The effect of the BMG Fund's transition to IFRS is summarized as follows:

Transition Elections

The only voluntary exemption adopted by the BMG Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Statement of Cash Flows

Under Canadian GAAP, the BMG Fund was exempt from providing a statement of cash flows. Under IFRS, IAS 1 requires that a complete set of financial statements includes a statement of cash flows for the current and comparative periods, without exception.

Revaluation of Investments in Bullion at Fair Value Through Profit or Loss (FVTPL)

Previously under Canadian GAAP, the fair value of the BMG Fund's investments in gold bullion was measured at the London PM Fix price. Under IFRS, the Manager concluded that previous fair value measurements are representative and are used to measure the fair value of gold bullion investments. As result, the aggregate adjustment to net assets attributable to holders of redeemable units as at January 1, 2013 and December 31, 2013 is nil.

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS

Equity	December 31, 2013	January 1, 2013
Equity reported under Canadian GAAP	\$ 110,360,029	\$ 110,360,029
Revaluation of investment at FVTPL	-	-
Net assets attributable to holders of redeemable units	\$ 110,360,029	\$ 110,360,029

Comprehensive Loss	December 31, 2013
Comprehensive loss reported under Canadian GAAP	(\$ 38,599,486)
Revaluation of investments at FVTPL	-
Decrease in net assets attributable to holders of redeemable units	(\$ 38,599,486)

NOTES TO FINANCIAL STATEMENTS (continued)

Classification of Redeemable Units Issued by the BMG Fund

Under Canadian GAAP, the BMG Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units that include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The BMG Fund's units do not meet the criteria in IAS 32 for classification as equity as each class of units is subject to a different fee structure as described in Note 4, and have therefore been reclassified as financial liabilities on transition to IFRS.

The adoption of IFRS did not result in any changes to the previously reported net assets of the BMG Fund or the previously reported NAV per class of redeemable unit. Redeemable units of the BMG Fund are puttable instruments and IFRS requires them to be presented as equity or liability depending on certain criteria.

As at January 1, 2013, throughout the year ended December 31, 2013 and 2014, redeemable units of the BMG Fund did not meet the criteria to be classified as equity. As a result, the redeemable units have been presented as a liability in the Statement of Financial Position.

IFRS requires the presentation of a Statement of Cash Flows, including comparatives for 2013. The BMG Fund had not previously presented this statement as permitted under previous Canadian GAAP. In addition, other statements presented have been renamed as follows:

Canadian GAAP

Statements of Net Assets

Statements of Operations

Statements of Changes in Net Assets

Statement of Investment Portfolio

IFRS

Statements of Financial Position

Statements of Comprehensive Income (Loss)

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

Schedule of Investment Portfolio

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

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