

BMG BullionFund

Semi-Annual Financial Statements

For the six months ended June 30, 2014 (Unaudited)



**BULLION
MANAGEMENT
SERVICES INC.**

A BMG Company

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CONDENSED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2014, December 31, 2013, and January 1, 2013

(Unaudited)

	June 30, 2014	December 31, 2013	January 1, 2013
	\$	\$	\$
ASSETS			
Current assets			
Cash	1,634,067	925,522	1,794,626
Investments in bullion [Average cost \$194,891,612; December 2013 - \$211,071,022, January 2013 - \$241,667,710]	252,641,484	251,471,762	372,587,139
Accounts receivable	730,000	713,999	-
Subscriptions receivable	89,216	41,852	328,341
Due from Manager (note 4)	183,209	1,388	2,923
Total assets	255,277,976	253,154,523	374,713,029
LIABILITIES			
Current liabilities			
Management fees payable	466,900	492,175	742,327
Redemptions payable	800,487	866,838	260,141
Accounts payable and accrued liabilities	253,530	88,861	216,962
Total liabilities (excluding net assets attributable to holders of redeemable units)	1,520,917	1,447,874	1,219,430
Net assets attributable to holders of redeemable units	253,757,059	251,706,649	373,493,599
Net assets attributable to holders of redeemable units per class (note 3)			
Class A	200,679,060	198,337,219	293,475,655
Class B2	150,951	-	-
Class B3	512,295	476,242	-
Class C2	534,552	-	-
Class E09	137,899	128,250	203,628
Class E10	306,440	285,003	374,541
Class E11	2,974,772	5,300,406	8,746,131
Class E12	2,154,513	2,224,486	3,539,868
Class E15	1,823,938	2,156,429	3,125,115
Class F	22,325,106	22,642,995	35,918,888
Class G01	9,277,496	8,808,514	12,381,564
Class G05	482,773	757,486	1,000,499
Class G09	8,791,588	7,131,010	8,368,867
Class G10	1,081,107	1,005,547	2,207,720
Class G11	2,197,429	2,042,342	3,618,197
Class G15	327,140	410,720	532,926
	253,757,059	251,706,649	373,493,599

Net asset value per unit is disclosed in note 3.

See accompanying notes.

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



Nick Barisheff
Director



Hema Anganu
Director

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the six months ended June 30

(Unaudited)

	2014 \$	2013 \$
INVESTMENT INCOME		
Net change in unrealized gain/(loss) on investments in bullion	17,349,133	(95,213,141)
Net realized gains on investments in bullion	4,098,949	6,030,489
Foreign exchange gains/(losses)	(24,673)	30,277
Early redemption fees	951	31,387
Other	2,100	12,375
Total investment income (loss)	21,426,460	(89,108,613)
EXPENSES		
Management fees (note 4)	2,700,307	3,480,471
Security holder reporting costs	459,437	386,776
Bullion storage fees	279,900	379,500
Services tax	405,128	435,071
Other administrative expenses	43,370	50,020
Legal fees	8,182	-
Audit fees	11,180	29,535
Filing fees	32,190	16,325
Independent Review Committee fees	10,600	9,995
Total expenses	3,950,294	4,787,693
Expenses absorbed by Manager	(183,209)	(1,393)
Total expenses after absorption	3,767,085	4,786,300
Increase (decrease) in net assets attributable to holders of redeemable units	17,659,375	(93,894,913)
Increase (decrease) in net assets attributable to holders of redeemable units per class (note 3)		
Class A	13,786,624	(74,118,564)
Class B2	(10,197)	-
Class B3	36,053	-
Class C2	(19,998)	-
Class E09	9,649	(39,890)
Class E10	22,327	(95,100)
Class E11	322,485	(2,020,437)
Class E12	172,268	(868,331)
Class E15	165,227	(782,474)
Class F	1,746,934	(8,417,559)
Class G01	617,624	(3,502,150)
Class G05	51,019	(266,190)
Class G09	495,742	(2,412,799)
Class G10	75,560	(560,099)
Class G11	155,087	(678,512)
Class G15	32,971	(132,808)
	17,659,375	(93,894,913)

See accompanying notes.

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

For the six months ended June 30

(Unaudited)

	2014 \$	2013 \$
Net assets attributable to holders of redeemable units, beginning of period	251,706,649	373,493,599
Issue of redeemable units	15,800,539	26,785,510
Redemption of redeemable units	(31,409,504)	(43,182,557)
Increase/(decrease) in net assets attributable to holders of redeemable units	17,659,375	(93,894,913)
Net assets attributable to holders of redeemable units, end of period	253,757,059	263,201,639

See accompanying notes.

CONDENSED STATEMENTS OF CASH FLOWS

For the six months ended June 30

(Unaudited)

	2014 \$	2013 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Increase/(decrease) in net assets attributable to holders of redeemable units	17,659,375	(93,894,913)
Adjustment to reconcile net increase/(decrease) in net assets resulting from operations to net cash provided by/(used in) operating activities		
Purchase of investments	(1,341,999)	(5,501,001)
Proceeds from sales of investments in bullion	21,620,359	25,692,995
Net realized (gain)/loss on investments in bullion	(4,098,949)	(6,030,489)
Net change in unrealized (gain)/loss on investments in bullion	(17,349,133)	95,213,141
Net changes in non-cash operating balances:		
(Increase)/decrease in accounts receivable	(16,001)	(630,000)
(Increase)/decrease in due from manager	(181,821)	1,530
Increase/(decrease) in management fee payable	(25,275)	(237,299)
Increase/(decrease) in accounts payable and accrued liabilities	164,669	(66,109)
Net cash provided by/(used in) operating activities	16,431,225	14,547,855
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of redeemable units	15,800,539	26,785,510
Increase/(decrease) in subscriptions receivable	(47,364)	52,949
Amounts paid on redemption of redeemable units	(31,409,504)	(43,182,557)
(Increase)/decrease in redemptions payable	(66,351)	1,342,268
Net cash provided by/(used in) financing activities	(15,722,680)	(15,001,830)
Net increase/(decrease) in cash during the period	708,545	(453,975)
Cash, beginning of the period	925,522	1,794,626
Cash, end of period	1,634,067	1,340,651

See accompanying notes.

SCHEDULE OF INVESTMENTS

As at June 30, 2014

(Unaudited)

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	73,626.308	495.61	74,121.918	73,946,718	103,821,098	40.83
Platinum Bullion	4,142,828.793	30,434.938	4,173,263.731	52,736,928	56,049,582	22.04
Silver Bullion	35,034.178	520.226	35,554.404	68,207,966	92,770,804	36.49
Cash				1,641,827	1,634,067	0.64
Total Investment				196,533,439	254,275,551	100.00

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

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

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

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Formation of the Fund

BMG BullionFund (the "Fund") was established under the laws of Ontario by a Master Declaration of Trust and a Regulation each dated January 15, 2002, as amended. The address of the 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 Fund. The Fund currently offers 16 classes of units. These financial statements pertain to Class A, Class B2, Class B3, Class C2, Class E09, Class E10, Class E11, Class E12, Class E15, Class F, Class G01, Class G05, Class G09, Class G10, Class G11, and Class G15.

The inception dates of the classes are as follows:

Class A	March 5, 2002	Class E15	February 20, 2008
Class B2	February 4, 2014	Class F	September 15, 2004
Class B3	November 11, 2013	Class G01	November 1, 2006
Class C2	March 12, 2014	Class G05	June 20, 2005
Class E09	November 27, 2007	Class G09	July 6, 2005
Class E10	April 7, 2008	Class G10	May 17, 2006
Class E11	January 25, 2006	Class G11	October 14, 2005
Class E12	January 19, 2011	Class G15	August 21, 2009

The Fund is also authorized to issue Class I, Class S1 and Class S2 units, none of which have been issued. All classes share the same attributes from a valuation perspective, except that they are subject to different management fee rates.

The Fund invests in equal dollar proportions of unencumbered gold, silver and platinum bullion, with the objective of providing a secure, convenient, low-cost, medium-risk alternative for investors seeking to hold bullion for capital preservation, long-term appreciation, portfolio diversification and portfolio hedging purposes. The Fund's fixed investment strategy avoids the need for a portfolio manager.

NOTES TO CONDENSED FINANCIAL STATEMENTS (*continued*)

(Unaudited)

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation and adoption of IFRS

These unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Fund adopted this basis of accounting in 2014, as required by Canadian securities regulation and the Canadian Accounting Standards Board. Previously, the Fund prepared interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles as defined in Part V of the CICA Handbook (“Canadian GAAP”). As these are the Fund’s first financial statements prepared using IFRS, they have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (“IAS 34”) and IFRS 1 – *First-Time Adoption of International Financial Reporting Standards* (“IFRS 1”). They have been prepared using the accounting policies that the Fund expects to be in effect as of and for the year ended December 31, 2014. These unaudited interim financial statements do not include all of the information required for full annual financial statements. 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.

These unaudited interim financial statements for the six months ended June 30, 2014 were authorized for issue by the Board of Directors on August 14, 2014.

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 Fund’s functional currency.

Financial Instruments

(a) Classification

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

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

i) *Financial assets and liabilities held for trading*

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

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

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

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

- Financial asset 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 CONDENSED FINANCIAL STATEMENTS *(continued)*

(Unaudited)

(b) Recognition/derecognition

Purchases and sales of investments in bullion are recognized on the trade date, the date on which the 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 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 investments in bullion have expired, or the 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 Fund are presented at the redemption amount representing the investors' right to a residual interest in the Fund's assets. Financial liabilities are not recognized unless one of the parties has performed its obligation.

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

(c) Subsequent measurement

Subsequent to initial recognition, the 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 Fund has access at that date.

Gold and platinum bullion are valued at fair value by using the London PM Fix price, and silver bullion is valued at fair value by using the London Fix price, when the London market is open for trading. These are internationally recognized price benchmarks set by the London Bullion Market Association for gold and silver, and by the London Platinum and Palladium Market for platinum. Gold and platinum have a price fix generally set twice daily, and identified by an AM or PM suffixes. Silver has one price fix per day. COMEX closing prices will be used when the London market is not open. The difference between this amount and the average cost is being shown as net change in unrealized gain/(loss) on investment in bullion.

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

NOTES TO CONDENSED FINANCIAL STATEMENTS *(continued)*

(Unaudited)

(e) Classification of Fair value measurement

IFRS 13 requires the Fund to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

Level 1	Unadjusted quoted prices in active markets
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices)
Level 3	Unobservable inputs

Fair value of investments in bullion is classified at Level 1 within the fair value hierarchy.

Income and Expense Recognition

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

Foreign Currency Translation

The 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 at 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 Fund assesses at 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 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 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 Fund by taking that class's proportionate share of the Fund's assets less that class's proportionate share of the 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 CONDENSED FINANCIAL STATEMENTS (continued)

(Unaudited)

Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the 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 Fund. As a result, the Fund does not record income taxes. Since the 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 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 Fund outstanding during the period (see note 3).

Critical Estimates and Judgements

In the application of the 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 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 Fund measures its performance and also issues and redeems its redeemable units.

3. Redeemable Units

Each unit of each class of the Fund represents an interest in the assets of that class of the Fund. All units of a class of the Fund generally have the same rights and privileges. Each unit of each class of the Fund is entitled to one vote at any meeting of unitholders of the Fund. Each unit of each class of the Fund is also entitled, subject to any management fee distributions, to participate equally in any distributions by the Fund. Fractional units of a class of the Fund are proportionately entitled to all the same rights as other units of that class of the Fund, except that they are non-voting. All units of each class of the Fund are fully paid when issued, and are generally not transferable. Units of each class of the Fund are redeemable at the option of the unitholder owning such units. The number of units of the Fund that may be issued is unlimited. The units of each class of the Fund are issued and redeemed at the NAV per unit of that class of the Fund.

Unitholder transactions during the six months ended June 30:

	Class A		Class B2	
	2014	2013	2014	2013
Balance - beginning of period	21,660,979	24,078,744	-	-
Issued	967,589	1,548,292	16,137	-
Redeemed	(2,144,606)	(2,714,052)	(25)	-
Balance - end of period	20,483,962	22,912,984	16,112	-
Average units outstanding	21,162,665	23,709,355	16,134	-

	Class B3		Class C2	
	2014	2013	2014	2013
Balance - beginning of period	50,000	-	-	-
Issued	-	-	57,063	-
Redeemed	-	-	-	-
Balance - end of period	50,000	-	57,063	-
Average units outstanding	50,000	-	53,293	-

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

(Unaudited)

	Class E09		Class E10	
	2014	2013	2014	2013
Balance - beginning of period	12,655	15,266	27,934	27,934
Issued	-	-	-	-
Redeemed	-	(3,080)	-	-
Balance - end of period	12,655	12,186	27,934	27,934
Average units outstanding	12,655	12,590	27,934	27,934

	Class E11		Class E12	
	2014	2013	2014	2013
Balance - beginning of period	512,231	643,732	289,155	350,888
Issued	-	4,766	-	6,415
Redeemed	(245,111)	(136,267)	(29,148)	(13,596)
Balance - end of period	267,120	512,231	260,007	343,708
Average units outstanding	487,855	590,997	273,448	342,622

	Class E15		Class F	
	2014	2013	2014	2013
Balance - beginning of period	201,667	223,856	2,235,041	2,692,893
Issued	-	-	237,341	292,067
Redeemed	(43,604)	(2,175)	(423,416)	(681,239)
Balance - end of period	158,063	221,681	2,048,966	2,303,721
Average units outstanding	179,868	223,322	2,091,415	2,565,241

	Class G01		Class G05	
	2014	2013	2014	2013
Balance - beginning of period	949,730	1,003,989	73,989	73,888
Issued	35,480	216,201	-	5,623
Redeemed	(50,312)	(41,148)	(29,963)	(3,399)
Balance - end of period	934,898	1,179,042	44,026	76,112
Average units outstanding	932,896	1,063,559	46,674	76,339

	Class G09		Class G10	
	2014	2013	2014	2013
Balance - beginning of period	709,094	633,188	99,897	166,878
Issued	225,403	197,377	-	-
Redeemed	(121,739)	(106,835)	-	-
Balance - end of period	812,758	723,730	99,897	166,878
Average units outstanding	737,167	687,009	99,897	166,878

	Class G11		Class G15	
	2014	2013	2014	2013
Balance - beginning of period	200,000	270,000	37,728	37,728
Issued	-	-	-	-
Redeemed	-	(70,000)	(9,998)	-
Balance - end of period	200,000	200,000	27,730	37,728
Average units outstanding	200,000	221,508	34,646	37,728

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

(Unaudited)

Total net assets attributable to holders of redeemable units per class and per unit
For the six months ended June 30, 2014

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

For the six months ended June 30, 2013

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	Decrease in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period	Net assets attributable to holders of redeemable units per unit	Decrease in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	293,475,655	18,082,175	(30,389,182)	(74,118,564)	207,050,084	9.04	(3.13)
Class E09	203,628	-	(42,564)	(39,890)	121,174	9.94	(3.17)
Class E10	374,541	-	-	(95,100)	279,441	10.00	(3.40)
Class E11	8,746,131	55,525	(1,586,448)	(2,020,437)	5,194,771	10.14	(3.42)
Class E12	3,539,868	54,818	(136,668)	(868,331)	2,589,687	7.53	(2.53)
Class E15	3,125,115	-	(25,965)	(782,474)	2,316,676	10.45	(3.50)
Class F	35,918,888	3,705,207	(8,302,792)	(8,417,559)	22,903,744	9.94	(3.28)
Class G01	12,381,564	2,390,272	(480,908)	(3,502,150)	10,788,778	9.15	(3.29)
Class G05	1,000,499	78,378	(46,018)	(266,190)	766,669	10.07	(3.49)
Class G09	8,368,867	2,419,135	(1,233,751)	(2,412,799)	7,141,452	9.87	(3.51)
Class G10	2,207,720	-	-	(560,099)	1,647,621	9.87	(3.36)
Class G11	3,618,197	-	(938,261)	(678,512)	2,001,424	10.01	(3.06)
Class G15	532,926	-	-	(132,808)	400,118	10.61	(3.52)
Total	373,493,599	26,785,510	(43,182,557)	(93,894,913)	263,201,639	N/A	N/A

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

(Unaudited)

4. Related-Party Transactions

Management Fees

The Manager is responsible for the day-to-day activities of the Fund, providing or arranging for all required administrative services, and arranging for the distribution of units of the Fund. For these services, the 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 Fund.

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

For the six months ended June 30, 2014, the Fund incurred management fees of \$2,700,307 [2013: \$3,480,471].

For the six months ended June 30, 2014, the Manager absorbed Fund operating expenses of \$183,209 [2013: \$1,393]. The decision to reduce Fund operating expenses is made at the discretion of the Manager, and may be changed at any time.

Holdings of Related Party

The Manager held units in the following Class as at June 30, 2014 and December 31, 2013:

	2014	2013
Class A	1	1

5. Sales Commission

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

The Manager paid trailer fees to dealers of \$1,070,897 during the first six months of 2014 [2013: \$1,400,647].

6. Income Tax Loss Carryforwards

The Fund has non-capital loss carryforwards of approximately \$33,347,000 [2013: 29,981,000] available to offset future years' taxable income.

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

Year	\$	Year	\$
2014	\$857,000	2031	\$5,556,000
2015	\$914,000	2032	\$6,218,000
2026	\$888,000	2033	\$3,212,000
2027	\$3,432,000	2034	\$1,422,000
2028	\$5,027,000		
2029	\$2,727,000		
2030	\$3,094,000		

NOTES TO CONDENSED FINANCIAL STATEMENTS (*continued*)

(Unaudited)

7. Financial Risk Management

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

Market Risk

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

As at June 30, 2014, the impact on the Fund's net assets if there were a 5% increase, or decrease, in the price of gold, silver and platinum bullion, with all other variables held constant, would be an increase, or decrease, of \$12,632,074 [December 31, 2013: \$12,573,588] or 5% [December 31, 2013: 5%].

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

Credit Risk

As at June 30, 2014, the Fund had no significant investments in debt instruments and/or derivatives. The Fund limits its exposure to credit loss by placing its cash in high-credit-quality issuers. Dispositions of bullion, if any, are with a major Canadian chartered bank (or subsidiary thereof) that is a recognized dealer in bullion. The Fund may have credit exposure to the Canadian chartered bank (or subsidiary thereof) to the extent of any unsettled trades.

Liquidity Risk

The Fund is exposed to daily cash redemptions of redeemable units. The Fund aims to retain sufficient cash positions to maintain liquidity. In addition, bullion is readily realizable and liquid. Therefore, the 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.

Interest Rate Risk

The majority of the Fund's financial assets and liabilities were non-interest-bearing as at June 30, 2014 and December 31, 2013. Accordingly, the Fund is not directly exposed to significant risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

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

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

As at June 30, 2014, 99.7% [December 31, 2013: 100.0%] of the Fund's net assets were exposed to US dollars. If the exchange rate with the Canadian dollar increased or decreased by 1%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$2,529,418 [December 31, 2013: \$2,517,427].

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.

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

(Unaudited)

Foreign Currency Exposure June 30, 2014

Description	US \$	Canada \$	Total \$
Cash	369,036	1,265,031	1,634,067
Investments in bullion	252,641,484	-	252,641,484
Other Net Assets	(68,673)	(449,819)	(518,492)
Net Assets	252,941,847	815,212	253,757,059
Percent	99.7%	0.3%	100%

December 31, 2013

Description	US \$	Canada \$	Total \$
Cash	334,642	590,880	925,522
Investments in bullion	251,471,762	-	251,471,762
Other Net Assets	(63,741)	(626,894)	(690,635)
Net Assets	251,742,663	(36,014)	251,706,649
Percent	100.0%	0.0%	100.0%

January 01, 2013

Description	US \$	Canada \$	Total \$
Cash	317,136	1,477,490	1,794,626
Investments in bullion	372,587,139	-	372,587,139
Other Net Assets	(81,869)	(806,297)	(888,166)
Net Assets	372,822,406	671,193	373,493,599
Percent	99.8%	0.2%	100.0%

8. Capital Management

Redeemable units issued and outstanding are considered to be the capital of the Fund. The 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 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 Fund's net asset value.

9. Fair Value Measurement

All fair value measurements above are recurring. The carrying values of cash, accounts receivable, due from manager, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable and management fees payable and the 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 period ended June 30, 2014 and the year ended December 31, 2013. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2014 and the year ended December 31, 2013.

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

(Unaudited)

10. Transition to IFRS

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

Transition elections

The only voluntary exemption adopted by the 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 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 Fund's investments in bullion was measured at the London PM Fix price for gold and platinum bullion, and London Fix price for silver bullion. Under IFRS, the Manager concluded that previous fair value measurements are representative, and are used to measure the fair value of bullion investments. As a result, the aggregate adjustment to net assets attributable to holders of redeemable units as at January 1, 2013 is nil.

Classification of redeemable units issued by the Fund

Under Canadian GAAP, the 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 Fund's units do not meet the criteria in IAS 32 for classification as equity, 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 Fund. Redeemable units of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria under IFRS. As at January 1, 2013, throughout the year ended December 31, 2013 and the period ended June 30, 2014, redeemable units of the 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 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., Bullion Management Group (Asia) Limited and Bullion Custodial Services Inc., and its wholly owned subsidiary, International Bullion Sales Corporation (collectively "BMG").

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