BMG BullionFund

Semi-Annual Management Report of Fund Performance

For the six months ended June 30, 2011 (Unaudited)

BMG | BULLION MANAGEMENT SERVICES INC.

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Semi-Annual Financial Statements

This Semi-Annual Management Report of Fund Performance contains financial highlights. Additional information relating to BMG BullionFund can be found in the attached semi-annual financial statements. You can obtain a copy of the quarterly portfolio disclosure at no cost by calling 888.474.1001, by writing to us at 280-60 Renfrew Drive, Markham, Ontario, L3R 0E1, or by visiting our website at www.bmgbullion.com or SEDAR at www.sedar.com.

MANAGEMENT REPORT OF FUND PERFORMANCE

Results of Operations

During the first six months of 2011, net assets of BMG BullionFund (the "Fund") grew 9.3 percent from $354,457,357 at December 31, 2010 to $387,465,101 at June 30, 2011. Growth was primarily driven by $15.8 million in unrealized appreciation and a $2.2 million realized gain in the price of bullion, along with $20.2 million in net subscriptions. The net subscriptions were primarily driven by new money attracted to the consistent track record of the Fund's performance. The Fund's precious metals holdings, therefore, increased from 85,398 ounces to 88,754 ounces for gold; from 4,971,697 ounces to 5,109,717 ounces for silver; and from 46,893 ounces to 49,623 ounces for platinum.

For the six months ended June 30, 2011, the Fund's Class A units generated total returns of 3.6 percent in Canadian dollars and 6.7 percent in US dollars, while the Fund's Class F units generated total returns of 4.2 percent and 7.2 percent, respectively. Gold reached a record high of US$1,552.50 per ounce on June 22 before pulling back to US$1,505.50 per ounce on June 30.

Total operating expenses increased 31.4 percent, which is in line with the average net assets increase of 27.6 percent from December 31, 2010 to June 30, 2011. The majority of the increase in operating expenses is due to the implementation of Harmonized Sales Tax, which came into effect on July 1, 2010.

Recent Developments

Gold

Gold maintained its momentum from 2010, making a record high of US$1,552.50 in June. In US dollars, gold rose 6.8 percent for the first six months of 2011. Political unrest in the Middle East, natural disasters in Japan, inflation from food and energy prices and continuing central bank purchases to increase reserves have all influenced the gold price during the last six months. The average price of gold in the first half of 2011 was US$1,446 per ounce, compared to an average of US$1,151 for the same period in 2010, and US$1,296 during the second half of 2010. This rising trend is supported by long-term supply and demand dynamics, along with a weakening US dollar.

Soaring debt levels in some European countries and uncertainty surrounding monetary policies in the US underpin the declining value of paper currencies. Central banks of developing countries continue to be the leading net gold buyers; namely Mexico increased 99.0 metric tonnes in its reserves, while Russia purchased 36.2 tonnes over the first four months of the year.

Recent research indicates that gold will likely be in a supply deficit over the next five years due to limited mine production and net buying by central banks. In periods of negative real interest rates, central banks with growing reserves, such as China and India, are expected to seek gold as a preferred asset class. For private investors, gold provides diversification in investment portfolios.

Silver

Silver was volatile in the first half of 2011. Its price spiked to US$49.76 per ounce at the end of April before pulling back to the US$35 per ounce level in June. Nevertheless, silver returned 14.3 percent in US dollars for the six months ended June 30, 2011. The average price of silver in the first six months of 2011 was approximately US$35 per ounce, compared to an average of US$18 for the same period in 2010 and US$23 during the second half of 2010. In spite of the rising gold price, the average gold:silver ratio has decreased steadily over the last 18 months. With the conventional gold:silver ratio standing at 16:1, there is room for further upside in the silver price.

Platinum

Platinum made a new high of almost US$1,860 per ounce in the spring of 2011 before retracing to US$1,722 in June. Gains were relatively flat at -0.5 percent in US dollars for the six months ended June 30, 2011. The average price of platinum in the first six months of 2011 was approximately US$1,787 per ounce compared to an average of US$1,593 for the same period in 2010, and US$1,624 during the second half of 2010. Although there is uncertainty with respect to the platinum price, due to worries regarding the global economic slowdown and platinum's role in the production of catalytic converters, investment demand should continue to rise steadily in the long term.

International Monetary Fund

In June 2011, the International Monetary Fund (the "IMF") issued a report on the world economic outlook. Highlights included the mild slowdown of global economic growth, increasing risks from disappointing growth in the US economy and fiscal challenges in the Eurozone. Based on the latest statistics of central bank gold reserves released by IMF, there was a net increase of 149.9 tonnes of gold. Mexico leads with a net increase of 93.3 tonnes, followed by Russia with 36.2 tonnes and Thailand with 9.3 tonnes. In her first press conference as managing director of the IMF, Ms. Christine Lagarde indicated that sovereign debt and capital flows are two of the main challenges facing the global economy. Uncertainties surrounding the global economy and the continuous creation of fiat currencies will lead to dwindling confidence in the US dollar, the world's reserve currency, and provide further support for precious metals prices as more investors convert their wealth to hard assets.

China

China continues to play an important role in driving demand for gold. China's government recently announced that the country's Consumer Price Index (CPI) is 6.4 percent, the highest inflation rate recorded in three years. China's central bank – People's Bank of China - recently raised the benchmark rates for deposits and loans by 0.25 percentage points, the third increase this year, as it tries to manage inflationary pressure domestically. At the same time, the Chinese government continues to encourage its citizens to invest in precious metals for wealth preservation. The government itself is purchasing gold, which currently comprises less than 2 percent of China's total reserves, compared to an average of 11 percent for other industrialized countries.

It was also reported that gold consumption during the first quarter of 2011 has already surpassed that of 2010. All these factors will remain the driving force of higher gold prices in the foreseeable future.

India

In India, where there is a cultural appreciation for precious metals, demand for gold and silver remains high. Imports were a staggering $8.96 billion in May 2011, an increase of 500 percent over the previous month and 222 percent over the same period last year. India's official inflation rate is 8.65 percent, and citizens are worried about the devaluation of the rupee and the erosion of their purchasing power. The Reserve Bank of India is steadily increasing the number of commercial banks that are licensed to import gold and silver bullion, another indication of the favourable climate towards precious metals in India.

Related-Party Transactions

Bullion Management Services Inc. (the "Manager") is the manager, trustee, registrar and transfer agent for the Fund. The Manager provides or arranges for the provision of all management and administrative services for day-to-day Fund operations, including providing Fund and unitholder accounting, recordkeeping and other administrative services. In consideration of the management and administrative services, the Fund pays the Manager a monthly management fee based on the net asset value (the "NAV") of the various classes of units of the Fund, calculated daily. During the six months ended June 30, 2011 the Fund incurred management fees of $3,849,056 [2010: $2,885,452].

For the six months ended June 30, 2011, the Manager did not absorb any expenses of the Fund [2010: $46,625]. The decision to reduce Fund operating expenses is made at the discretion of the Manager and may be changed at any time.

Bullion Marketing Services Inc., an affiliate of the Manager, has been retained by the Manager to assist with the distribution of units of the Fund.

At June 30, 2011, the Manager held 20,193 [2010: 20,193] Class E15 units of the Fund.

The Manager has created an independent review committee (the "IRC") to review and provide impartial judgment on conflict of interest matters. The IRC reviews potential conflicts of interest referred to it by the Manager and makes recommendations on whether a course of action is fair and reasonable for the Fund. The IRC prepares an annual report of its activities for interested parties. A copy of the IRC's report for 2010 is available at www.bmgbullion.com.

Management Fees

A portion of the management fees paid by the Fund is for trailer fees paid to dealers. The trailer fees are a percentage of the daily average NAV of the Class A units of the Fund, which are held by the dealers' clients. No trailer fees are paid with respect to Class F units of the Fund. The table below outlines the Fund's annual management fees and the maximum trailer fees for Class A and Class F units of the Fund.

	Class A	Class F
Management Fee	2.25%	1.25%
Trailer Fee (maximum rate as a percentage of management fees)	44.4%	0%

CLASS A

Financial Highlights

The following tables show selected key financial information about the Class A units of the Fund and are intended to help you understand the Fund's financial performance for the past six months ended June 30, 2011, and for the last five years ended December 31.

	June 30 2011	2010	2009	2008	2007	2006
Net assets - beginning of period[1]	**$12.62**	**$9.62**	**$8.07**	**$8.41**	**$8.20**	**$6.59**
INCREASE (DECREASE) FROM OPERATIONS:						
Total revenue	0.00	0.00	0.00	0.02	0.00	0.03
Total expenses	(0.20)	(0.32)	(0.27)	(0.30)	(0.28)	(0.25)
Realized gains (losses)	0.08	0.33	0.26	0.01	0.00	0.10
Unrealized gains (losses)	0.54	2.95	1.47	(0.56)	0.52	1.53
Total increase (decrease) from operations[2]	**0.42**	**2.96**	**1.46**	**(0.83)**	**0.24**	**1.41**
DISTRIBUTIONS:						
From income	0.00	0.00	0.00	0.00	0.00	0.00
From dividends	0.00	0.00	0.00	0.00	0.00	0.00
From capital gains	0.00	0.00	0.00	0.00	0.00	0.00
Return of capital	0.00	0.00	0.00	0.00	0.00	0.00
Total distributions	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Net assets - end of period	**$13.07**	**$12.62**	**$9.62**	**$8.07**	**$8.41**	**$8.20**
RATIOS AND SUPPLEMENTAL DATA						
Total net asset value[1](000's)	$294,392	$263,032	$217,764	$156,147	$92,851	$66,299
Number of units outstanding[1]	22,519,905	20,846,609	22,619,864	19,354,086	11,038,996	8,082,540
Management expense ratio (%)[2]	3.03	3.06	2.98	3.31	3.48	3.23
Management expense ratio before waivers or absorption (%)	3.03	3.06	3.01	3.31	3.48	3.42
Portfolio turnover rate (%)[3]	1.50	2.54	8.58	0.84	-	6.96
Trading expense ratio (%)[4]	-	-	-	-	-	-
Net asset value per unit	$13.07	$12.62	$9.62	$8.07	$8.41	$8.20

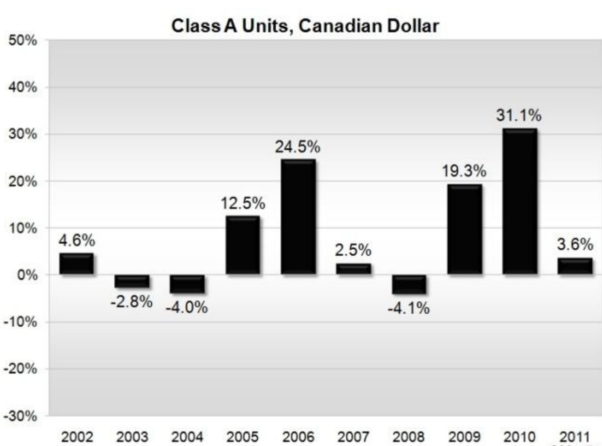
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

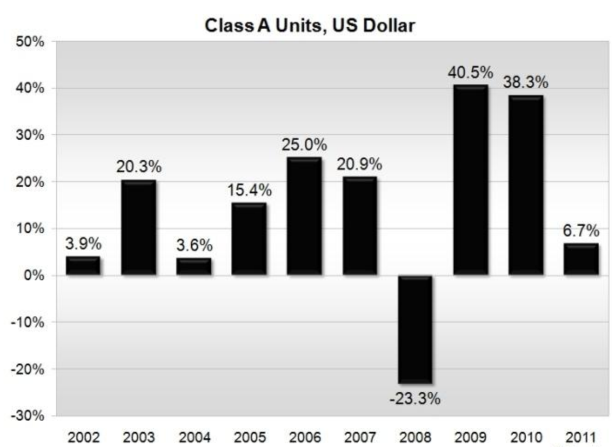
Past Performance

The following information does not take into account sales or redemption charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by- Year Returns

The bar chart shows the Fund's performance for Class A units in Canadian and US dollars in each of the years shown and for the six months ended June 30, 2011. It illustrates how the Fund's performance has changed from period to period. In percentage terms, the bar chart shows how much an investment made at the beginning of a period has increased or decreased by the end of the period. The return shown for 2002 is for the period from inception on January 17.





CLASS F

Financial Highlights

The following tables show selected key financial information about the Class F units of the Fund and are intended to help you understand the Fund's financial performance for the past six months ended June 30, 2011, and for the last five years ended December 31.

	June 30 2011	2010	2009	2008	2007	2006
Net assets - beginning of period[1]	**$13.51**	**$10.20**	**$8.46**	**$8.72**	**$8.42**	**$6.70**
INCREASE (DECREASE) FROM OPERATIONS:						
Total revenue	0.00	0.00	0.00	0.02	0.00	0.03
Total expenses	(0.14)	(0.22)	(0.19)	(0.21)	(0.20)	(0.17)
Realized gains (losses)	0.08	0.34	0.30	0.01	0.00	0.11
Unrealized gains (losses)	0.57	3.19	1.60	(0.50)	0.53	1.62
Total increase (decrease) from operations [2]	**0.51**	**3.31**	**1.71**	**(0.68)**	**0.33**	**1.59**
DISTRIBUTIONS:						
From income	0.00	0.00	0.00	0.00	0.00	0.00
From dividends	0.00	0.00	0.00	0.00	0.00	0.00
From capital gains	0.00	0.00	0.00	0.00	0.00	0.00
Return of capital	0.00	0.00	0.00	0.00	0.00	0.00
Total distributions	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Net assets - end of period	**$14.07**	**$13.51**	**$10.20**	**$8.46**	**$8.72**	**$8.42**
RATIOS AND SUPPLEMENTAL DATA						
Total net asset value[1] (000's)	$29,693	$26,591	$19,904	$11,991	$8,938	$7,759
Number of units outstanding [1]	2,110,148	1,968,387	1,952,322	1,417,843	1,024,903	921,562
Management expense ratio (%)[2]	1.94	1.99	1.94	2.26	2.40	2.16
Management expense ratio before waivers or absorption (%)	1.94	1.99	1.94	2.26	2.40	2.34
Portfolio turnover rate (%)[3]	1.50	2.54	8.58	0.84	-	6.96
Trading expense ratio (%)[4]	-	-	-	-	-	-
Net asset value per unit	$14.07	$13.51	$10.20	$8.46	$8.72	$8.42

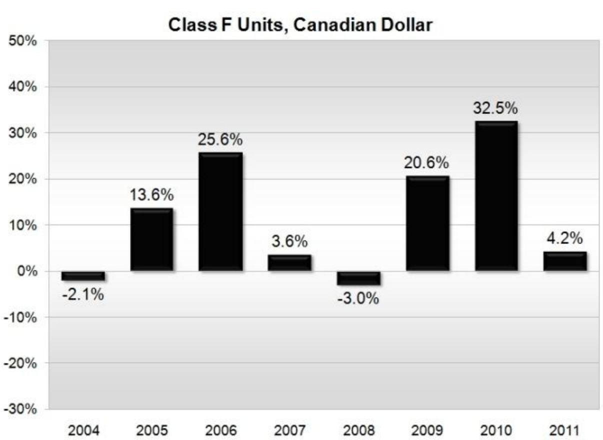
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

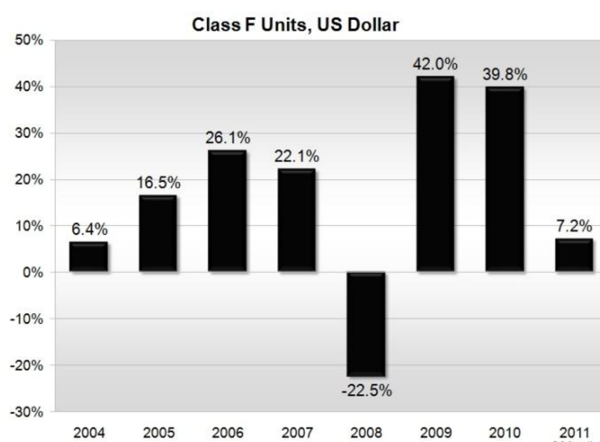
Past Performance

The following information does not take into account sales or redemption charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by- Year Returns

The bar chart shows the Fund's performance for Class F units in Canadian and US dollars in each of the years shown and for the six months ended June 30, 2011. It illustrates how the Fund's performance has changed from period to period. In percentage terms, the bar chart shows how much an investment made at the beginning of a period has increased or decreased by the end of the period. The return shown for 2004 is for the period from inception on September 15.





EXPLANATORY NOTES TO FINANCIAL HIGHLIGHTS

Net Assets per Unit:

(1) This information is derived from the Fund's financial statements. In the period a fund or class is established, the financial information is provided from the date of inception to the end of the period.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) in net assets from operations is based on the weighted average number of units outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per unit.

Ratios and Supplemental Data:

(1) This information is provided as at the end of the period shown.

(2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's bullion investments are traded. A portfolio turnover rate of 100 percent is equivalent to the Fund buying and selling all its bullion once in the course of the relevant period. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

(4) The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of net asset value during the period.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2011

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost $	Fair Value $	Total %
Gold Bullion	87,765.710	988.152	88,753.862	81,451,219	128,955,938	33.57
Platinum Bullion	48,920.782	702.106	49,622.888	71,734,291	82,469,123	21.47
Silver Bullion	5,076,989.993	32,727.470	5,109,717.463	74,695,311	172,697,562	44.96
Total Investment				**227,880,821**	**384,122,623**	**100.00**

As the Fund does not rebalance portfolio holdings, the differential over an exact 33.3 percent allocation is due to the difference in performance of each metal.

Due to ongoing portfolio transactions, the investment and percentages may have changed by the time you purchase units of the Fund. A quarterly update is available. To obtain a copy please contact our client services team at 1.888.474.1001 or visit www.bmgbullion.com.

BMG BullionFund

Semi-Annual Financial Statements

For the six months ended June 30, 2011 (Unaudited)

STATEMENTS OF NET ASSETS

As at June 30, 2011 (Unaudited) and December 31, 2010

	2011 $	2010 $
ASSETS		
Gold, silver and platinum bullion - at fair value [Average cost $227,880,821; 2010 - $211,230,340]	384,122,623	351,641,662
Cash	4,049,037	3,837,004
Subscriptions receivable	730,833	248,042
Total assets	**388,902,493**	**355,726,708**
LIABILITIES		
Management fees payable	669,899	661,429
Redemptions payable	414,312	266,818
Accounts payable and accrued liabilities	353,181	341,104
Total liabilities	1,437,392	1,269,351
Net assets	**387,465,101**	**354,457,357**
Total net assets per class		
Class A	294,391,700	263,031,904
Class E09	214,895	782,386
Class E10	394,394	331,661
Class E11	9,215,997	18,633,147
Class E12	10,408,430	4,117,513
Class E15	3,949,773	26,590,624
Class F	29,693,134	21,418,477
Class G01	21,040,607	1,717,796
Class G05	1,687,511	8,951,418
Class G09	9,155,622	2,425,366
Class G10	2,529,433	5,941,488
Class G11	4,234,719	515,577
Class G15	548,886	515,577
	387,465,101	**354,457,357**
Net assets per unit		
Class A	13.07	12.62
Class E09	14.08	13.50
Class E10	14.12	13.55
Class E11	14.27	13.69
Class E12	10.58	-
Class E15	14.54	13.90
Class F	14.07	13.51
Class G01	13.20	12.73
Class G05	14.36	13.81
Class G09	13.93	13.37
Class G10	13.91	13.34
Class G11	14.06	13.47
Class G15	14.55	13.90

See accompanying notes

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

Nick Barisheff, Director

Larry Gamble, Director

STATEMENTS OF OPERATIONS

For the six months ended June 30 (Unaudited)

	2011 $	2010 $
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net change in unrealized appreciation of investments	15,830,480	23,177,399
Net realized gain on investments	2,200,485	6,640,129
Net realized and/or unrealized foreign exchange losses	(11,396)	(17,707)
Net gain on investments	18,019,569	29,799,821
INVESTMENT INCOME		
Early redemption fees	37,432	11,199
Other	3,565	3,690
Total investment income	40,997	14,889
EXPENSES		
Management fees [note 5]	3,849,056	2,885,452
Security holder reporting costs	465,975	413,591
Bullion storage fees	392,000	298,763
Services tax	485,436	185,100
Other administrative expenses	2,590	89,943
Legal fees	13,700	40,000
Audit fees	24,675	31,200
Filing fees	17,700	4,485
Independent Review Committee fees	11,934	11,250
Interest and bank charges	310	1,606
Total expenses	5,263,376	3,961,390
Expenses absorbed by Manager	-	(46,625)
Net investment loss	**(5,222,379)**	**(3,899,876)**
Increase in net assets from operations	**12,797,190**	**25,899,945**
Increase in net assets from operations per class		
Class A	9,068,014	18,740,626
Class E09	(8,160)	58,392
Class E10	12,733	30,859
Class E11	274,582	1,360,559
Class E12	513,648	-
Class E15	165,611	357,452
Class F	1,046,521	2,006,477
Class G01	766,785	1,706,435
Class G05	52,767	110,260
Class G09	350,127	556,229
Class G10	104,067	181,964
Class G11	426,866	756,048
Class G15	23,629	34,644
	12,797,190	25,899,945
Increase in net assets from operations per unit		
Class A	0.42	0.88
Class E09	(0.43)	1.01
Class E10	0.50	1.06
Class E11	0.34	1.01
Class E12	0.60	-
Class E15	0.60	1.04
Class F	0.51	1.02
Class G01	0.48	0.89
Class G05	0.46	0.99
Class G09	0.53	1.01
Class G10	0.57	1.00
Class G11	1.12	0.94
Class G15	0.63	0.96

See accompanying notes

STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended June 30 (Unaudited)

	Class A		Class E09	
	2011	2010	2011	2010
	$	$	$	$
Net assets - beginning of period	263,031,904	217,763,617	782,386	590,553
Increase (decrease) in net assets from operations	9,068,014	18,740,626	(8,160)	58,392
Capital transactions				
Subscriptions	40,252,013	23,020,520	25,000	-
Redemptions	(17,960,231)	(43,973,659)	(584,331)	-
Total capital transactions	22,291,782	(20,953,139)	(559,331)	-
Net assets - end of period	**294,391,700**	215,551,104	**214,895**	648,945

	Class E10		Class E11	
	2011	2010	2011	2010
	$	$	$	$
Net assets - beginning of period	331,661	312,811	18,633,147	13,147,457
Increase in net assets from operations	12,733	30,859	274,582	1,360,559
Capital transactions				
Subscriptions	50,000	-	45,711	1,048,551
Redemptions	-	(58,153)	(9,737,443)	(202,272)
Total capital transactions	50,000	(58,153)	(9,691,732)	846,279
Net assets - end of period	**394,394**	285,517	**9,215,997**	15,354,295

	Class E12		Class E15	
	2011	2010	2011	2010
	$	$	$	$
Net assets - beginning of period	-	-	4,117,513	3,394,288
Increase in net assets from operations	513,648	-	165,611	357,452
Capital transactions				
Subscriptions	10,001,006	-	-	277,236
Redemptions	(106,224)	-	(333,351)	(248,473)
Total capital transactions	9,894,782	-	(333,351)	28,763
Net assets - end of period	**10,408,430**	-	**3,949,773**	3,780,503

	Class F		Class G01	
	2011	2010	2011	2010
	$	$	$	$
Net assets - beginning of period	26,590,624	19,904,429	21,418,477	18,127,907
Increase in net assets from operations	1,046,521	2,006,477	766,785	1,706,435
Capital transactions				
Subscriptions	3,778,486	2,084,767	174,717	1,838,195
Redemptions	(1,722,497)	(1,471,603)	(1,319,372)	(2,591,890)
Total capital transactions	2,055,989	613,164	(1,144,655)	(753,695)
Net assets - end of period	**29,693,134**	22,524,070	**21,040,607**	19,080,647

	Class G05		Class G09	
	2011	2010	2011	2010
	$	$	$	$
Net assets - beginning of period	1,717,796	1,191,434	8,951,418	4,728,776
Increase in net assets from operations	52,767	110,260	350,127	556,229
Capital transactions				
Subscriptions	191,970	25,750	596,487	1,982,699
Redemptions	(275,022)	(104,092)	(742,410)	(888,745)
Total capital transactions	(83,052)	(78,342)	(145,923)	1,093,954
Net assets - end of period	**1,687,511**	1,223,352	**9,155,622**	6,378,959

	Class G10		Class G11	
	2011	2010	2011	2010
	$	$	$	$
Net assets - beginning of period	2,425,366	1,827,100	5,941,488	8,878,718
Increase in net assets from operations	104,067	181,964	426,866	756,048
Capital transactions				
Subscriptions	-	-	2,578	-
Redemptions	-	-	(2,136,213)	(3,490,141)
Total capital transactions	-	-	(2,133,635)	(3,490,141)
Net assets - end of period	**2,529,433**	2,009,064	**4,234,719**	6,144,625

	Class G15		Total	
	2011	2010	2011	2010
	$	$	$	$
Net assets - beginning of period	515,577	287,856	354,457,357	290,154,946
Increase in net assets from operations	23,629	34,644	12,797,190	25,899,945
Capital transactions				
Subscriptions	9,680	103,165	55,127,648	30,380,883
Redemptions	-	-	(34,917,094)	(53,029,028)
Total capital transactions	9,680	103,165	20,210,554	(22,648,145)
Net assets - end of period	**548,886**	425,665	**387,465,101**	293,406,746

See accompanying notes

STATEMENTS OF INVESTMENT PORTFOLIO

As at June 30, 2011

	Allocated Ounces	Unallocated Ounces	Total Fine Ounces	Average Cost $	Fair Value $	Total %
Gold Bullion	87,765.710	988.152	88,753.862	81,451,219	128,955,938	33.57
Platinum Bullion	48,920.782	702.106	49,622.888	71,734,291	82,469,123	21.47
Silver Bullion	5,076,989.993	32,727.470	5,109,717.463	74,695,311	172,697,562	44.96
Total Investment				**227,880,821**	**384,122,623**	**100.00**

As at December 31, 2010

	Allocated Ounces	Unallocated Ounces	Total Fine Ounces	Average Cost $	Fair Value $	Total %
Gold Bullion	84,527.486	870.870	85,398.356	75,933,525	119,668,393	34.03
Platinum Bullion	46,146.305	746.759	46,893.064	66,574,808	80,657,092	22.94
Silver Bullion	4,940,712.093	30,985.172	4,971,697.265	68,722,007	151,316,177	43.03
Total Investment				**211,230,340**	**351,641,662**	**100.00**

BMG BullionFund'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.

BMG BullionFund's bullion is free and clear of any lien or claim that the major Canadian Chartered Bank (or subsidiary thereof) may have, except where the claim arises from any unpaid costs.

NOTES TO FINANCIAL STATEMENTS

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. Bullion Management Services Inc. (the "Manager") is the trustee and manager of the Fund. The Fund currently offers 12 classes of units. These financial statements pertain to Class A, 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 G01	November 1, 2006
Class E09	November 27, 2007	Class G05	June 20, 2005
Class E10	April 7, 2008	Class G09	July 6, 2005
Class E11	January 25, 2006	Class G10	May 17, 2006
Class E12	January 19, 2011	Class G11	October 14, 2005
Class E15	February 20, 2008	Class G15	August 21, 2009
Class F	September 15, 2004		

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, low-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.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include estimates and assumptions made by the Manager that affect the amounts of assets, liabilities, income and expenses during the reporting periods. The significant accounting policies are summarized below:

Designation of Financial Assets and Liabilities

For the purpose of measuring and recognizing financial assets and liabilities shown on the Statements of Net Assets, each financial asset and financial liability is designated as follows: All bullion investments are initially recognized at fair value and are designated as held for trading, accounts receivable and subscriptions receivable are reported at cost and designated as financial assets. Similarly, accounts payable, redemptions payable and accrued liabilities are reported at cost and designated as financial liabilities.

Valuation of Investments

Gold and platinum bullion are valued at the London PM fix price, and silver bullion is valued at the London fix price – each an internationally recognized price benchmark 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 are identified by AM or PM suffixes. Silver has one price fix per day. The difference between this amount and the average cost is being shown as unrealized appreciation (depreciation) of investments.

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.

Investment Transactions, Income and Expense Recognition

Bullion transactions are recorded on a trade date basis.

The realized gain or loss on sale of investments is calculated with reference to the average cost of the related investments.

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

Purchases and sales of investments are translated into Canadian dollars at the exchange rates prevailing on the dates of the transactions.

Calculation of Net Asset Value ("NAV") Per Unit

The NAV of each class of units of the Fund is calculated in Canadian dollars at 4:00 pm (Eastern Time) on each day on which the London Stock Exchange and the Toronto Stock Exchange are 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 NAV 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' 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.

Income Taxes

Any net taxable investment income and net realized capital gains during the year are distributed to the unitholders such that the Fund is not subject to income tax. Accordingly, no provision for income taxes has been recorded in these financial statements.

Increase (Decrease) in Net Assets From Operations Per Unit

Any increase (decrease) in net assets from operations per unit in the Statements of Operations represents the change in net assets from operations attributable to a class of units of the Fund for the year divided by the weighted average number of units of that class of the Fund outstanding during the year.

3. Regulatory Developments

Future Accounting Changes

The Canadian Accounting Standards Board has announced plans to converge Canadian generally accepted accounting principles ("GAAP") with IFRS, over a transition period expected to end in 2013.

The Manager has been reviewing the transitional requirements and comparing IFRS with current Canadian standards as the initial steps in its changeover plan to meet the 2013 timetable. Key elements of the plan include disclosures of the qualitative and quantitative, if any, impact on the December 31, 2012 and 2013 financial statements, and the preparation of the December 31, 2013 financial statements for the Fund in accordance with IFRS.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that net assets attributable to units or NAV per unit will be impacted by the changeover to IFRS. The Manager expects that the impact of IFRS on the Fund's financial statements will result in additional disclosure and presentation changes.

4. Unitholders' Equity

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended June 30

	Class A		Class E09	
	2011	**2010**	**2011**	**2010**
Balance - beginning of period	20,846,609	22,619,864	57,941	57,941
Issued	3,040,682	2,313,721	1,743	-
Redeemed	(1,367,386)	(4,450,190)	(44,418)	-
Balance - end of period	22,519,905	20,483,395	15,266	57,941
Average units outstanding	21,664,764	21,317,307	19,146	57,941

	Class E10		Class E11	
	2011	**2010**	**2011**	**2010**
Balance - beginning of period	24,485	30,639	1,360,961	1,275,763
Issued	3,449	-	3,416	247,354
Redeemed	-	(5,206)	(718,763)	(169,039)
Balance - end of period	27,934	25,433	645,614	1,354,078
Average units outstanding	25,362	29,012	794,942	1,344,125

	Class E12		Class E15	
	2011	**2010**	**2011**	**2010**
Balance - beginning of period	-	-	1,682,563	1,868,188
Issued	993,864	-	12,574	184,663
Redeemed	(10,226)	-	(100,952)	(254,458)
Balance - end of period	983,638	-	1,594,185	1,798,393
Average units outstanding	856,217	-	1,618,207	1,926,477

	Class F		Class G01	
	2011	**2010**	**2011**	**2010**
Balance - beginning of period	1,968,387	1,952,322	1,682,563	1,868,188
Issued	264,385	197,414	12,574	184,663
Redeemed	(122,624)	(139,564)	(100,952)	(254,458)
Balance - end of period	2,110,148	2,010,172	1,594,185	1,798,393
Average units outstanding	2,041,297	1,961,346	1,618,207	1,926,477

	Class G05		Class G09	
	2011	**2010**	**2011**	**2010**
Balance - beginning of period	124,374	113,759	669,558	468,931
Issued	13,048	2,274	41,369	190,659
Redeemed	(19,887)	(9,460)	(53,709)	(84,035)
Balance - end of period	117,535	106,573	657,218	575,555
Average units outstanding	113,931	110,930	660,262	552,191

	Class G10		Class G11	
	2011	**2010**	**2011**	**2010**
Balance - beginning of period	181,878	181,878	441,011	875,973
Issued	-	-	200	-
Redeemed	-	-	(140,011)	(324,994)
Balance - end of period	181,878	181,878	301,200	550,979
Average units outstanding	181,878	181,878	378,490	803,826

	Class G15	
	2011	**2010**
Balance - beginning of period	37,079	27,662
Issued	648	9,417
Redeemed	-	-
Balance - end of period	37,727	37,079
Average units outstanding	37,244	36,090

5. Management Fees and Sales Commission

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 G01	2.25%
Class E09	1.25%	Class G05	1.75%
Class E10	1.125%	Class G09	1.25%
Class E11	1.00%	Class G10	1.125%
Class E12	0.875%	Class G11	1.00%
Class E15	0.50%	Class G15	0.50%
Class F	1.25%		

A sales commission may be charged by a registered dealer or representative at the time an investor buys Class A units, Class E units, Class G units or Class S units of the Fund. The maximum amount of the sales commission for Classes A, E and G is 5.26 percent of the net amount invested and for Class S is 5.82 percent of the net amount invested. The sales commission is only negotiable for Classes A, 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 $1,431,498 during the first six months of 2011 [2010: $1,069,453].

6. Related-Party Transaction

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

	2011	2010
Class E15	20,193	20,193

7. Income Tax Loss Carryforwards

The Fund has non-capital loss carry forwards of approximately $16,939,000 [2010: $14,862,000] available to offset future years' taxable income.

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

Year	$
2014	$857,000
2015	$914,000
2026	$888,000
2027	$3,432,000
2028	$5,027,000
2029	$2,727,000
2030	$3,094,000

8. Financial Risk Management

The Fund's financial instruments consist primarily of cash, subscription receivables and bullion investments. The Fund's cash and bullion holdings are exposed to various types of risks 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 bullion investments will fluctuate because of changes in market prices or transaction timing. The market price of gold, silver and platinum is impacted 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, 2011, the impact on the Fund's net assets if there were a 5 percent 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 $19,206,131 [2010: $14,547,242] or 4.96 percent [2010: 4.96 percent].

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, 2011 the Fund had no significant investments in debt instruments and/or derivatives. The Fund limits its exposure to credit loss by placing its cash and cash equivalents 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 and cash equivalent 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.

Interest Rate Risk

The majority of the Fund's financial assets and liabilities were non-interest-bearing as at June 30, 2011. 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 percent of the assets of the Fund.

As at June 30, 2011, 99.4 percent [2010: 99.4 percent] of the Fund's net assets were exposed to US dollars. If the exchange rate with the Canadian dollar increased or decreased by 1 percent, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately $3,851,112 [2010: $2,915,167].

The actual results may differ from this sensitivity analysis and the difference could be material as the price of bullion tends to be negatively correlated with the US dollar.

Foreign Currency Exposure
June 30, 2011

Description	US $	Canada $	Total $
Cash	1,068,731	2,980,306	4,049,037
Bullion	384,122,623	-	384,122,623
Other Net Assets	(80,193)	(626,366)	(706,559)
Net Assets	385,111,161	2,353,940	387,465,101
Percent	99.4%	0.6%	

June 30, 2010

Description	US $	Canada $	Total $
Cash	636,544	2,262,945	2,899,489
Bullion	290,944,839	-	290,944,839
Other Net Assets	(69,715)	(367,867)	(437,582)
Net Assets	291,511,668	1,895,078	293,406,746
Percent	99.4%	0.6%	

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