

# BMG BullionFund

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## Semi-Annual Financial Statements

For the six months ended June 30, 2012 (Unaudited)



BULLION  
MANAGEMENT  
SERVICES INC.

## TABLE OF CONTENTS

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### **Semi-Annual Financial Statements**

Statements of Net Assets	3
Statements of Operations	4
Statements of Changes in Net Assets	5
Statement of Investment Portfolio	6
Notes to Financial Statements	7

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](http://www.bmgbullion.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

## STATEMENTS OF NET ASSETS

As at June 30, 2012 (Unaudited) and December 31, 2011

	2012	2011
	\$	\$
<b>ASSETS</b>		
Gold, silver and platinum bullion - at fair value [Average cost \$244,458,482; 2011 - \$243,395,365]	362,597,803	366,311,352
Cash	1,910,759	4,106,203
Subscriptions receivable	339,946	397,941
Due from Manager	1,491	2,995
<b>Total assets</b>	<b>364,849,999</b>	<b>370,818,491</b>
<b>LIABILITIES</b>		
Management fees payable	625,051	730,263
Redemptions payable	372,728	343,095
Accounts payable and accrued liabilities	316,440	890,207
<b>Total liabilities</b>	<b>1,314,219</b>	<b>1,963,565</b>
<b>Net assets</b>	<b>363,535,780</b>	<b>368,854,926</b>
<b>Total net assets per class</b>		
Class A	277,699,290	276,876,888
Class E09	196,460	198,858
Class E10	361,097	365,244
Class E11	8,425,729	8,515,942
Class E12	3,502,996	3,430,060
Class E15	3,447,076	3,645,130
Class F	35,472,261	38,240,990
Class G01	18,687,116	19,266,153
Class G05	885,124	2,298,851
Class G09	8,736,790	9,249,174
Class G10	2,127,289	2,343,802
Class G11	3,484,079	3,910,880
Class G15	510,473	512,954
	<b>363,535,780</b>	<b>368,854,926</b>
<b>Net assets per unit</b>		
Class A	11.82	12.03
Class E09	12.87	13.03
Class E10	12.93	13.08
Class E11	13.09	13.23
Class E12	9.71	9.81
Class E15	13.41	13.51
Class F	12.87	13.03
Class G01	11.96	12.16
Class G05	13.09	13.28
Class G09	12.75	12.89
Class G10	12.75	12.89
Class G11	12.90	13.04
Class G15	13.53	13.60

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)

	2012 \$	2011 \$
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>		
Net change in unrealized appreciation (depreciation) of investments	(4,776,666)	15,830,480
Net realized gains on investments	4,043,114	2,200,485
Net realized and/or unrealized foreign exchange losses	(28,112)	(11,396)
<b>Net gains (losses) on investments</b>	<b>(761,664)</b>	<b>18,019,569</b>
<b>INVESTMENT INCOME</b>		
Early redemption fees	12,602	37,432
Other	2,217	3,565
<b>Total investment income</b>	<b>14,819</b>	<b>40,997</b>
<b>EXPENSES</b>		
Management fees [note 5]	3,999,724	3,849,056
Security holder reporting costs	444,606	465,975
Bullion storage fees	434,000	392,000
Services tax	516,928	485,436
Other administrative expenses	65,030	2,590
Legal fees	18,200	13,700
Audit fees	32,580	24,675
Filing fees	17,800	17,700
Independent Review Committee fees	10,193	11,934
Interest and bank charges	310	310
<b>Total expenses</b>	<b>5,539,371</b>	<b>5,263,376</b>
<b>Expenses absorbed by Manager</b>	<b>(1,491)</b>	<b>-</b>
<b>Net investment loss</b>	<b>(5,523,061)</b>	<b>(5,222,379)</b>
<b>Increase (decrease) in net assets from operations</b>	<b>(6,284,725)</b>	<b>12,797,190</b>
<b>Increase (decrease) in net assets from operations per class</b>		
Class A	(5,687,188)	9,068,014
Class E09	(2,398)	(8,160)
Class E10	(4,147)	12,733
Class E11	(90,213)	274,582
Class E12	(19,430)	513,648
Class E15	(19,158)	165,611
Class F	(186,089)	1,046,521
Class G01	(262,953)	766,785
Class G05	42,012	52,767
Class G09	(54,780)	350,127
Class G10	4,031	104,067
Class G11	(1,931)	426,866
Class G15	(2,481)	23,629
	(6,284,725)	12,797,190
<b>Increase (decrease) in net assets from operations per unit</b>		
Class A	(0.24)	0.42
Class E09	(0.16)	(0.43)
Class E10	(0.15)	0.50
Class E11	(0.14)	0.34
Class E12	(0.06)	0.60
Class E15	(0.07)	0.60
Class F	(0.07)	0.51
Class G01	(0.17)	0.48
Class G05	0.30	0.46
Class G09	(0.08)	0.53
Class G10	0.02	0.57
Class G11	(0.01)	1.12
Class G15	(0.07)	0.63

See accompanying notes

## STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended June 30 (Unaudited)

	Class A		Class E09	
	2012	2011	2012	2011
	\$	\$	\$	\$
Net assets - beginning of period	276,876,888	263,031,904	198,858	782,386
Increase (decrease) in net assets from operations	(5,687,188)	9,068,014	(2,398)	(8,160)
Capital transactions				
Subscriptions	22,976,377	40,252,013	-	25,000
Redemptions	(16,466,787)	(17,960,231)	-	(584,331)
Total capital transactions	6,509,590	22,291,782	-	(559,331)
Net assets - end of period	<b>277,699,290</b>	294,391,700	<b>196,460</b>	214,895

  

	Class E10		Class E11	
	2012	2011	2012	2011
	\$	\$	\$	\$
Net assets - beginning of period	365,244	331,661	8,515,942	18,633,147
Increase (decrease) in net assets from operations	(4,147)	12,733	(90,213)	274,582
Capital transactions				
Subscriptions	-	50,000	-	45,711
Redemptions	-	-	-	(9,737,443)
Total capital transactions	-	50,000	-	(9,691,732)
Net assets - end of period	<b>361,097</b>	394,394	<b>8,425,729</b>	9,215,997

  

	Class E12		Class E15	
	2012	2011	2012	2011
	\$	\$	\$	\$
Net assets - beginning of period	3,430,060	-	3,645,130	4,117,513
Increase (decrease) in net assets from operations	(19,430)	513,648	(19,158)	165,611
Capital transactions				
Subscriptions	300,969	10,001,006	4,212	-
Redemptions	(208,603)	(106,224)	(183,108)	(333,351)
Total capital transactions	92,366	9,894,782	(178,896)	(333,351)
Net assets - end of period	<b>3,502,996</b>	10,408,430	<b>3,447,076</b>	3,949,773

  

	Class F		Class G01	
	2012	2011	2012	2011
	\$	\$	\$	\$
Net assets - beginning of period	38,240,990	26,590,624	19,266,153	21,418,477
Increase (decrease) in net assets from operations	(186,089)	1,046,521	(262,953)	766,785
Capital transactions				
Subscriptions	4,863,695	3,778,486	229,153	174,717
Redemptions	(7,446,335)	(1,722,497)	(545,237)	(1,319,372)
Total capital transactions	(2,582,640)	2,055,989	(316,084)	(1,144,655)
Net assets - end of period	<b>35,472,261</b>	29,693,134	<b>18,687,116</b>	21,040,607

  

	Class G05		Class G09	
	2012	2011	2012	2011
	\$	\$	\$	\$
Net assets - beginning of period	2,298,851	1,717,796	9,249,174	8,951,418
Increase (decrease) in net assets from operations	42,012	52,767	(54,780)	350,127
Capital transactions				
Subscriptions	20,093	191,970	536,201	596,487
Redemptions	(1,475,832)	(275,022)	(993,805)	(742,410)
Total capital transactions	(1,455,739)	(83,052)	(457,604)	(145,923)
Net assets - end of period	<b>885,124</b>	1,687,511	<b>8,736,790</b>	9,155,622

## STATEMENTS OF CHANGES IN NET ASSETS (continued)

	Class G10		Class G11	
	2012	2011	2012	2011
	\$	\$	\$	\$
Net assets - beginning of period	2,343,802	2,425,366	3,910,880	5,941,488
Increase (decrease) in net assets from operations	4,031	104,067	(1,931)	426,866
<b>Capital transactions</b>				
Subscriptions	-	-	-	2,578
Redemptions	(220,544)	-	(424,870)	(2,136,213)
<b>Total capital transactions</b>	<b>(220,544)</b>	<b>-</b>	<b>(424,870)</b>	<b>(2,133,635)</b>
Net assets - end of period	<b>2,127,289</b>	<b>2,529,433</b>	<b>3,484,079</b>	<b>4,234,719</b>

  

	Class G15		Total	
	2012	2011	2012	2011
	\$	\$	\$	\$
Net assets - beginning of period	512,954	515,577	368,854,926	354,457,357
Increase (decrease) in net assets from operations	(2,481)	23,629	(6,284,725)	12,797,190
<b>Capital transactions</b>				
Subscriptions	-	9,680	28,930,700	55,127,648
Redemptions	-	-	(27,965,121)	(34,917,094)
<b>Total capital transactions</b>	<b>-</b>	<b>9,680</b>	<b>965,579</b>	<b>20,210,554</b>
Net assets - end of period	<b>510,473</b>	<b>548,886</b>	<b>363,535,780</b>	<b>387,465,101</b>

See accompanying notes

## STATEMENT OF INVESTMENT PORTFOLIO

As at June 30, 2012

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	89,357.298	602.737	89,960.035	87,723,644	146,598,259	40.43
Platinum Bullion	50,100.803	528.388	50,629.191	74,723,656	73,705,274	20.33
Silver Bullion	5,135,280.493	19,050.946	5,154,331.439	82,011,182	142,294,270	39.24
<b>Total Investment</b>				<b>244,458,482</b>	<b>362,597,803</b>	<b>100.00</b>

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 13 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, 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.

### 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; due from Manager and subscriptions receivable are reported at cost and designated as loans and receivables. Similarly, accounts payable and accrued liabilities, redemptions payable and management fees payable are reported at cost and designated as other financial liabilities.

#### Valuation of Investments

Gold bullion is valued at the London PM Fix price and silver bullion is valued at the London Fix price (internationally recognized price benchmarks set by the London Bullion Market Association). Platinum is valued at the Long PM Fix price (an internationally recognized price benchmark set by the London Platinum and Palladium market). Gold and platinum have price fixes generally set twice daily that are identified by “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 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.

*CICA Handbook 3862, Financial Instruments – Disclosures* requires the Fund to classify fair value measurements using a three-tier hierarchy. Bullion trades in highly active markets that are classified as Level 1 - Measurement with unadjusted quoted prices in active markets. The valuation of all bullion was classified as Level 1 throughout 2012 and 2011.

## NOTES TO FINANCIAL STATEMENTS (continued)

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### Classification of Fair Value Measurements

The Classification of fair market value measurements are as follows:

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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

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### 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 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 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.

### 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 period divided by the weighted average number of units of that class of the Fund outstanding during the period.

## 3. Regulatory Developments

### Future Accounting Changes

The Canadian Accounting Standards Board has announced plans to converge Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards ("IFRS"), over a transition period expected to end in 2014.

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 2014 timetable. Key elements of the plan include disclosures of the qualitative and quantitative, if any, impact on the December 31, 2013 and 2014 financial statements, and the preparation of the December 31, 2014 financial statements for the Fund in accordance with IFRS.



## NOTES TO FINANCIAL STATEMENTS (continued)

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, 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.

For the six months ended June 30

	Class A		Class E09	
	2012	2011	2012	2011
Balance - beginning of period	23,010,538	20,846,609	15,266	57,941
Issued	1,766,507	3,040,682	-	1,743
Redeemed	(1,289,722)	(1,367,386)	-	(44,418)
<b>Balance - end of period</b>	<b>23,487,323</b>	<b>22,519,905</b>	<b>15,266</b>	<b>15,266</b>
Average units outstanding	23,419,904	21,664,764	15,266	19,146
	Class E10		Class E11	
	2012	2011	2012	2011
Balance - beginning of period	27,934	24,485	643,732	1,360,961
Issued	-	3,449	-	3,416
Redeemed	-	-	-	(718,763)
<b>Balance - end of period</b>	<b>27,934</b>	<b>27,934</b>	<b>643,732</b>	<b>645,614</b>
Average units outstanding	27,934	25,362	643,732	794,942
	Class E12		Class E15	
	2012	2011	2012	2011
Balance - beginning of period	349,596	-	269,715	1,682,563
Issued	30,100	993,864	299	12,574
Redeemed	(19,051)	(10,226)	(12,964)	(100,952)
<b>Balance - end of period</b>	<b>360,646</b>	<b>983,638</b>	<b>257,050</b>	<b>1,594,185</b>
Average units outstanding	340,543	856,217	265,332	1,618,207
	Class F		Class G01	
	2012	2011	2012	2011
Balance - beginning of period	2,935,910	1,968,387	1,584,721	1,682,563
Issued	342,353	264,385	18,580	12,574
Redeemed	(521,755)	(122,624)	(40,246)	(100,952)
<b>Balance - end of period</b>	<b>2,756,508</b>	<b>2,110,148</b>	<b>1,563,055</b>	<b>1,594,185</b>
Average units outstanding	2,840,581	2,041,297	1,556,770	1,618,207
	Class G05		Class G09	
	2012	2011	2012	2011
Balance - beginning of period	173,138	124,374	717,376	669,558
Issued	1,468	13,048	39,144	41,369
Redeemed	(106,990)	(19,887)	(71,044)	(53,709)
<b>Balance - end of period</b>	<b>67,616</b>	<b>117,535</b>	<b>685,476</b>	<b>657,218</b>
Average units outstanding	137,870	113,931	686,520	660,262

**NOTES TO FINANCIAL STATEMENTS (continued)**

	Class G10		Class G11	
	2012	2011	2012	2011
Balance - beginning of period	181,878	181,878	300,000	441,011
Issued	-	-	-	200
Redeemed	(15,000)	-	(30,000)	(140,011)
<b>Balance - end of period</b>	<b>166,878</b>	<b>181,878</b>	<b>270,000</b>	<b>301,200</b>
Average units outstanding	172,152	181,878	287,473	378,490
	Class G15			
	2012	2011		
Balance - beginning of period	37,728	37,079		
Issued	-	648		
Redeemed	-	-		
<b>Balance - end of period</b>	<b>37,728</b>	<b>37,727</b>		
Average units outstanding	37,728	37,244		

**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. 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 \$1,481,937 during the first six months of 2012 [2011: \$1,431,498].

**6. Related-Party Transaction**

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

	2012	2011
Class E15	20,193	20,193

## NOTES TO FINANCIAL STATEMENTS (continued)

### 7. Income Tax Loss Carry Forwards

The Fund has non-capital loss carry forwards of approximately \$25,534,000 [2011: \$22,495,000] 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
2031	\$5,556,000
2032	\$3,039,000

### 8. Financial Risk Management

The Fund's financial instruments consist primarily of cash, subscriptions receivable, due from manager 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, 2012 and 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 \$18,129,890 [2011: \$19,206,131] or 4.99 percent [2011: 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, 2012 and 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.

## NOTES TO FINANCIAL STATEMENTS (continued)

### Interest Rate Risk

The majority of the Fund's financial assets and liabilities were non-interest-bearing as at June 30, 2012 and 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, 2012, 99.9 percent [2011: 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 \$3,632,340 [2011: \$3,851,112].

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, 2012

Description	US \$	Canada \$	Total \$
Cash	742,699	1,168,060	1,910,759
Bullion	362,597,803	-	362,597,803
Other Net Assets	(106,464)	(866,318)	(972,782)
Net Assets	363,234,038	301,742	363,535,780
Percent	99.9%	0.1%	

#### 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%	

## CORPORATE INFORMATION

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