

BMG Gold BullionFund

Semi-Annual Management Report of Fund Performance

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



BULLION
MANAGEMENT
SERVICES INC.

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This Semi-Annual Management Report of Fund Performance contains financial highlights. Additional information relating to BMG Gold Bullion Fund 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 Gold Bullion Fund (the “Fund”) grew 2.2 percent from \$95,186,729 at December 31, 2010 to \$97,252,766 at June 30, 2011. Growth was primarily driven by \$2.6 million in unrealized appreciation and a \$745,473 of realized gains in the price of bullion.

For the six months ended June 30, 2011, the Fund’s Class A units generated total returns of 2 percent in Canadian dollars and 5 percent in US dollars. Gold reached a new 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.

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.

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 the gold price 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.

MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

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 \$983,868 [2010: \$294,499].

For the six months ended June 30, 2011, the Manager absorbed Fund operating expenses of \$110,501 [2010: \$52,481]. The decision to reduce 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 51,064 [2010: 51,064] Class A 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 applicable class of units of the Fund, which are held by the dealers' clients. No trailer fees are paid with respect to Class F or Class S1 units of the Fund. The table below outlines the Fund's annual management fees and the maximum trailer fees for the Class A, Class F, Class S1 and Class S2 units of the Fund.

	Class A	Class F	Class S1	Class S2
Management Fee	2.25%	1.25%	0.45%	0.95%
Trailer Fee (maximum rate as a percentage of management fees)	44.4%	0%	0%	52.6%

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 (if applicable).

	June 30, 2011	2010	2009
Net assets - beginning of period⁽¹⁾	\$5.30	\$4.61	\$5.00
INCREASE (DECREASE) FROM OPERATIONS:			
Total revenue	-	-	-
Total expenses	(0.08)	(0.15)	(0.04)
Realized gains (losses)	0.04	0.01	-
Unrealized gains (losses)	0.15	1.03	(0.13)
Total increase (decrease) from operations⁽²⁾	0.11	0.89	(0.17)
DISTRIBUTIONS:			
From income	-	-	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-
Total distributions	-	-	-
Net assets - end of period	\$5.40	\$5.30	\$4.61
RATIOS AND SUPPLEMENTAL DATA			
Total net asset value ⁽¹⁾ (000's)	\$86,101	\$83,191	\$2,467
Number of units outstanding ⁽¹⁾	15,934	15,707	535
Management expense ratio (%) ⁽²⁾	3.06	3.06	2.98
Management expense ratio before waivers or absorption (%)	3.32	3.30	33.79
Portfolio turnover rate (%) ⁽³⁾	5.71	3.15	-
Trading expense ratio (%) ⁽⁴⁾	-	-	-
Net asset value per unit	\$5.40	\$5.30	\$4.61

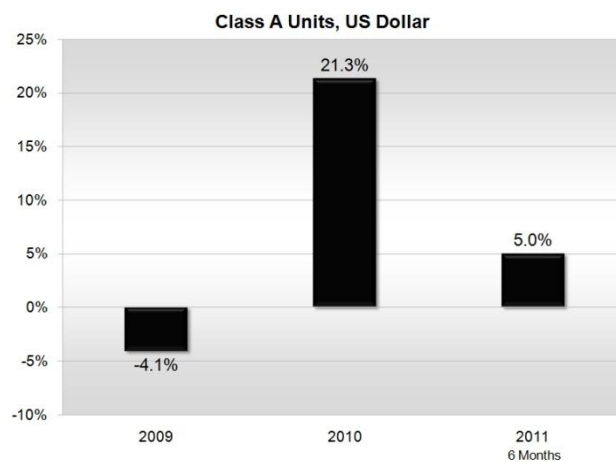
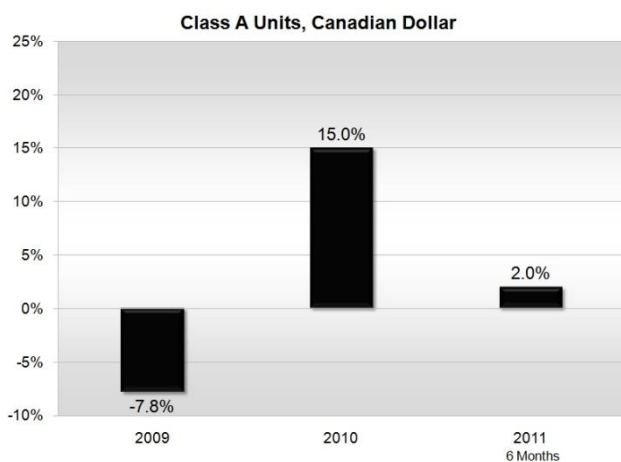
Class A was inception on September 4, 2009. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

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 2009 is for the period from inception on September 4.



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 (if applicable).

	June 30, 2011	2010
Net assets - beginning of period⁽¹⁾	\$5.76	\$5.00
INCREASE (DECREASE) FROM OPERATIONS:		
Total revenue	-	-
Total expenses	(0.06)	(0.11)
Realized gains (losses)	0.04	0.01
Unrealized gains (losses)	0.12	1.04
Total increase (decrease) from operations⁽²⁾	0.10	0.94
DISTRIBUTIONS:		
From income	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total distributions	-	-
Net assets - end of period	\$5.91	\$5.76
RATIOS AND SUPPLEMENTAL DATA		
Total net asset value ⁽¹⁾ (000's)	\$2,336	\$2,020
Number of units outstanding ⁽¹⁾	395,267	350,395
Management expense ratio (%) ⁽²⁾	2.02	2.02
Management expense ratio before waivers or absorption (%)	2.12	2.10
Portfolio turnover rate (%) ⁽³⁾	5.71	3.15
Trading expense ratio (%) ⁽⁴⁾	-	-
Net asset value per unit	\$5.91	\$5.76

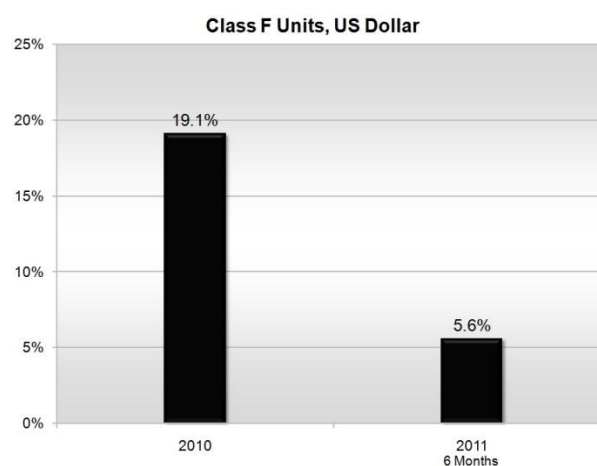
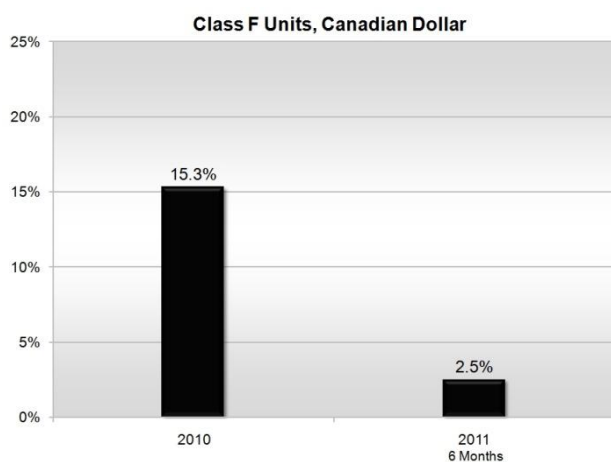
Class F was inception on January 18, 2010. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

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 2010 is for the period from inception on January 18.



CLASS S1

Financial Highlights

The following tables show selected key financial information about the Class S1 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 (if applicable).

	2011	2010
Net assets - beginning of period⁽¹⁾	\$9.34	\$9.48
INCREASE (DECREASE) FROM OPERATIONS:		
Total revenue	-	-
Total expenses	(0.05)	(0.02)
Realized gains (losses)	0.07	-
Unrealized gains (losses)	0.25	(0.13)
Total increase (decrease) from operations⁽²⁾	0.27	(0.15)
DISTRIBUTIONS:		
From income	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total distributions	-	-
Net assets - end of period	\$9.62	\$9.34
RATIOS AND SUPPLEMENTAL DATA		
Total net asset value ⁽¹⁾ (000's)	\$5,119	\$5,560
Number of units outstanding ⁽¹⁾	532,270	595,356
Management expense ratio (%) ⁽²⁾	1.17	1.20
Management expense ratio before waivers or absorption (%)	1.17	1.20
Portfolio turnover rate (%) ⁽³⁾	5.71	3.15
Trading expense ratio (%) ⁽⁴⁾	-	-
Net asset value per unit	\$9.62	\$9.34

Class S1 was inception on November 9, 2010. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

CLASS S2

Financial Highlights

The following tables show selected key financial information about the Class S2 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 (if applicable).

	2011	2010
Net assets - beginning of period⁽¹⁾	\$9.55	\$9.70
INCREASE (DECREASE) FROM OPERATIONS:		
Total revenue	-	-
Total expenses	(0.08)	(0.02)
Realized gains (losses)	0.07	-
Unrealized gains (losses)	0.25	(0.13)
Total increase (decrease) from operations⁽²⁾	0.24	(0.15)
DISTRIBUTIONS:		
From income	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total distributions	-	-
Net assets - end of period	\$9.81	\$9.55
RATIOS AND SUPPLEMENTAL DATA		
Total net asset value ⁽¹⁾ (000's)	\$1,902	\$1,937
Number of units outstanding ⁽¹⁾	193,848	202,718
Management expense ratio (%) ⁽²⁾	1.67	1.69
Management expense ratio before waivers or absorption (%)	1.67	1.69
Portfolio turnover rate (%) ⁽³⁾	5.71	3.15
Trading expense ratio (%) ⁽⁴⁾	-	-
Net asset value per unit	\$9.81	\$9.55

Class S2 was incepted on November 9, 2010. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

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	66,041.158	257.709	66,298.867	83,413,268	96,329,664	100.00
Total Investment				83,413,268	96,329,664	100.00

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 Gold 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 bullion - at fair value [Average cost \$\$83,413,268; 2010 - \$84,147,795]	96,329,664	94,461,274
Cash	978,193	1,071,086
Subscriptions receivable	292,290	16,822
Due from Manager	110,501	67,584
Total assets	97,710,648	95,616,766
LIABILITIES		
Management fees payable	170,918	184,951
Accounts payable and accrued liabilities	286,964	245,086
Total liabilities	457,882	430,037
Net assets	97,252,766	95,186,729
Total net assets per class		
Class A	86,100,643	83,191,001
Class E10	-	547,715
Class F	2,336,262	2,019,657
Class G1	893,555	810,450
Class G9	891,742	1,121,164
Class G15	9,636	-
Class S1	5,118,598	5,560,001
Class S2	1,902,330	1,936,741
	97,252,766	95,186,729
Net assets per unit		
Class A	5.40	5.30
Class E10	-	10.95
Class F	5.91	5.76
Class G1	11.33	11.10
Class G9	11.61	11.33
Class G15	9.95	-
Class S1	9.62	9.34
Class S2	9.81	9.55

See accompanying notes

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



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	2,602,915	5,595,543
Net realized gains on investments	745,473	12,007
Net realized and/or unrealized foreign exchange losses	(11,823)	(1,956)
Net gain on investments	3,336,565	5,605,594
INVESTMENT INCOME		
Early redemption fees	3,827	1,124
Other	546	754
Total investment income	4,373	1,878
EXPENSES		
Management fees [note 5]	983,868	294,499
Security holder reporting costs	171,423	75,112
Bullion storage fees	80,006	16,655
Services tax	147,246	21,226
Other administrative expenses	12,790	12,317
Legal fees	33,410	3,365
Audit fees	20,815	13,170
Filing fees	17,760	9,135
Independent Review Committee fees	2,485	1,780
Interest and bank charges	845	490
Total expenses	1,470,648	447,749
Expenses absorbed by Manager	(110,501)	(52,481)
Net investment loss	(1,355,774)	(393,390)
Increase (decrease) in net assets from operations	1,980,790	5,212,204
Increase (decrease) in net assets from operations per class		
Class A	1,729,394	5,067,923
Class E10	(7,745)	23,165
Class F	35,632	69,953
Class G1	10,097	-
Class G9	15,151	51,163
Class G15	(44)	-
Class S1	149,183	-
Class S2	49,122	-
	1,980,790	5,212,204
Increase (decrease) in net assets from operations per unit		
Class A	0.11	0.91
Class E10	(0.15)	0.46
Class F	0.11	1.20
Class G1	0.15	-
Class G9	0.19	0.56
Class G15	(0.05)	-
Class S1	0.26	-
Class S2	0.25	-

See accompanying notes

STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended June 30 (Unaudited)

	Class A		Class E10	
	2011 \$	2010 \$	2011 \$	2010 \$
Net assets - beginning of period	83,191,001	2,467,356	547,715	-
Increase (decrease) in net assets from operations	1,729,394	5,067,923	(7,745)	23,165
Capital transactions				
Subscriptions	9,877,972	49,544,253	-	500,000
Redemptions	(8,697,724)	(201,733)	(539,970)	-
Total capital transactions	1,180,248	49,342,520	(539,970)	500,000
Net assets - end of period	86,100,643	56,877,799	-	523,165

	Class F		Class G01	
	2011 \$	2010 \$	2011 \$	2010 \$
Net assets - beginning of period	2,019,657	-	810,450	-
Increase in net assets from operations	35,632	69,953	10,097	-
Capital transactions				
Subscriptions	624,696	1,102,126	233,800	-
Redemptions	(343,723)	-	(160,792)	-
Total capital transactions	280,973	1,102,126	73,008	-
Net assets - end of period	2,336,262	1,172,079	893,555	-

	Class G09		Class G15	
	2011 \$	2010 \$	2011 \$	2010 \$
Net assets - beginning of period	1,121,164	-	-	-
Increase (decrease) in net assets from operations	15,151	51,163	(44)	-
Capital transactions				
Subscriptions	35,981	1,227,006	9,680	-
Redemptions	(280,554)	(1,139)	-	-
Total capital transactions	(244,573)	1,225,867	9,680	-
Net assets - end of period	891,742	1,277,030	9,636	-

	Class S1		Class S2	
	2011 \$	2010 \$	2011 \$	2010 \$
Net assets - beginning of period	5,560,001	-	1,936,741	-
Increase in net assets from operations	149,183	-	49,122	-
Capital transactions				
Subscriptions	-	-	-	-
Redemptions	(590,586)	-	(83,533)	-
Total capital transactions	(590,586)	-	(83,533)	-
Net assets - end of period	5,118,598	-	1,902,330	-

	Total	
	2011 \$	2010 \$
Net assets - beginning of period	95,186,729	2,467,356
Increase in net assets from operations	1,980,790	5,212,204
Capital transactions		
Subscriptions	10,782,129	52,373,385
Redemptions	(10,696,882)	(202,872)
Total capital transactions	85,247	52,170,513
Net assets - end of period	97,252,766	59,850,073

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	66,041.158	257.709	66,298.867	83,413,268	96,329,664	100.00
Total Investment				83,413,268	96,329,664	100.00

As at December 31, 2010

	Allocated Ounces	Unallocated Ounces	Total Fine Ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	66,041.158	1,368.792	67,409.950	84,147,795	94,461,274	100.00
Total Investment				84,147,795	94,461,274	100.00

BMG Gold Bullion 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.

BMG Gold Bullion 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 FINANCIAL STATEMENTS

1. Formation of the Fund

BMG Gold Bullion Fund (the "Fund") was established under the laws of Ontario by a Master Declaration of Trust and Regulation each dated September 4, 2009, as amended. Bullion Management Services Inc. (the "Manager") is the trustee and manager of the Fund. The Fund currently offers seven classes of units.

These financial statements pertain to Class A, Class E10, Class F, Class G1, Class G9, Class G15, Class S1 and Class S2 units. The inception dates of the classes are as follows:

Class A	September 4, 2009	Class G9	June 10, 2010
Class E10*	June 22, 2010	Class G15	May 13, 2011
Class F	January 18, 2010	Class S1	November 9, 2010
Class G1	August 31, 2010	Class S2	November 9, 2010

* Class E10 was closed on May 17, 2011.

The Fund is also authorized to issue Class I 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 only in gold bullion, with the objective of providing a secure, convenient, low-cost, low-risk alternative for investors seeking to hold gold 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 bullion is valued at the London PM Fix price – an internationally recognized price benchmark set by the London Bullion Market Association for gold. Gold has a price fix generally set twice daily and is identified by AM or PM suffixes. 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.

NOTES TO FINANCIAL STATEMENTS (continued)

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 E10	
	2011	2010	2011	2010
Balance - beginning of period	15,706,850	535,444	50,000	-
Issued	1,859,771	10,681,894	-	50,000
Redeemed	(1,631,945)	(43,099)	(50,000)	-
Balance - end of period	15,934,676	11,174,239	-	50,000
Average units outstanding	15,839,068	5,595,768	50,000	50,000

	Class F		Class G01	
	2011	2010	2011	2010
Balance - beginning of period	350,395	-	73,003	-
Issued	105,826	212,693	20,897	-
Redeemed	(60,954)	-	(15,004)	-
Balance - end of period	395,267	212,693	78,896	-
Average units outstanding	336,012	58,197	69,841	-

	Class G09		Class G15	
	2011	2010	2011	2010
Balance - beginning of period	98,993	-	-	-
Issued	3,063	118,045	968	-
Redeemed	(25,275)	(108)	-	-
Balance - end of period	76,781	117,937	968	-
Average units outstanding	83,870	91,480	968	-

	Class S1		Class S2	
	2011	2010	2011	2010
Balance - beginning of period	595,356	-	202,718	-
Issued	-	-	-	-
Redeemed	(63,086)	-	(8,870)	-
Balance - end of period	532,270	-	193,848	-
Average units outstanding	564,106	-	197,896	-

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 G9	1.25%
Class E10	1.125%	Class G15	0.50%
Class F	1.25%	Class S1	0.45%
Class G1	2.25%	Class S2	0.95%

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 \$419,249 during the first six months of 2011 [2010: \$129,755].

NOTES TO FINANCIAL STATEMENTS (continued)

6. Related Party Transaction

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

	2011	2010
Class A	51,064	51,064

7. Income Tax Loss Carryforwards

The Fund has non-capital loss carry forwards of approximately \$1,521,000[2010: \$3,000] available to offset future years' taxable income.

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

Year	\$
2029	3,000
2030	1,518,000

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 gold bullion investments will fluctuate because of changes in market prices or transaction timing. The market price of gold 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 in one type of investment. Since the Fund does not lease gold, the only future cash flows will be from dispositions of gold bullion. Dispositions of bullion will be necessary to pay redemptions when cash reserves are not adequate.

As at June 30, 2011, the impact on the Fund's net assets if there were a 5 percent increase, or decrease, in the price of gold bullion, with all other variables held constant, would be an increase, or decrease, of \$4,816,483 [2010: \$2,929,510] or 4.95 percent [2010: 4.89 percent]. The actual result will vary depending upon the quantity of gold 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, gold 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.

NOTES TO FINANCIAL STATEMENTS (continued)

Currency Risk

Gold 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 gold 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 \$966,108 [2010: \$595,501].

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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