

BMO Mutual Funds 2011

Annual Financial Statements

September 30, 2011

BMO Canadian Money Market Fund (formerly BMO AIR MILES^{®†} Money Market Fund)

Independent Auditor's Report

To the Unitholders and Trustee of:

BMO T-Bill Fund
BMO Money Market Fund
BMO Canadian Money Market Fund
(formerly BMO AIR MILES Money Market Fund)
BMO Premium Money Market Fund
BMO Mortgage and Short-Term Income Fund
BMO Bond Fund
BMO Monthly Income Fund
BMO World Bond Fund
BMO Diversified Income Portfolio
(formerly BMO Diversified Income Fund)
BMO Global Monthly Income Fund
BMO Global Strategic Bond Fund
(formerly BMO Global High Yield Bond Fund)
BMO U.S. High Yield Bond Fund
BMO Global Infrastructure Fund
BMO Asset Allocation Fund
BMO Dividend Fund
BMO U.S. Equity Fund
BMO Equity Fund
BMO North American Dividend Fund
BMO International Equity ETF Fund
(formerly BMO International Index Fund)
BMO U.S. Equity ETF Fund
(formerly BMO U.S. Equity Index Fund)

BMO European Fund
BMO U.S. Growth Fund
BMO Canadian Equity ETF Fund
(formerly BMO Equity Index Fund)
BMO Japanese Fund
BMO Special Equity Fund
BMO U.S. Special Equity Fund
BMO Global Science & Technology Fund
BMO Emerging Markets Fund
BMO Resource Fund
BMO Precious Metals Fund
BMO U.S. Dollar Money Market Fund
BMO U.S. Dollar Monthly Income Fund
BMO U.S. Dollar Equity Index Fund
BMO LifeStage Plus 2015 Fund
BMO LifeStage Plus 2017 Fund
BMO LifeStage Plus 2020 Fund
BMO LifeStage Plus 2022 Fund
BMO LifeStage Plus 2025 Fund
BMO LifeStage Plus 2026 Fund
BMO LifeStage Plus 2030 Fund
BMO FundSelect Security Portfolio
BMO FundSelect Balanced Portfolio
BMO FundSelect Growth Portfolio
BMO FundSelect Aggressive Growth Portfolio

To the Shareholders and Directors of

BMO Global Tax Advantage Funds Inc.:

BMO Short-Term Income Class
BMO American Equity Class
BMO Canadian Equity Class
BMO Canadian Large Cap Equity Class
BMO Dividend Class
BMO Emerging Markets Class
BMO Enterprise Class
BMO Global Absolute Return Class
BMO Global Dividend Class
BMO Global Energy Class
BMO Global Equity Class
BMO Global Small Cap Class
BMO Global Technology Class
BMO Greater China Class
BMO International Value Class
BMO Resource Class
BMO Sustainable Climate Class
BMO Sustainable Opportunities Class
BMO Asian Growth and Income Class
BMO SelectClass Security Portfolio
BMO SelectClass Balanced Portfolio
BMO SelectClass Growth Portfolio
BMO SelectClass Aggressive Growth Portfolio
BMO Canadian Tactical ETF Class
BMO Global Tactical ETF Class
BMO Security ETF Portfolio Class
(formerly BMO Security ETF Portfolio)
BMO Balanced ETF Portfolio Class
(formerly BMO Balanced ETF Portfolio)
BMO Growth ETF Portfolio Class
(formerly BMO Growth ETF Portfolio)
BMO Aggressive Growth ETF Portfolio Class
(formerly BMO Aggressive Growth ETF Portfolio)
BMO LifeStage 2017 Class
BMO LifeStage 2020 Class
BMO LifeStage 2025 Class
BMO LifeStage 2030 Class
BMO LifeStage 2035 Class
BMO LifeStage 2040 Class
(collectively, the Funds)

Independent Auditor's Report *(continued)*

We have audited the accompanying financial statements of each of the Funds, which comprise the statement of investment portfolio as at September 30, 2011, the statements of net assets, operations and changes in net assets as at and for the periods indicated in note 1, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each of the Funds in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements of each of the Funds, present fairly, in all material respects, the financial position of each of the Funds, the results of each of their operations and the changes in each of their net assets as at and for the periods indicated in note 1 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
December 28, 2011

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

STATEMENT OF NET ASSETS

As at
(in thousands of Canadian dollars, except per unit data)

	September 30 2011	September 30 2010
ASSETS		
Cash	28	729
Investments at fair value (note 2)	11,361	16,883
Subscriptions receivable	52	67
Total assets	11,441	17,679
LIABILITIES		
Distributions payable	—	—
Accrued expenses	10	12
Redemptions payable	12	67
Total liabilities	22	79
Net assets representing unitholders' equity (note 2)	11,419	17,600
Net assets per unit (note 2)	\$1.00	\$1.00

STATEMENT OF OPERATIONS

For the periods ended
(in thousands of Canadian dollars, except per unit data)

	September 30 2011	September 30 2010
INVESTMENT INCOME		
Interest	158	185
	158	185
EXPENSES		
Management fees (note 5)	152	234
Fixed administration fees (note 5)	23	35
Independent Review Committee fees	2	2
Fund Fact fees	1	—
Operating expenses absorbed by the Manager	(34)	(113)
	144	158
Net investment income for the period	14	27
Increase in net assets from operations	14	27
Increase in net assets from operations per unit (note 2)	—	—

The accompanying notes are an integral part of these financial statements.

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

STATEMENT OF CHANGES IN NET ASSETS

For the periods ended (in thousands of Canadian dollars)

	September 30 2011	September 30 2010
Net assets – beginning of period (note 2)	17,600	28,241
Increase in net assets from operations	14	27
UNIT TRANSACTIONS:		
Proceeds from sale of units	10,214	13,230
Reinvested distributions	14	26
Amounts paid on units redeemed	(16,409)	(23,897)
Total unit transactions	(6,181)	(10,641)
DISTRIBUTIONS TO UNITHOLDERS FROM:		
Net investment income	(14)	(27)
Total distributions paid to unitholders	(14)	(27)
Net assets – end of period (note 2)	11,419	17,600

The accompanying notes are an integral part of these financial statements.

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

STATEMENT OF INVESTMENT PORTFOLIO

As at September 30, 2011 (in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
MONEY MARKET INVESTMENTS – 65.6%							
Federal – 8.8%							
Government of Canada	1,000	997	999	Bell Canada, Series M-12, Medium Term Notes, Callable, 6.900% Dec 15, 2011	350	354	361
Provincial – 32.8%							
Province of Alberta	200	199	200	Canadian Imperial Bank of Commerce, Deposit Notes, 4.350% Nov 1, 2011	600	601	612
Province of British Columbia	150	149	150	Canadian Imperial Bank of Commerce, Deposit Notes, Senior, 5.000% Sep 10, 2012	200	207	207
Province of Ontario	2,100	2,094	2,096	Caterpillar Financial Services Limited, Medium Term Notes, Senior, Unsecured, Unsubordinated, 4.940% Jun 1, 2012	200	205	208
Province of Quebec	1,300	1,297	1,298	EnCana Corporation, Medium Term Notes, Senior, Unsecured, Unsubordinated, 4.300% Mar 12, 2012	150	152	152
		3,739	3,744	Glacier Credit Card Trust, Series 2006-1, Credit Card Asset-Backed, Senior, Secured, Notes, 4.271% Nov 18, 2011	250	251	255
Corporate – 24.0%							
Bank of Nova Scotia	900	899	899	Greater Toronto Airports Authority, Series 2002-1, Medium Term Notes, Secured, Callable, 6.250% Jan 30, 2012	200	203	205
Canadian Imperial Bank of Commerce	200	200	200	Honda Canada Finance Inc., Medium Term Notes, Senior, Unsecured, Unsubordinated, 5.675% Sep 26, 2012	100	104	104
Prime Trust	150	150	150	Royal Bank of Canada, Deposit Notes, Senior, Unsecured, Unsubordinated, 4.530% May 7, 2012	100	102	104
Royal Bank of Canada	300	300	300	Shoppers Drug Mart Corporation, Series 3, Medium Term Notes, Unsecured, 4.800% Jan 20, 2012	150	151	153
Toronto-Dominion Bank	1,100	1,095	1,097	Toyota Credit Canada Inc., Euro Medium Term Notes, Unsecured, 5.050% Jul 27, 2012	100	103	104
Zeus Receivables Trust	100	100	100	Wells Fargo Finance Canada Corp., Medium Term Notes, Unsecured, 5.100% Jun 26, 2012	100	103	104
		2,744	2,746				2,776
Total Money Market Investments – 65.6%	7,480	7,489	7,489	Total Bonds & Debentures – 33.9%	3,823	3,872	3,872
Money market investments which are grouped by issuer earn interest rates ranging from 0.93% to 1.36% and mature between October 3, 2011 and January 26, 2012.				Total Investment Portfolio – 99.5% 11,303 11,361			
BONDS & DEBENTURES				Other Assets Less Liabilities – 0.5% 58			
Federal Bonds – 6.2%				NET ASSETS – 100.0% 11,419			
Canada Housing Trust, Mortgage Bonds, Series 15, Secured, 3.950% Dec 15, 2011	700	704	713				
Provincial Bonds – 3.4%							
Province of British Columbia, 5.750% Jan 9, 2012	250	253	256				
Province of Manitoba, Medium Term Notes, 2.350% Jun 2, 2012	125	126	127				
		379	383				
Corporate Bonds & Debentures – 24.3%							
Algonquin Credit Card Trust, Series 2007-1, Class A, Asset-Backed Notes, 4.562% Jun 15, 2012	200	204	207				

The accompanying notes are an integral part of these financial statements.

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at September 30, 2011 (in thousands of Canadian dollars, unless otherwise noted)

THE FUND'S INVESTMENT PORTFOLIO IS CONCENTRATED IN THE FOLLOWING SEGMENTS AS AT:

	September 30 2011	September 30 2010
Money Market Investments		
Federal	8.8%	9.4%
Provincial	32.8%	33.2%
Corporate	24.0%	15.3%
Bonds & Debentures		
Federal	6.2%	1.8%
Provincial	3.4%	3.0%
Corporate	24.3%	33.2%
Other Assets Less Liabilities	0.5%	4.1%
.....	100.0%	100.0%

The accompanying notes are an integral part of these financial statements.

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in thousands of Canadian dollars, except per unit data)
September 30, 2011

1. The Fund

BMO Canadian Money Market Fund (“the Fund”) is an open-ended mutual fund trust established under the laws of the province of Ontario and is governed by a Master Declaration of Trust dated November 6, 2007. The Master Declaration of Trust was amended on October 23, 2008 and November 3, 2009 to permit certain funds to offer a multi-series structure. In addition to existing Series A units, certain Funds are permitted to offer Series I, Series F, Advisor Series, Series T5, Series T6 and/or Classic Series units. Each series is intended for different kinds of investors and has different management fees and fixed administration fees. Refer to Note 8(a) for the Fund’s series and respective launch date(s) and Note 8(d) for management fee rates and fixed administration fee rates for each series.

BMO Investments Inc. (the “Manager”) is the manager and Trustee of the Fund. The Manager is a wholly-owned subsidiary of Bank of Montreal.

The information provided in these audited financial statements is for the period(s) ended September 30, 2011 and 2010, as applicable. Financial information provided for a fund established during the period(s) is presented from the date of inception as noted in Note 8(a). Financial information provided for a series established during the period(s) is presented from the launch date as noted in Note 8(a).

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), including estimates and assumptions made by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Actual results could differ from estimates.

Fund mergers

The Manager has adopted the purchase method of accounting for certain Fund mergers which occurred during the periods. Under this method, one of the Funds in each merger is identified as the acquiring Fund, and is referred to as the “Continuing Fund”, and any other Fund involved in the merger is referred to as the “Terminated Fund”. This identification is based on a comparison of the relative net asset values of the Funds as well as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors; investment objectives and practices; type of portfolio securities; and management fees and expenses. Where applicable, refer to Note 8(a) for the details of the merger transactions.

Valuation of investments

Canadian GAAP requires the use of bid prices for long positions and ask prices for short positions in the fair valuation of investments traded in an active market, rather than the use of closing prices currently used for the purpose of determining Net Asset Value (“NAV”). For investments that are not traded in an active market, Canadian GAAP requires the use of valuation techniques, incorporating factors that market participants would consider in setting a price.

The NAV is the fair value of the total assets of a Fund less the fair value of its total liabilities at a Valuation Date (the “Valuation Date” is each day on which the Toronto Stock Exchange is opened for trading) determined in accordance with Part 14 of National Instrument 81-106 – Investment Fund Continuous Disclosure (“NI 81-106”) for the purpose of processing unitholder transactions. For financial statement purposes, valuations are determined in accordance with Canadian GAAP. This may result in a difference between the Net Assets per unit for each series and the NAV per unit for each series. Refer to Note 8(b) for details of the comparison between NAV per unit and Net Assets per unit for each series.

Investments are deemed to be held for trading. Investments are recorded at their fair value with the change between this amount and average cost being recorded as unrealized appreciation (depreciation) in value of investments in the Statement of Operations.

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)
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Securities listed on a recognized public securities exchange in North America and Latin America are valued for financial statement purposes at their bid prices for long positions and ask prices for short positions. The Manager uses fair value pricing when the price of a security held in the Fund is unavailable, unreliable or not considered to reflect the current value, and may determine another value which it considers to be fair and reasonable using the services of third-party valuation service providers, or using a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies and other applicable rates or prices. Procedures are in place to fair value securities traded in countries outside of North America and Latin America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

For bonds, debentures, asset-backed securities and other debt securities, the fair value represents the bid price provided by independent security pricing services. Short-term investments are included in the Statement of Investment Portfolio at their fair value. Unlisted warrants are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price and terms of the warrant. Mutual Fund units held as investments are valued at their respective NAVs on each Valuation Date, as these values are the most readily and regularly available.

The Fund classifies its financial instruments into three levels based on the inputs used to value the financial instruments. Level 1 securities are valued based on quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets or based on observable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect the Manager's determination of assumptions that market participants might reasonably use in valuing the securities. Refer to Note 8(f) for the relevant disclosure.

Investment transactions

Investment transactions are accounted for on the trade date. Realized gains (losses) from the sale of investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments which exclude brokerage commissions and other trading expenses. All net realized gains (losses), unrealized appreciation (depreciation) in value, and transaction costs are attributable to investments and derivative instruments which are deemed held for trading, and are included in the Statement of Operations.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are expensed and included in "Commissions and other portfolio transaction costs" in the Statement of Operations.

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis.

Income recognition

Interest income is recognized on the accrual basis. Dividend income and distributions from investment trust units are recognized on the ex-dividend and ex-distribution date, respectively.

Interest on inflation-indexed bonds will be paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of interest income in the Statement of Operations. At maturity, the Fund will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Date based on the inflation adjusted par value at that time and is included in "Interest" in the Statement of Operations.

Translation of foreign currencies

The fair value of investments and other assets and liabilities in foreign currencies is translated into the Fund's functional currency at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
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exchange gains (losses) on completed transactions are included in "Realized gain (loss) on sale of investments" and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation) in value of investments" in the Statement of Operations. Realized and unrealized foreign exchange gains (losses) on assets (other than investments) and liabilities are included in "Realized gain (loss) on foreign exchange" in the Statement of Operations.

Forward currency contracts

A forward currency contract is an agreement between two parties (the Fund and the counterparty) to purchase or sell a currency against another currency at a set price on a future date. The Fund may enter into forward currency contracts for hedging purposes which can include the hedging of all or a portion of the currency exposure of an investment or group of investments, either directly or indirectly. The Fund may also enter into these contracts for non-hedging purposes which can include increasing the exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one country to another.

The value of forward currency contracts entered into by the Fund is recorded as the difference between the value of the contract on the Valuation Date and the value on the date the contract originated.

Changes in the value of open forward currency contracts at each Valuation Date are recognized in the Statement of Operations as "Change in unrealized appreciation (depreciation) in value of forward currency contracts".

Amounts realized at the close of the contracts are recorded as "Realized gain (loss) on forward currency contracts" in the Statement of Operations.

Futures contracts

Futures contracts are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the Valuation Date, the "notional value". Any difference between the notional value on each Valuation Date and the notional value

on the previous Valuation Date is recorded as "Net income (loss) from derivative contracts" in the Statement of Operations.

Credit default swap contracts

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The Fund as a seller of protection would be required to pay a notional or other agreed upon value to the buyer of protection in the event of a default by a third party. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations.

The Fund as a buyer of protection would receive a notional or other agreed upon value from the seller of protection in the event of a default by a third party. In return, the Fund would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

Credit default swap contracts are fair valued daily based upon quotations from independent security pricing sources. Premiums paid or received, if any, are included in "Net income from derivative contracts" on the Statement of Operations. Net periodic interest payments are accrued daily and recorded as "Net income (loss) from derivative contracts" in the Statement of Operations. When credit default swap contracts expire or are closed out, gains or losses are recorded as "Net income (loss) from derivative contracts" in the Statement of Operations.

Securities lending

A Fund may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in Canadian securities legislation. Collateral held is government Treasury Bills and qualified Notes.

Income from securities lending is included in the Statement of Operations and is recognized when earned. The securities on loan continue to be displayed in the Statement of Investment Portfolio. The market value of the securities loaned and collateral held is determined daily. Aggregate values of securities on loan and related collateral held in trust as at September 30, 2011, where applicable, are disclosed in Note 8(g).

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
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Increase or decrease in net assets from operations per unit

“Increase (decrease) in net assets from operations per unit” of a series in the Statement of Operations represents the increase (decrease) in net assets from operations attributable to the series, divided by the weighted average number of units of the series outstanding during the period.

Short-term trading penalty

To discourage excessive trading, the Fund may, at the Manager's sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Fund and is included in “Interest” in the Statement of Operations, if any.

Cash

Cash, includes cash on deposit, bank overdrafts and cash equivalents, is deemed to be held for trading and therefore is carried at fair value.

Other assets and liabilities

Income receivable, subscriptions receivable, receivable for margins on futures and due from broker are designated as loans and receivables and recorded at cost or amortized cost. Amounts due to broker, payables for margins on futures, redemptions payable and accrued expenses are designated as financial liabilities and reported at amortized cost. Financial liabilities are generally settled within three months of issuance. Other assets and liabilities are short-term in nature, and are carried at amortized cost which approximates fair value.

3. Unit valuation

Units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit of a particular series. The NAV per unit of a series for the purposes of subscription or redemption is computed by dividing the NAV of the Fund attributable to the series (that is, the total fair value of the assets attributable to the series less the liabilities attributable to the series) by the total number of units

of the series of the Fund outstanding at such time. This amount may be different from the Net Asset per unit of a series calculation, which is presented on the Statement of Net Assets. Generally, any differences are due to valuing actively traded securities at bid prices for GAAP purposes while NAV typically utilizes closing price to determine fair value for the purchase and redemption of units. See Note 8(b) for the details of the comparison between NAV per unit and Net Assets per unit for each series.

Expenses directly attributable to a series are charged to that series. Other expenses, income, realized and unrealized gains and losses from investment transactions are allocated proportionately to each series based upon the relative NAV of each series.

Capital disclosure

The capital of the Fund is represented by issued and redeemable units with no par value. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's NAV per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 8(a), if any. The relevant movements in capital are shown on the Statement of Changes in Net Assets. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 6, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

4. Taxes

(a) Income taxes

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the “Tax Act”). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders. Such part of the Fund's net income and net realized capital gains as is not so paid or payable, is subject to income tax. It is the intentions of the Fund to distribute all of

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its income and sufficient net realized capital gains so that the Fund will not be subject to income tax. Income tax on net realized capital gains not paid or payable is generally recoverable by virtue of refunding provisions contained in tax legislation, as redemptions occur.

Non-capital losses that arose in 2004 and 2005 are available to be carried forward for ten years and applied against future taxable income. Non-capital losses that arose in 2006 and thereafter are available to be carried forward for twenty years. Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years.

The Fund's non-capital and capital losses for income tax purposes as of the tax year-ended December 2010 are included in Note 8(c), if applicable.

(b) Harmonized sales tax

Effective July 1, 2010, goods and services tax ("GST") was replaced by the harmonized sales tax ("HST") in certain provinces and is imposed at higher rates than the GST. The applicable HST is being paid by the Fund, which has resulted in an overall increase in expenses incurred by the Fund since the effective date of implementation.

5. Related party transactions

(a) Management fees

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager monitors and evaluates the performance of the Fund, pays for the investment management services of the investment advisors and provides all related administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a fee payable monthly, calculated at the maximum annual rates included in Note 8(d).

(b) Fixed administration fee

The Manager pays certain operating expenses of the Fund in return for a fixed administration fee, which is paid for by the Fund. Certain specified expenses are paid directly by the Fund and include interest and borrowing expenses, costs and expenses related to the operation of the Fund's Independent Review Committee, taxes to which the Fund is or might be subject, and costs associated with compliance with any new governmental or regulatory requirement introduced after December 1, 2007 (e.g., cost associated with the production of Fund Facts fees, filed in compliance with the recent relevant amendments to NI 81-101). The fixed administration fee is calculated daily as a fixed annual percentage of the average NAV of the Fund. Refer to Note 8(d) for the fixed administration fee rates charged to the Fund.

The Manager may, in some years and in certain cases, absorb a portion of management fees or fixed administration fees of the Fund or series of the Fund. The decisions to absorb these expenses is reviewed periodically and determined at the discretion of the Manager, without notice to unitholders.

(c) Commissions and other portfolio transaction costs

The Fund may execute trades with and or through BMO Nesbitt Burns Inc., an affiliate of the Manager based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Operations. Refer to Note 8(d) for related party fees charged to the Fund for the periods ended September 30, where applicable.

(d) Initial investments

In order to establish a new Fund, the Manager makes an initial investment in the Fund. Pursuant to the policies of the Canadian Securities Administrators, an initial investor cannot redeem its investments until an additional \$500 has been received from other investors with respect to the same series of units. Refer to Note 8(d) for the investment in units of the Fund held by the Manager as at September 30, 2011 and 2010, where applicable.

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
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(e) Other related party transactions

From time to time, the Manager may on behalf of the Fund enter in transactions or arrangements with or involving other members of Bank of Montreal Group of Companies, or certain other persons or companies that are related or connected to the Manager of the Fund. These transactions or arrangements may include transactions or arrangements with or involving Bank of Montreal Group of Companies, BMO Nesbitt Burns Inc., BMO Harris Investment Management Inc., BMO Asset Management Inc., BMO InvestorLine Inc., HIM Money Inc., BMO Trust Company, Pyrford International Inc., or other BMO Funds, BMO Guardian Funds and BMO ETFs, and may involve the purchase or sale of portfolio securities through or from a member of Bank of Montreal Group of Companies, the purchase or sale of securities issued or guaranteed by a member of Bank of Montreal Group of Companies, the purchase or redemption of units or shares of other BMO Mutual Funds or the provision of services to the Manager.

6. Financial instrument risk

The Fund may be exposed to a variety of financial risks that are concentrated in its investment holdings, including derivative instruments. The Statement of Investment Portfolio groups securities by asset type, geographic region and/or market segment. The Fund's risk management practice includes the monitoring of compliance to investment guidelines.

The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Fund's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

Where the Fund invests in other investment fund(s), it may be indirectly exposed to the financial instrument risks of the underlying fund(s), depending

on the investment objectives and the type of securities held by the underlying fund(s). The decision to buy or sell an underlying fund is based on the investment guidelines and positions, rather than the exposure of the underlying fund(s).

(a) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. Investments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value. The Fund may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. The Fund's exposure to currency risk, if any, is further discussed in Note 8(e).

(b) Interest rate risk

Interest rate risk is the risk that the fair value of the Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The Fund's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market instruments, short-term investments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing. The Fund's exposure to interest rate risk, if any, is further discussed in Note 8(e).

(c) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short-term in nature, as such they are not subject to other market risk. The Fund's exposure to other market risk, if any, is further discussed in Note 8(e).

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
September 30, 2011

(d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Fund's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. The Fund's exposure to credit risk, if any, is further discussed in Note 8(e).

The Fund may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the Fund must be at least 102% of the fair value of securities loaned, as disclosed in Note 8(g).

(e) Liquidity risk

The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified on the Statement of Investment Portfolio. The proportion of illiquid securities to the NAV of the Fund is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Fund's financial obligations.

7. Transition to International Financial Reporting Standards

In March 2011, the Canadian Accounting Standards Board ("AcSB") amended their mandatory requirement for all Canadian publicly accountable enterprises to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB"), permitting investment companies, which included mutual funds, to defer the adoption of IFRS to fiscal years beginning on or after January 1, 2013.

The AcSB has deferred the mandatory IFRS adoption date to coincide with a new consolidation standard for investment companies that the IASB is planning to publish. Under the current IFRS guidance, investment companies are required to consolidate their controlled investments. The IASB has issued an exposure draft that will exempt entities that qualify as investment entities from consolidating their controlled investments, and requires such entities to record, with very limited exceptions, all their investments at fair value through profit or loss account. This exposure draft is still under review and comments will be received until January 5, 2012. Canadian GAAP permits investment companies to fair value their investments regardless of whether those investments are controlled.

The Fund has not elected to early adopt IFRS, therefore it will adopt IFRS effective October 1, 2013. The Fund expects to report its financial results for the six month period ending March 31, 2014 prepared on an IFRS basis. The Fund will also provide comparative data on an IFRS basis, including an opening balance sheet as at October 1, 2012. Further revisions by the AcSB to the IFRS adoption date for investment companies are possible.

The Manager has not identified any changes that will impact NAV per unit as a result of the changeover to IFRS. However, this determination is subject to change as we finalize our assessment of potential IFRS differences and as new standards are issued by the IASB prior to the Fund's adoption of IFRS. The criteria contained within the IFRS Financial Instruments: Presentation standard (IAS 32) may require unitholders' equity to be classified as a liability within the Fund's Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Fund's unitholder structure to confirm classification.

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
September 30, 2011

8. Fund specific information

(a) Fund and Series information and significant events

The Fund's inception date was September 6, 2000. The Fund is authorized to issue an unlimited number of units of Series A.

Series	Launch Date
Series A	November 20, 2000

Series A units are offered on a no-load basis and are available to all investors.

The number of units of each series that have been issued and are outstanding are disclosed in the table below.

Change in units (in thousands of units)	Sep. 30 2011	Sep. 30 2010
Series A		
Units issued and outstanding, beginning of period	17,600	28,241
Issued for cash	10,214	13,230
Issued on reinvestment of distributions	14	26
Redeemed during the period	(16,409)	(23,897)
Units issued and outstanding, end of period	11,419	17,600

At the close of business on December 31, 2009, the Fund's name was changed from BMO AIR MILES Money Market Fund to BMO Canadian Money Market Fund.

(b) Comparison of net asset value per unit to net assets per unit

Series	Sep. 30, 2011		Sep. 30, 2010	
	Net Asset Value per Unit	Net Assets per Unit	Net Asset Value per Unit	Net Assets per Unit
Series A	1.00	1.00	1.00	1.00

(c) Income taxes

The Fund did not have any available capital and non-capital losses carried forward for income tax purposes as of the tax year-ended December 2010.

(d) Related party transactions

Management and fixed administration fees

The Manager is entitled to receive the following fees payable monthly, calculated at the following maximum annual rates:

Series	Management Fees (%)	Fixed Administration Fees (%)
Series A	1.00	0.15

(e) Financial instrument risk

The Fund's objective is to preserve the value of investments and to provide a high level of liquidity and interest income. The Fund invests primarily in high-quality money market instruments issued by governments and corporations in Canada, including treasury bills, bankers' acceptances, and commercial paper.

No changes to the Fund's objective or strategy, which would have had an affect on the overall level of risk of investing in the Fund, were made during the period.

Currency risk

As at September 30, 2011 and September 30, 2010, the Fund did not have exposure to currency risk as it invested in Canadian securities.

Interest rate risk

As at September 30, 2011, approximately 99% (September 30, 2010 – 95%) of the Fund's Net Assets were invested in debt securities with term to maturity of less than one year. The Fund's sensitivity to interest rate risk as determined based on portfolio weighted duration was not significant as at September 30, 2011 and September 30, 2010.

Other market risk

As at September 30, 2011 and September 30, 2010, the Fund was not significantly exposed to other market risk.

BMO Canadian Money Market Fund (formerly BMO AIR MILES Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

September 30, 2011

Credit risk

The Fund's credit risk exposure grouped by credit ratings are listed in the following table:

Credit Rating	As a % of Net Assets as at	
	Sep. 30, 2011	Sep. 30, 2010
AAA	46	39
AA	42	36
A	8	20
BBB	3	—
Total	99	95

(f) Fair value hierarchy

The Fund uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The use of quoted (unadjusted) market prices for identical assets or liabilities (Level 1), using observable market information as inputs (Level 2) and using unobservable market information as inputs (Level 3) in the valuation of securities, fair value liabilities, derivative assets and derivative liabilities was as follows:

As at September 30, 2011

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	—	11,361	—	11,361

As at September 30, 2010

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	—	16,883	—	16,883

Significant transfers

There were no significant transfers between the levels during the period.

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by management of BMO Investments Inc. Management is responsible for the information and representations made in these financial statements.

Management has maintained appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been produced in accordance with accounting principles generally accepted in Canada and include certain amounts based on estimates and judgements. The significant accounting policies which management believes are appropriate for the BMO Mutual Funds are described in Note 2 to the financial statements.

The Trustee of each of the Trusts is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Trustee reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with management and the external auditors.

The Board of Directors of BMO Global Tax Advantage Funds Inc. is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Directors are independent of management. The Audit Committee of the Board of Directors reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Board of Directors prior to the Board approval of the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the BMO Mutual Funds. The auditors have been appointed by the respective Boards and cannot be changed without the prior approval of the Independent Review Committee and 60 days notice to the Securityholders. They have audited the financial statements in accordance with generally accepted auditing standards in Canada to enable them to express their opinion on the financial statements. Their report is included as an integral part of the financial statements.

Rajiv Silgado
Chief Executive Officer
BMO Investments Inc.
December 12, 2011

R.J. Schauer
Treasurer and Chief Financial Officer
BMO Mutual Funds
December 12, 2011

Trustee and Officers

Trustee of BMO Mutual Fund Trusts
BMO Investments Inc.

Officers of BMO Mutual Fund Trusts
Hugh McKee
President & Chief Executive Officer

Robert Schauer, C.A.
Treasurer & Chief Financial Officer

Michelle Magnaye
Secretary

Fund Manager
BMO Investments Inc.
Member of the Investment Funds Institute of Canada

Directors and Officers

Directors of BMO Investments Inc.
Gilles G. Ouellette

Barry M. Cooper

Ross F. Kappelé

Hugh McKee

Carol A. Neal

Rajiv Silgado

Directors of BMO Global Tax Advantage Funds Inc.

Barry M. Cooper

Ross F. Kappelé

Douglas E. Kirk*

Hugh McKee

Carol A. Neal*

Thomas A. Pippy*

Rajiv Silgado

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Rajiv Silgado, *Chief Executive Officer*

Hugh McKee, *President and Chief Operating Officer*

Ross F. Kappelé, *Executive Vice-President
and Head of Retail Distribution*

Christina Chen, *Chief Financial Officer*

Darcy M. Lake, *Chief Compliance Officer*

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Vandra Goedvolk, *Assistant Secretary*

Officers of BMO Global Tax Advantage Funds Inc.

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Edgar N. Legzdins, *Chief Executive Officer*

Hugh McKee, *President & Chief Executive Officer*

Robert Schauer, C.A.,
Treasurer & Chief Financial Officer

Michelle Magnaye, *Corporate Secretary*

Vandra Goedvolk, *Assistant Secretary*

Fund Manager

BMO Investments Inc.

Member of the Investment Funds Institute of Canada

*Audit Committee member for BMO Global Tax Advantage Funds Inc.

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