



1998 ANNUAL REPORT

TABLE OF CONTENTS

1	Corporate Profile
2	Report of the Board of Directors
3	Report on Precious Metals and Precious Metals Equities
22	Management's Discussion and Analysis
25	Auditors' Report to the Shareholders
26	Statement of Investments at Market Value
28	Financial Statements
32	Notes to the Financial Statements
36	Corporate Governance
39	Month End Per Share Net Asset Values
40	Corporate Directory

BGR

Precious Metals Inc. is
a closed-end investment
company which invests

in securities of precious metals companies and precious metals. The objective of the Company is to provide capital appreciation and a hedge against inflation. BGR invests in North American and overseas equities and precious metals using a flexible asset mix policy.

The Board of Directors of the Company is responsible for determining general investment policies. Goodman & Company Ltd., a wholly-owned subsidiary of Dundee Bancorp Inc., Toronto, Canada, manages the portfolio.

BGR's Common and Class A shares each carry full and equal voting privileges. The Class A shares are listed on The Toronto Stock Exchange and The Montreal Exchange. The shares of the Company are qualified investments for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

The net asset value per share is calculated at the close of business every Thursday and is published in the Saturday edition of The Globe and Mail Report on Business and the weekend edition of The Financial Post. This information also appears in the closed-end fund tables in the Monday editions of the Wall Street Journal, New York Times and Barron's.

We present herewith the annual report of BGR Precious Metals Inc. for the year ended January 31, 1998.

The net asset value of the Company at year end was \$15.41 per share compared to \$21.65 at the end of the previous year. This represents a 28.8% decrease in net assets for the year. During this period, the gold indices in Toronto, Australia and South Africa declined 36, 31 and 35 percent, respectively. The price of gold bullion continued its decline from US\$345 an ounce at January 31, 1997 to US\$305, having dropped as low as US\$283. The drop in the price of gold, together with low inflation and strong equity markets, resulted in both the US market and general market indices outperforming gold equities in all of the gold producing countries.

The total net assets of the Company were \$114.5 million at January 31, 1998, down from \$160.9 million at January 31, 1997. The net decrease of \$46.4 million was the result of unrealized market depreciation (net of deferred taxes) of \$30.2 million and a net loss of \$16.2 million during the year.

The net loss for the year was \$16.2 million versus net income of \$32.3 million for the previous year. Net realized losses on the sale of investments of \$23.1 million and a tax recovery of \$8.1 million accounted for a significant portion of the current years loss.

The comments of our Manager, Goodman & Company Ltd., indicate that they remain positive on the long-term outlook for gold equities as bullion prices start to recover. At year end, the portfolio consisted of Canadian equities 45.0%, Australian equities 37.8% and Latin American equities 17.2%.

On behalf of the Board,



Garth A.C. MacRae

Chairman

April 16, 1998

FUND PERFORMANCE

BGR Precious Metals Inc.'s fiscal year ended January 31, 1998, was a disappointing one for bullion. The combination of Official Sector sales, producer hedging and speculative short selling kept gold prices under pressure for the duration of the year. Prices began the year at US\$345 an ounce and declined steadily thereafter. Two short covering rallies in February and October briefly pushed the price of gold up to US\$360 and US\$333

an ounce, respectively. However, by mid-December the price fell to US\$283 an ounce – its lowest level since 1979. Prices recovered in early 1998, to end the year at US\$305 an ounce.

The price collapse, in combination with a benign inflationary environment and strong equity markets, caused gold equities to underperform both the US market and general market indices in all major gold producing countries.

The following table compares the performance of the price of bullion and the major gold indices as at January 31, 1998.

PERIOD	GOLD	GOLD INDICES*			FTSE	BGR NET	BGR STOCK
	US \$	TORONTO	AUSTRALIA	SOUTH AFRICA	GOLD	ASSET	PRICE
1 month	5%	7%	16%	10%	5%	2%	12%
3 month	(2%)	(10%)	10%	(2%)	(10%)	(10%)	(9%)
6 months	(7%)	(18%)	(11%)	(10%)	(21%)	(16%)	(16%)
12 months	(12%)	(36%)	(31%)	(35%)	(34%)	(29%)	(35%)

* All figures in local currencies.

In local currencies, performance of all major indices was similar, ranging from -31% to -36%. A strengthening US currency caused the Toronto, Australian and South African indices to post further declines of 8%, 12% and 8% in US dollar terms.

BGR Precious Metals Inc.'s performance was in line with the overall market. The Company's NAV declined 29% from \$21.65 to \$15.41. Although this was greater than the 12% fall in the price of bullion, it was marginally better than the drop in gold equity valuations on the Toronto (-36%), Australian (-31%) and South African (-35%) stock markets. BGR continued to perform in concert with the market during the first two months of 1998. The TSE Gold and Precious Metals Index increased 2% and the net asset value of the Corporation at March 31 was up 2% to \$15.75 per share.

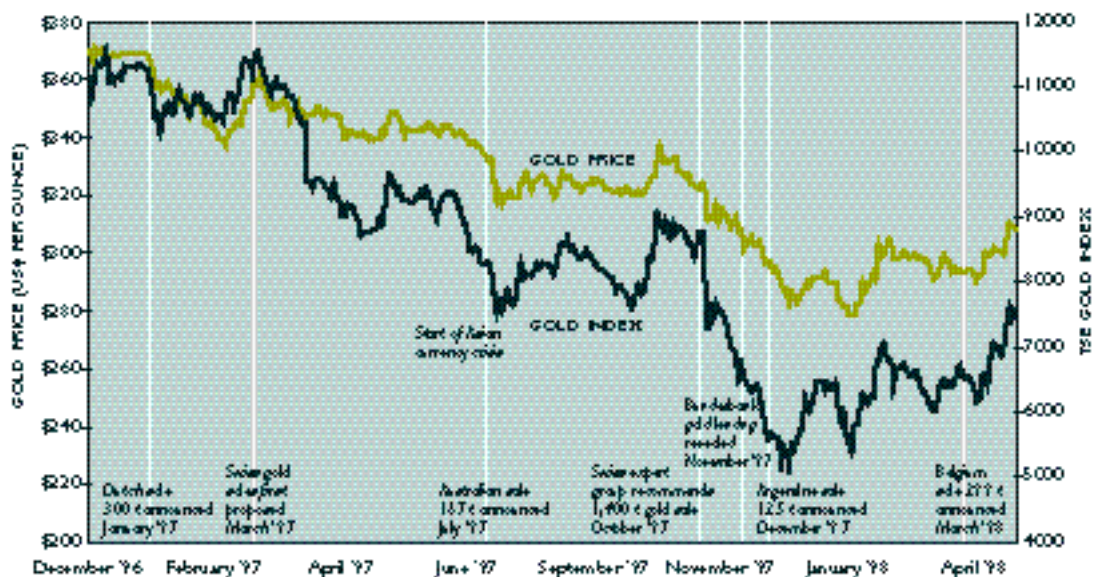
GOLD PRICE OUTLOOK

Central bank sales, in combination with producer hedging and speculative short selling, meant that 1997 was a difficult year for bullion. The perceived threat of ongoing Official Sector sales drove investment sentiment.

Going forward, the formation of the European Central Bank (ECB) will be positive for gold prices. We believe that the new bank's reserves will have a substantial gold backing. A desire for stability in all financial markets once the Euro is introduced will limit future central bank sales and make a healthy gold price important to the Official Sector. We are confident that gold has formed a bottom and the recovery of gold prices to US\$310 an ounce in early April represents the first stage of a strong rally.

Last year we expected that strong physical demand would maintain gold in a trading range of US\$345-\$365 an ounce. Over the longer term, we anticipated gold would return to the US\$375-\$400 an ounce trading range that had been required to balance the physical gold market from mid-1993 to late 1996. Over the course of the year, strong physical demand emerged however, we underestimated the impact that the mobilization of Official Sector gold would have on the market.

GOLD PRICE IN LONDON IN 1997/98, PM FIX DAILY



Source:Gold Fields Minerals Services Ltd.

Throughout 1997 the gold price fell on each announcement of central bank disposals. Fear of increased Official Sector sales encouraged physical buyers to delay purchases, panicked producers into increasing their hedging programs and encouraged fund short selling. The Asian economic crisis and related worries about physical demand also affected investment sentiment in the second half of 1997.

Official Sector news during the year included:

- the Dutch central bank announced in January 1997 that it had sold 300 tonnes of reserves in late 1996;
- in March 1997, the Swiss National Bank (SNB) indicated it was considering a change in policy to allow the partial sale of gold to fund the Swiss Foundation for Solidarity;
- Australia announced in early July that it had reduced its reserves by two-thirds with the sale of 167 tonnes of gold;
- it was learned in October 1997 that a Swiss government appointed advisory panel had recommended the sale of 1,400 tonnes of SNB gold reserves;
- news came in November that the Bundesbank and the Dutch central bank were lending gold for the first time;
- in early December, Argentina indicated it had sold 125 tonnes of gold in the first half of 1997; and,
- in March 1998, the Belgian central bank announced it had sold 299 tonnes of gold reducing the gold component of its total reserves to 7%.

The following table, compiled from Gold Fields Minerals Services Ltd. (GFMS) data, reflects Goodman & Company's estimate of the state of the gold market over the past five calendar years.

GOLD MARKET SUPPLY AND DEMAND*

METRIC TONNES	1993A	1994A	1995A	1996A	1997E	96/97%
New Mine Production						
South Africa	620	584	522	495	485	(2%)
North America	485	472	469	493	501	2%
Australasia	262	269	269	306	320	5%
Latin America	229	252	282	304	306	1%
Others – Western World	308	321	348	366	382	4%
Former Soviet Union & China	386	379	378	384	408	6%
TOTAL	2290	2278	2269	2347	2402	2%
Scrap Recovery	559	615	625	644	575	(11%)
TOTAL PRIMARY SUPPLY	2849	2893	2894	2991	2977	0%
Fabrication Demand						
Jewelry	2541	2610	2767	2807	3219	15%
Electronics	181	190	205	207	231	12%
Coins	114	80	84	63	77	22%
Other	190	193	210	213	223	5%
Bar Hoarding	162	231	306	182	275	51%
TOTAL PRIMARY DEMAND	3188	3304	3572	3472	4025	16%
PRIMARY GOLD SUPPLY DEFICIT	(339)	(411)	(678)	(481)	(1048)	118%
Met by:						
Net Official Sales	478	94	182	239	393	64%
Net Forward Sales	215	158	466	10	306	2960%
Net Option Hedging Sales	(35)	57	92	84	99	18%
Net Gold Loan Flows	(65)	(52)	(23)	(5)	5	(200%)
Net Disinvestment (Investment)	(253)	155	(38)	153	246	61%
MEAN LONDON PRICE US\$/OZ	360	384	384	388	331	(15%)

* Amounts are rounded to the nearest tonne.

Source:Gold Fields Minerals Services Ltd.,Goodman & Company Ltd.

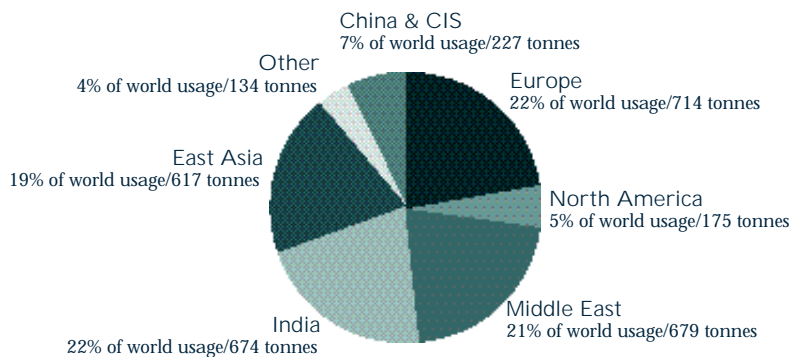
The "Primary Gold Supply Deficit" measures the difference between demand in the form of jewelry fabrication, industrial consumption and bar hoarding, and supply from mines and scrap recycling.

In 1997, the Supply Deficit grew to a record 1,048 tonnes. The physical market absorbed net Official Sector sales of 393 tonnes, accelerated supply from producer options, forward sales and gold loans of 410 tonnes, and disinvestment from professional investors of 246 tonnes.

Historically, the physical market has been able to absorb a deficit of 340 to 680 tonnes without adverse effects on bullion prices. In 1997, lower prices were required to stimulate physical demand and bring the market into balance. Demand responded strongly to lower gold prices, increasing 16% to a record 4,025 tonnes. Gold use for jewelry fabrication continues to dominate the demand picture and accounts for approximately 80% of all gold used.

THE IMPORTANCE OF INDIA AND THE MIDDLE EAST

WORLD JEWELRY FABRICATION 1997



Source:Gold Fields Minerals Services Ltd.

Jewelry demand increased 15% to a record level of 3,219 tonnes. India and the Middle East continued their key role, accounting for approximately 80% of all growth in 1997. By year end, these two countries represented 43% of all jewelry fabrication. Indian gold

demand showed particular price sensitivity as prices below 5,000 rupees/10g spurred local demand. Jewelry demand growth in other areas of the world was more varied. The 15% increase in European fabrication more than offset a 9% drop in East Asian demand.

Bar hoarding increased 51% to 275 tonnes. In the second half of the year, price sensitive buying in India and the Middle East absorbed bar dishoarding from East Asia.

To complete the primary demand picture, other fabrication demand improved 10% with both electronics and coin usage recording increases.

On the supply side, increases in mine production of 55 tonnes (for a total of 2,402 tonnes) were offset by a fall of 69 tonnes in scrap recycling. New mines in Latin America and Indonesia and increased production in the United States and Australia compensated for the continued fall in South African production.

As we look forward over the next several years we expect:

- Mine supply should drop. Gold Fields Minerals Services Ltd. studies show that 20% of world production had cash costs of greater than US\$325 an ounce in the third quarter of 1997. The initial reaction of producers to lower prices is to mine higher grade areas and cut back on mine development. In the short term, this

practice maintains production. However, over the long term a sharp production drop can be anticipated as mines close permanently. New lower cost production and production expansions, which totaled approximately 220 tonnes in 1997 (or approximately 10% of new mine production), will partially offset the closure of higher cost mines.

- Fabrication demand will continue to grow. Strong Western economies and continued liberalization of gold ownership and import restrictions in India and the Middle East will continue to fuel jewelry and fabrication demand. Oil prices and income growth in India will likely determine future demand patterns.

With increasing physical demand and declining mine production, short and long term gold prices will continue to be driven by Official Sector activity. Therefore, the size of Official Sector reserves, the process of reserve mobilization and the forces driving central bank sales are worth further examination.

The following table lists Official Sector gold reserve tonnages and their percentage of total currency reserves. Countries holding over 300 tonnes of gold in reserves are listed separately.

GOLD AS A % OF TOTAL RESERVES @ US\$305 AN OUNCE – MAJOR GOLD HOLDERS

	GOLD RESERVES (TONNES)	AS % OF TOTAL RESERVES (AT MARKET)
Countries holding more than 300 t		
United States	8,140	58
Germany	2,960	27
Switzerland	2,590	42
France	2,546	46
Italy	2,074	27
Netherlands	842	24
Japan	754	3
United Kingdom	573	14
Spain	486	7
Belgium	477	22
Portugal	500	25
Russia	453	19
India	398	13
China	395	3
Venezuela	356	19
Other Countries	4,163	5
All Countries	27,707	14
Other Financial Institutions	6,193	
Total Official Sector Holdings	33,900	

Source: International Financial Statistics, IMF, December 1997

Central banks hold approximately 34,000 tonnes of gold as part of their foreign currency reserves. GFMS estimates gross sales of 825 tonnes and net sales of 432 tonnes for 1997. Fourteen countries sold gold and 19 countries were purchasers. The identities of many sellers and almost all buyers remain unknown at this time.

The purchase of approximately 50% of gross sales by other central banks went largely unnoticed in the market. This continues a trend that has seen central banks purchase approximately 45% of all sales during the last five years.

CENTRAL BANK ACTIVITY 1993-1997

TONNES GOLD	1993	1994	1995	1996	1997E	AVERAGE
Sold	570	200	334	588	825	503
Purchased	88	106	152	349	432	225
Net Sales	482	94	182	239	393	278
% Purchased	15%	53%	46%	59%	52%	45%

Source:Gold Fields Minerals Services Ltd.

Despite the relatively low level of actual sales, the market continues to focus on the perceived overhang of 34,000 tonnes of Official Sector gold.

A review of the supply and demand model discussed earlier shows the relative importance of the Official Sector's direct sales and leasing activities.

Official Sector reserves are mobilized through direct sales and increased lending to bullion bankers. Over the past three years central banks have sold an estimated 814 tonnes of gold and contributed an

estimated 1,395 tonnes of accelerated gold supply to the market by facilitating producer hedging, disinvestment and speculative short selling.

Direct sales have had less of an effect on the market than increased lending. GFMS estimates an additional 650 tonnes of Official Sector reserves were mobilized in 1997. By the end of the year, the total amount of gold on loan to the market by central banks had increased to 3,700 tonnes. The private sector provides several hundred tonnes of additional liquidity.

Central banks lend or swap gold in the bullion market to generate income from their holdings. Bullion bankers borrow gold and then sell it to facilitate producer hedging and fund short selling. Typically three-month leasing rates range between one and three percent – well below the interest rate on US dollars. As long as the central banks continue to provide liquidity on generous terms, professional investors are encouraged to undertake short selling practices.

The underlying economics of official sector leasing are worth examining. At year-end 1997, the 3,700 tonnes of gold on lease would generate an annual income of US\$725 million (assuming a US\$305 per ounce gold price and a typical lease rate of two percent). In 1997, the gold price dropped approximately US\$40 an ounce and the value of the 34,000 tonnes of gold held by the Official Sector dropped by approximately US\$43 billion.

Going forward in 1998, the market will continue to focus on three Official Sector issues:

- the possible use of IMF gold reserves to partially fund the Enhanced Structural Adjustment Facility loan program to poorer countries,
- the timing and size of sales by the Swiss National Bank (SNB); and, most importantly,
- the role of gold in the new European Central Bank (ECB) and the management of gold reserves held in European banks outside the ECB.

The proposed IMF plan to sell 5% (160 tonnes) of its reserves over a five year period is of minor concern. An IMF annual sale of 30 tonnes of gold will have a minimal effect on the overall market which consumes almost 3,800 tonnes per year.

The sale of Swiss gold is more important. A move by the SNB away from their current passive management approach toward some form of reserve mobilization could influence other countries. Currently, basic Swiss law requires that 40% of all Swiss Francs in circulation are covered by SNB gold reserves. In October 1997, a government-appointed advisory panel recommended that the SNB sell 1,400 tonnes of gold from its total reserves of 2,590 tonnes. The panel indicated that the money raised from this sale could then be used to fund a new Swiss humanitarian institution – the Foundation for Solidarity – and possibly ease the public sector budget. Subsequent to the advisory committee's recommendation, both the

Swiss government and the SNB explicitly ruled out a sale of this magnitude. Looking forward, any sales by the SNB will require a change in the Swiss constitution. This requires approval by parliament and by a national referendum, which is unlikely to occur before 1999.

With Swiss sales less of an issue in 1998, the market will focus on the role of gold in the European Central Bank. The 11 European countries committed to phase one of monetary union hold a total of 12,800 tonnes of gold, or approximately 38% of all Official Sector reserves.

The Maastricht Treaty is silent on gold. The Governing Council of the ECB has complete discretion on the size and the makeup of reserves.

The Governing Council of the ECB will consist of the head of each national bank plus six appointees. The list of participating countries will be finalized in May 1998 and the European Parliament will confirm the board members of the ECB over the next month. The Governing Council should begin to function by the middle of 1998, although the ECB itself does not come into being until January 1, 1999.

We believe that the price of gold will recover with the formation of the ECB for several reasons:

1. The ECB's initial monetary policy is determined by a voting majority of member countries. Germany and France combined will have majority control with more than 50% of the vote, due to the size of their initial contributions to the ECB. In upcoming German elections, politicians will try to calm fears about the credibility of the Euro. After last summer's very public debate about revaluing Bundesbank gold, clearly the German people will look unfavourably on a Euro that is not backed by gold. Germany and France are the largest holders of gold among member countries and have a large component of their foreign reserves in gold. Both countries have a vested interest in maintaining a healthy gold price. They will likely push for a gold reserve backing at the higher end of the 10% to 30% range currently put forth by the market.
2. The initial years of the Euro will be a difficult period. Each participant will seek to minimize volatility in every asset class, including gold. Any ECB decision that could be perceived as creating instability is unlikely to occur. This will minimize gold sales by the ECB after the Governing Council sets the initial gold reserve backing in the second half of 1998.
3. The ECB will return the gold it does not require to the national central banks of each member country. It is believed that member countries will only be allowed

to undertake operations in foreign assets (including the buying and selling of gold) with the express permission of the ECB's Governing Council. During the early years, the desire for price stability should make significant sales difficult as the 17-member council will likely vote to maintain the status quo in any contentious debate.

4. With gold as a significant part of ECB reserves, a healthy gold price will be important to the Official Sector as it will lend credibility to the Euro. A healthy gold price can easily be maintained by central banks increasing the gold lending

rate. An increase in the cost of borrowing will reduce accelerated supply from forward selling and short selling.

In conclusion, with the creation of the ECB, market attention in 1998 should turn to the strong physical demand for gold and the record amount of gold on loan to producers and speculative short sellers. The coming year will be volatile as the market focuses on each new piece of ECB news and short covering rallies are confronted by new producer hedging. We are confident that gold has reached a bottom and we anticipate a strong rally over the next 12-18 months.

OUTLOOK FOR GOLD EQUITIES

Most gold stocks appear oversold; we believe strong performance can be expected from gold equities as bullion prices recover.

Almost all gold equities posted disappointing returns in 1997. The negative effect of operating leverage resulted in the valuation collapse of all market sectors (from large capitalization, senior producers to small explorers). The TSE Gold and Precious Metals Index illustrates the performance of most large and intermediate-sized companies. The index began BGR's year at 10,634, dropped to a low of 5,199 (approximately 50%) in December 1997, and recovered to end the fiscal year down 36% at 6,811 as bullion prices established a bottom.

The fall in gold equity prices means that all sectors of the market offer good value. Large North American producers are trading at their lowest valuations in several years and this group can be expected to lead any market rally.

Large offshore producers in Australia and South Africa are trading at even lower valuations. Selected stocks in this group will do particularly well over the year. In the past 12 to 18 months the number of large capitalization North American stocks offering the market liquidity required by big institutions has been reduced through mergers and acquisitions and the bankruptcy or near bankruptcy of some marginal players. With fewer stocks available, some of the traditional discount associated with overseas gold equities should disappear in the next rally.

Intermediate-sized producers, both in North America and offshore, have been similarly affected. This group of stocks (less than one million ounces of annual production) offers better value than large producers. For stock pickers, the intermediates offer better leverage to improving operational performance and exploration success. As the gold price recovers, the valuation gap between this group and the senior producers will narrow.

The junior producer group (with production of less than 500,000 ounces per year) offers the best value available in the market at present. Both North American and offshore companies in this group are trading at close to their break-up values (based on a long-term gold price of US\$350 an ounce). Select

companies in this group will be the target for merger and acquisition activity as senior producers look to replace reserves and intermediate and junior companies strive to acquire the critical mass necessary for market credibility. Industry consolidation during this period of lower gold prices will be profitable for careful investors.

Exploration stocks have been most affected by the downturn in gold. This group relies heavily on the equity market to provide ongoing funding for new discoveries and becomes greatly oversold when investors turn away from gold. Bre-X's well documented problems emphasize the risks associated with early stage mining projects and the importance of thorough due diligence on technical merits, legal ownership and management.

Nineteen ninety-eight will be another difficult year for exploration companies. However, strong spending during the last several years and solid exploration work by professional teams in Africa and Latin America will result in the discovery of new ore bodies.

Exploration success produces excellent returns. It is this sector that recently produced Aber, Arequipa, Diamet, Diamond Fields and Iamgold in North America and Delta, Great Central, Ross and Ranger in Australia.

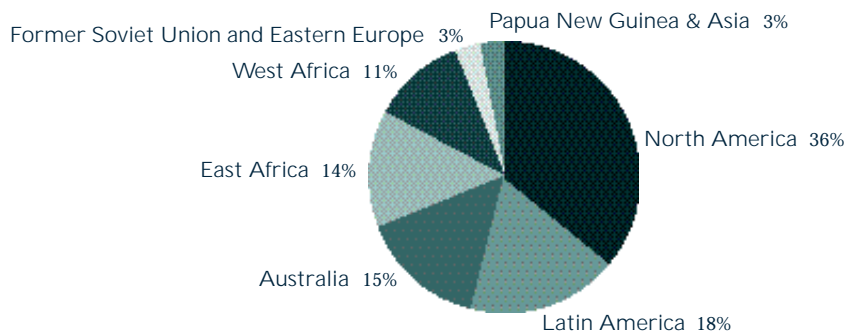
PORTFOLIO STRATEGY

The relative value of offshore assets and the increasing importance of Africa, Latin America and Asia to the gold industry means that BGR is an increasingly global portfolio.

The Company's structure is particularly appropriate for investing in developing markets. BGR's global mandate allows the Manager to take a portfolio approach to diversifying country risk and the Company's closed-end structure allows the purchase of less liquid stocks during periods of market retrenchment.

The Statement of Investments at Market Value at the end of this year's Annual Report lists BGR's assets by country, according to the stock exchange on which each security is listed. Several significant changes were made to the portfolio in the first two months of 1998. The following chart shows BGR's investments at March 31, 1998, based on the location of the assets.

INVESTMENTS BY REGION (MARCH 31, 1998)



During the first two months of the year, in accordance with its mandate, the Company borrowed to invest in large capitalization gold stocks. The Company is permitted to

borrow up to 25% of its assets for investment at any time. The decision to lever the portfolio reflects our bullish outlook for gold equities.

Representatives of Goldman & Company traveled extensively on due diligence visits to the United States, Australia, South Africa, West Africa, East Africa and the Former Soviet Union in 1997. The following comments summarize our outlook on the various gold producing regions and our approach in managing the Company's portfolio. Again, portfolio weightings discussed are by location of project and reflect stock positions at March 31, 1998.

NORTH AMERICA

The low gold price, diminishing reserves and industry consolidation have reduced the investment appeal of companies like Amax Gold, Echo Bay, Pegasus and Royal Oak. However, falling prices have created excellent value in some of North America's best gold companies. At present 36% of BGR's portfolio is invested in equities which focus on Canada and the United States. Two-thirds of this investment is in senior and intermediate producers, including the merged Homestake/Plutonic (6.4%), Barrick (4.3%), Cambior (4.2%), Kinross (3.0%), Meridian (3.0%) and Aber (2.4%). Each of these companies has a strong balance sheet, good management and a small hedge position in relation to their reserve base. They are core portfolio positions and offer excellent leverage to recovering gold prices.

LATIN AMERICA

At present approximately 18% of the investment portfolio is committed to companies with development projects in Latin America. The majority of this is invested in three locally listed companies which dominate precious metals mining in their respective countries. Buenaventura (9%), through its involvement in Minera Yanacocha, is Peru's leading gold mining company. Penoles (4%) is the world's largest producer of silver and Mexico's largest precious metals miner. CVRD (3%) is Brazil's recently privatized resource conglomerate. All three are low cost producers with solid balance sheets. Each has major value-enhancing development projects that are feasible even at today's depressed metal prices. These companies were relatively strong performers through last year and we expect them to outperform in 1998.

The balance of BGR's investments in Latin America (2%) are held through a large number of small Canadian exploration companies. The largest single holding is in Marwest Resources (1%). Marwest is a good example of the opportunities available in the exploration sector. A well-financed company, it is currently completing fill-in drilling of the San Martin project in Honduras. Initial results indicate that San Martin will be an excellent, small scale, low cost mining operation. Development of this project alone should provide an excellent return over the

next year. Marwest will also drill its Cerro Blanco project in Guatemala in early 1998. This early stage project offers shareholders the potential for added returns.

AUSTRALIA

Strong margins and good hedge books mean that Australian companies are in better financial shape than many of their North American counterparts. However poor sentiment towards the gold sector among local institutions means that the Australian market remains undervalued in comparison to North America. The friendly takeover of Plutonic by Homestake, at a substantial premium, emphasized this valuation gap. Similar acquisition activity is likely to continue in 1998 if current market conditions prevail.

In general, our focus in Australia will be on production rather than exploration companies because of their excellent underlying value.

At present 15% of BGR's portfolio is committed to companies with substantial assets in mainland Australia. These companies include: Australia's senior producer, Normandy Mining (6%); junior producer, Ross Mining (5%); and Acacia (2%).

A further 12% of the portfolio is invested in Australian companies whose main focus is offshore. The majority of this investment is in Ranger Minerals, East Africa Gold and

Lihir Gold. Ranger and Lihir have just completed commissioning new low cost mines and East Africa Gold is completing drilling of a new project in Tanzania.

EAST AFRICA

East Africa emerged as a separate focus for BGR's investments in 1996. From a gold investment perspective, East Africa includes Zimbabwe, Kenya, Mozambique and Tanzania. Each of these countries is developing new mining and investment codes to attract foreign investment. Exploration success for BGR's investments in this region resulted in relatively strong performance in 1997. As a result, East African investments now represent 14% of the portfolio. The majority of this investment is in Tanzania, where Sutton Resources (3%), Samax Resources (3%) and East Africa Gold (3%) are developing new gold mines. The balance of the portfolio is invested in Banro Resources which has an impressive portfolio of former producing and advanced stage exploration projects in the Democratic Republic of the Congo. These companies are making excellent progress and should be strong performers as gold prices recover and projects move forward toward development.

WEST AFRICA

This region includes Mali, Senegal, Sierra Leone, Ivory Coast, Burkina Faso, Niger, Gabon and Ghana.

The major mining country in the region is Ghana where a combination of excellent geology, reasonable infrastructure and a favourable investment climate has led to a rapid redevelopment of the country's gold mining industry.

At present, 11% of BGR's portfolio is committed to Australian and Canadian companies whose main regional focus is West Africa. The majority of this investment remains in Ranger Minerals (7%) and Etruscan Enterprises (3%). Etruscan is a well-funded Canadian explorer currently developing the Samira project in Niger as part of a joint venture with Placer Dome. The balance of BGR's West African portfolio is made up of Ghanaian explorers (St. Jude Resources and Ghana Gold Mines) and Namibian Minerals Corporation, an offshore diamond miner.

SOUTH AFRICA

Major changes are underway in the South African gold industry following a difficult year in 1997. Labour problems, real wage inflation and the marginal nature of many of the mines meant that profitability was badly affected.

Going forward, the major mining houses are committed to a series of mergers that will see four new companies emerge.

Anglogold, Gold Fields Ltd., a restructured JCI and Anglovaal will dominate the local industry. The mergers are designed to reduce conflicts of interest between the mining houses and their associated companies and to provide a better base from which to rationalize operations. With the prospect of full calendar operations and the closure of marginal shafts, the refocused companies have the potential to compete for international investment. BGR's portfolio has not contained any South African stocks for the past several years. The current industry developments may change that in 1998.

FORMER SOVIET UNION AND EAST EUROPE

The countries of the Former Soviet Union (FSU) and Eastern Europe have tremendous mineral wealth. Under the Soviet system, large projects were defined by exploration and placed in the state inventory for future production. Many of these projects, when combined with modern technology and western investment, have the potential to be long-term, low cost gold producers. The wealth of technical information means that project risk in the FSU and Eastern Europe is minimal. It allows investors to have exposure to major gold projects at a fraction of the entry cost required in other parts of the world. This low entry cost must be balanced against higher political risk and an unfamiliar legal environment.

BGR made its first major investments in the FSU in 1995. During 1997, these investments were badly affected as gold equity valuations collapsed and investors pulled money out of unfamiliar FSU companies. At present, approximately 1.5% of the portfolio is invested in three junior Canadian companies developing projects in the FSU (Archangel Diamond Corporation, Arian and Armada.) Another 1.5% of the portfolio is invested in Argosy and Gabriel, companies developing projects in Eastern Europe. It is unlikely that BGR will increase its exposure to the FSU to more than 5% in 1998.

PAPUA NEW GUINEA AND SOUTH-EAST ASIA

At present, 3% of BGR's portfolio was committed to Australian and Canadian companies with primary development and exploration efforts focused on Papua New Guinea and Indonesia. The majority of this investment (2%) is in Lihir Gold. Lihir has recently commissioned a major new gold mine on Lihir Island in Papua New Guinea.

INVESTMENT HIGHLIGHTS

THIS YEAR'S INVESTMENT HIGHLIGHTS SUMMARIZE THE PROGRESS OF BUENAVENTURA AND RANGER, TWO OF BGR'S LARGEST HOLDINGS, AND INTRODUCE THREE NEW LARGE PORTFOLIO POSITIONS – NORMANDY MINING, HOMESTAKE/PLUTONIC AND PENOLES. THE PORTFOLIO WEIGHTINGS SHOWN BELOW REFLECT BGR'S ASSET DISTRIBUTION AT MARCH 31, 1998.

CIAP DE MINAS BUENAVENTURA S.A.

Buenaventura (9% of portfolio) had another excellent operating year in 1997. At the company's main operation, Minera Yanacocha SA (Yanacocha), production increased to one million ounces at cash costs of US\$90 an ounce, and reserves and resources increased from 10.9 to 19.3 million ounces. Resources also increased at Buenaventura's other main exploration projects. However, excellent operating results were partially offset by a setback in the company's litigation with Bureau de Recherche Geologiques et Minieres (BRGM) over a partial interest in Yanacocha.

In early 1997, the lower Peruvian court awarded Buenaventura an additional 11% interest in Yanacocha, increasing the company's interest to 44%. The first right of refusal dispute stemmed from a transfer of ownership to Min Or in 1996. BRGM appealed the court's ruling to the supreme court. In January 1998, the supreme court ruled three judges to two in favour of BRGM. In Peru, a majority of four judges is required to rule on any issues facing the supreme court. At present, the case is under review by a sixth judge and a resolution is expected by the middle of 1998. A positive resolution to the dispute would result in a market re-rating of Buenaventura later this year.

RANGER MINERALS NL

Ranger (7%) is an Australian-listed producer that has just completed commissioning a new gold mine at Damang in Ghana. Ranger has a market capitalization of US\$180 million and debt of US\$80 million. Our base case indicates that Damang will produce 320,000 ounces per year at cash costs of less than US\$200 per ounce. However, initial grade control drilling indicates that contained ounces in the deposit's upper levels are 30% higher than indicated in the reserve model. If this pattern continues, Ranger will complete a low cost expansion that should lift

production to approximately 380,000 ounces per year at cash costs of less than US\$180 per ounce. We expect Ranger's strong relative share price performance to continue in 1998 as the market begins to value the company as a mid-sized producer rather than a junior developer.

NORMANDY MINING LTD.

Normandy (6%) is Australia's senior producer with a market capitalization of US\$2.1 billion and annual production of 1.4 million ounces at cash costs of US\$210 per ounce. Normandy has one of the strongest hedging programs in the industry with two-thirds of its production hedged at US\$450 an ounce over the next three years. Normandy also has substantial non-gold assets in gas utilities, commercial minerals and zinc production which we value at approximately A\$0.30 per share. With a share price of A\$1.62, the market values Normandy's gold business at approximately A\$1.32 per share. This is below our 5% NPV valuation of A\$1.40 per share based on a long term gold price of US\$350 an ounce. North American intermediate and senior producers trade at a substantial premium (50%-75%) to similar NPV valuations. Normandy shares offer low sovereign risk, liquidity and the "blue-chip" features of a North American company at a substantial discount.

HOMESTAKE MINING (& PLUTONIC)

In late December, Homestake made a friendly takeover bid for Plutonic at approximately a 60% premium to market. The plan of arrangement to merge the two companies should be completed in May 1998. Homestake's acquisition of Plutonic is similar to its 1992 acquisition of Corona. Plutonic's long-life, low cost assets are being acquired at reasonable valuations. There is much potential for future growth from its large portfolio of under-explored exploration properties. The merged company will be North America's fourth largest producer with annual production of approximately 2.0 million ounces. The addition of Plutonic's assets and a rationalization of the Homestake Mine in South Dakota means that cash costs are expected to drop from US\$240 per ounce in 1997 to less than US\$200 per ounce. Homestake/Plutonic (6% of portfolio) should be a strong performer over the next several years as it trades at a discount to its peer group and is fully exposed to a rising gold price.

INDUSTRIAS PENOLES S.A. DE C.V.

Mexican-based Penoles (4%) is the world's largest producer of refined silver and runs the fourth largest metallurgical complex in the world. Currently, Penoles mines 152,000 ounces of gold, 40 million ounces of silver

and 116,000 tonnes of zinc. It is a low cost producer with reported cash costs of US\$2.10 an ounce for silver, US\$182 an ounce for gold and US\$0.32 per pound for zinc.

Penoles has a strong record of exploration success and has discovered five new mines in the past several years. The company plans to develop all these projects over the next four years. This will increase gold production to 360,000 ounces, silver production to 53 million ounces and zinc production to 319,000 tonnes.

Penoles has a market capitalization of US\$1.7 billion and a strong balance sheet (net debt of US\$200 million). Using today's bottom of the cycle metal prices, Penoles is trading at ten times 1998 earnings and eight times 1998 cash flow. The market gives no value to the company's growth, its increasing gold production or its uniqueness as a value investor's "play" on rising silver prices. Penoles will provide good capital appreciation as our three favorite commodities (gold, zinc and silver) recover. In the meantime, the stock has a 4% yield and the company is conducting an active share buyback program.

The Company is a closed-end investment company, managed by Goodman & Company Ltd., which provides investors with an opportunity to invest in a managed portfolio of primarily precious metals-related investments. The principal objectives of capital appreciation and the provision of a hedge against inflation, while providing a portfolio diversified among issuers and among the countries in which the issuers operate.

Investments consist primarily of (i) equity securities of issuers engaged in the exploration, development, production or marketing of precious metals and (ii) precious metals in bullion form. Issuers in which the Company invests may be engaged in activities relating to one or more precious metals and may derive a substantial portion of their revenue from sources other than precious metals. At the current time, the investments of the Company are almost exclusively gold-related.

In making equity investments, the Company diversifies its portfolio among junior, intermediate and senior issuers and between producing and exploration companies. The Company also seeks out those companies which require financing to further develop or explore potential deposits. Currently, the

Company's portfolio is comprised of investments based primarily in Canada, Australia, and Latin America.

The mix of the Company's portfolio among various issuers, countries and precious metals and between equity securities, bullion and cash can vary from time to time in response to fluctuations in metal prices and market conditions. Generally, when the Manager believes that the price of precious metals or equity securities will fall, the Company's portfolio will be more heavily weighted in favour of bullion and cash. When the Manager believes that the price of precious metals or equity securities will increase, the Company's portfolio will be weighted more heavily in favour of equity investments.

Bullion is a mechanism to permit the Company to maintain liquidity while continuing to have precious metals exposure, as bullion is readily converted to cash as required.

As a closed-end investment company, the Company is subject to the investment restrictions set out in its articles and by-laws but is not subject to the restrictions established by Canadian securities administrators for mutual funds. In addition, the Company is not obligated to meet redemptions, as is the case in an open-end mutual fund, and

therefore need not maintain liquidity for redemption requests. Accordingly, the Company is afforded greater flexibility in its investments and is able to more effectively manage its portfolio of holdings than it would as an open-end fund. In particular, subject to the investment restrictions applicable to it, the Company is able to make investments which are intended to be held for the longer term, including securities which may be considered illiquid.

As set out in the investment restrictions, the Company has the ability to borrow an amount of up to 25% of its total assets. The Company believes that this will provide shareholders with the benefit of professionally managed leverage; additional opportunities to increase returns; and the ability to better manage its cash flows. Subsequent to the year ended January 31, 1998, the Company negotiated a \$25 million credit facility with a major bank in order to provide such leverage.

The Company has been reassessed by the Canadian Federal tax authorities (Revenue Canada) and the Ontario Provincial tax authorities (Ontario Ministry of Finance) on the basis that gains and losses on securities and precious metals transactions are on account of income (instead of on account of capital). In keeping with its stated

investment policy of making investments which are intended to be held for the longer term, management is of the opinion that taxation of these transactions on account of capital is the proper tax treatment and therefore the Company has objected to the reassessments issued.

Revenue Canada has reassessed the Company for the taxation years ended January 31, 1988 to January 31, 1995. The Company has appealed the federal matter to the Tax Court of Canada. The Ontario Ministry of Finance has reassessed the Company for the taxation years ended January 31, 1985 to January 31, 1991. The Ontario Ministry of Finance has deferred acting on our objections pending the outcome of the Federal appeals. During the year, the Company has had ongoing negotiations with Revenue Canada on this issue. Although the Company has yet to settle the matter, the Company is hopeful that a resolution will be forthcoming.

If the Governments' position for the years reassessed and the subsequent years to January 31, 1998 are sustained, it is estimated that the net asset value per share of the Company as at January 31, 1998 would decrease from \$15.41 to \$14.00 (January 31, 1997, \$21.65 to \$19.14).

The performance of the Company is best measured by the change in the net asset value per share. Reported earnings reflect only interest and dividend income and realized gains and losses on the disposition of investments. As they do not include unrealized gains and losses of the portfolio, earnings are only a partial measure of the Company's performance.

The Net Asset Value of BGR at January 31, 1998 was \$114,474,000 (\$15.41 per share) as compared to \$160,893,000 (\$21.65 per share) at January 31, 1997, reflecting unrealized depreciation in the market value of the investments and realized losses.

For the year ended January 31, 1998, interest income decreased significantly from \$894,000 to \$256,000 reflecting the lower cash position of the Company. Dividend income was \$768,000, a decrease of \$149,000 from the previous year. The Company realized net losses of \$23,052,000 during the year and had unrealized depreciation of \$45,317,000 during the year. The most significant realized losses were Philippine Gold \$3,746,000, Rayrock Yellowknife Resources \$3,469,000 and Vista Gold Corporation \$2,633,000.

Total expenses decreased significantly from \$7,622,000 in the prior year to \$2,327,000. This reflects a decrease of \$5,215,000 in management and performance fees. Base management fees decreased by \$797,000 due to lower assets under management. No performance fee was payable during the year. In the prior year a performance fee of \$4,418,000 was payable. Performance fees of up to 2% of the Company's pre-tax total net assets is payable if the Manager outperforms gold bullion. During the year no performance fee was earned as both the Company's and gold bullion performance was negative. In the prior year the Company's pre-tax Net Asset Value outperformed the gold bullion by 19.6%, resulting in 98.3% of the maximum fee being earned.

We have audited the statements of financial position of BGR Precious Metals Inc. as at January 31, 1998 and 1997, the statement of investments at market value as at January 31, 1998 and the statements of operations and retained earnings, changes in net assets and changes in investments for the years ended January 31, 1998 and 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 1998 and 1997, the investments at market value at January 31, 1998 and the results of its operations and the changes in its net assets and investments for the years ended January 31, 1998 and 1997 in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Toronto, Ontario

March 27, 1998

As at January 31,1998 (in thousand of dollars)

		MARKET	% OF
		VALUE	PORTFOLIO
Par value, shares or units			
	CANADIAN EQUITIES AND CONVERTIBLES		
157,000	Aber Resources Ltd.	\$ 2,434	
100,000	African Selection Mining Corporation	109	
2,501,200	American Gem Corporation	175	
463,500	Archangel Diamond Corporation	417	
220,000	Archangel Diamond Corporation,Special Warrants	218	
798,400	Argosy Mining Corporation	311	
863,666	Arian Resources Corporation	729	
2,115,914	Armada Gold Corporation,Class "A"	508	
649,889	Banro Resource Corporation	2,924	
137,000	Barrick Gold Corporation	3,884	
1,000,000	Brimstone Gold Corp.	310	
513,000	Caldera Resources Inc.	200	
800,000	Cambiex Exploration Inc.	196	
403,400	Cambior Inc.	3,812	
470,000	Canuc Resources Corporation	80	
271,100	Corner Bay Minerals Inc.	111	
600,000	Dakota Mining Corporation,7.50%, Feb.04 04	60	
690,000	Etruscan Enterprises Ltd.	2,898	
1,285,000	Gabriel Resources Limited	1,157	
467,500	Gabriel Resources Limited, Warrants,Nov.05 99	23	
250,500	Globex Mining Enterprises Inc.	501	
520,000	Golden Queen Mining Co.,Ltd.	354	
797,500	Gran Columbia Resources Inc.	148	
572,000	Inca Pacific Resources Inc.	166	
409,500	International Freegold Mineral Development Inc.	123	
425,690	Kinross Gold Corporation	2,341	
1,300,000	Mar-West Resources Ltd.	1,313	
700,000	Meridian Gold Inc.	3,220	
432,300	Namibian Minerals Corporation	1,556	
493,500	Nescor Energy Inc.	172	
381,000	Oroperu Resources Inc.	362	
700,000	Pacific Amber Resources Ltd	259	
700,000	Paramount Ventures & Finance Inc.,Class "A"	448	
42,000	Pentland Firth Ventures Ltd.	24	

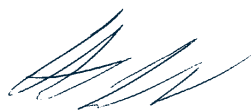
		MARKET VALUE	% OF PORTFOLIO
Par value, shares or units			
CANADIAN EQUITIES AND CONVERTIBLES (CONT'D)			
400,000	Rift Resources Ltd.	\$ 100	
438,900	Samax Gold Inc.	2,107	
1,449,844	Santa Cruz Gold Inc.	435	
160,000	Scorpion Minerals Inc.	64	
515,060	St.Jude Resources Ltd., Class "A"	700	
373,200	Sutton Resources Ltd.	4,068	
32,500	Sutton Resources Ltd., Warrants, Sep. 20 98	65	
350,000	Ural Gold Inc.	255	
171,500	Vengold Inc., Warrants, Jun. 13 00	29	
1,058,133	Ventures Resources Corp.	577	
583,333	Verena Minerals Corporation	408	
	Miscellaneous	65	
		40,416	45.0%
AUSTRALIAN EQUITIES			
988,000	Acacia Resources Limited	1,922	
4,637,840	East African Gold Mines	3,924	
5,762,500	Ghana Gold Mines	489	
14,000,000	Gullewa Gold NL	182	
458,500	Lihir Gold Inc.	833	
1,981,250	Marymia Exploration NL	158	
3,902,122	Normandy Mining Ltd.	6,658	
770,000	Plutonic Resources Limited NL	3,611	
2,260,600	Ranger Minerals NL	9,248	
6,000,000	Revesco Ltd.	527	
7,201,477	Ross Mining NL	5,605	
4,083,774	Target Mining Corporation of Australia	774	
	Miscellaneous	4	
		33,935	37.8%
LATIN AMERICAN EQUITIES			
475,830	Ciap de Minas Buenaventura, S.A., Sponsored ADR, Series "B"	8,226	
110,000	Companhia Vale Do Rio Doce, Sponsored ADR, Preferred	3,103	
758,700	Industrias Penoles, S.A. de C.V.	4,155	
		15,484	17.2%
TOTAL INVESTMENTS AT MARKET VALUE		\$ 89,835	100.0%

As at January 31 (expressed in thousands of dollars except per share amounts)

	1998	1997
ASSETS		
Investments at market value		
(cost 1998 – \$114,585 ;1997 – \$152,954)	\$ 89,835	\$ 173,521
Cash and short-term deposits	6,806	23,301
Interest,dividends and other receivables	3,855	23
Due from brokers	1,461	825
Income taxes recoverable	8,409	–
Deferred income taxes recoverable	8,493	–
Total assets	\$ 118,859	\$ 197,670
LIABILITIES		
Accounts payable and accrued liabilities	\$ 249	\$ 11,709
Due to brokers	4,136	3,932
Income taxes payable	–	14,673
Deferred income taxes payable	–	6,463
	4,385	36,777
SHAREHOLDERS' EQUITY		
Capital stock and warrants (Note 3)	88,275	88,316
Retained earnings	42,666	58,894
Unrealized (depreciation) appreciation in the market value of investments,net of deferred income taxes	(16,467)	13,683
	114,474	160,893
Total liabilities and shareholders' equity	\$ 118,859	\$ 197,670
Net asset value per share (see Note 7 – Contingency)	\$ 15.41	\$ 21.65

See accompanying notes to the financial statements.

On behalf of the Board



Jonathan Goodman, Director



Garth A.C. MacRae, Director

For the years ended January 31 (expressed in thousands of dollars except per share amounts)

	1998	1997
NET INCOME		
Interest	\$ 256	\$ 894
Dividends	768	917
	1,024	1,811
Net realized (losses) gains on sales of investments	(23,052)	53,044
	(22,028)	54,855
Less:		
Management and performance fees (Note 5)	1,418	6,633
Administrative and other expenses	774	501
Goods and services tax	135	488
	2,327	7,622
(Loss) income before income taxes	(24,355)	47,233
(Recovery of) provision for income taxes (Note 4)	(8,136)	14,916
Net (Loss) Income	\$ (16,219)	\$ 32,317
Net (Loss) Income per share	\$ (2.18)	\$ 4.22
RETAINED EARNINGS		
Balance, beginning of year	\$ 58,894	\$ 28,541
Net (loss) income	(16,219)	32,317
Allocation of purchase premium (Note 3)	(9)	(1,964)
Balance, end of year	\$ 42,666	\$ 58,894

See accompanying notes to the financial statements

For the years ended January 31(expressed in thousands of dollars except per share amounts)

	1998	1997
Net (Loss) Income	\$ (16,219)	\$ 32,317
Change in net unrealized depreciation in the market value of investments, net of deferred income taxes	(30,150)	(29,131)
Purchase of Class A shares (Note 3)	(41)	(5,216)
Allocation of purchase premium (Note 3)	(9)	(1,964)
Changes in net assets during the year	(46,419)	(3,994)
Net assets,beginning of year	160,893	164,887
Net assets,end of year	\$ 114,474	\$ 160,893
Net asset value per share (see Note 7 – Contingency)	\$ 15.41	\$ 21.65

See accompanying notes to the financial statements.

For the years ended January 31 (expressed in thousands of dollars)

	1998	1997
Investments at market value, beginning of year	\$ 173,521	\$ 192,994
Unrealized appreciation in the market value of investments, beginning of year	(20,567)	(64,146)
Investments at cost, beginning of year	152,954	128,848
Cost of investments purchased during the year	52,585	97,693
Cost of investments sold during the year		
Proceeds from sales	(67,902)	(126,631)
Net realized (losses) gains on sales	(23,052)	53,044
	(90,954)	(73,587)
Investments at cost, end of year	114,585	152,954
Unrealized (depreciation) appreciation in the market value of investments, end of year	(24,750)	20,567
Investments at market value, end of year	\$ 89,835	\$ 173,521

See accompanying notes to the financial statements.

January 31, 1998 and 1997 (tabular amounts in thousands of dollars)

1. SIGNIFICANT CORPORATE INFORMATION

The Company is a closed-end investment company, incorporated under the Canada Business Corporations Act, investing primarily in precious metals and related securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Investment valuation policies

Investments are recorded in the financial statements at their market value at the end of the year, determined as follows:

- Gold and silver bullion are valued at the London morning fixing price. Platinum and palladium are valued at the average closing bid price of not less than two New York precious metals dealers.
- Shares or other securities for which market quotations are readily available are valued at the closing sale price or, if there is no sale price, the average of the closing bid and ask prices.
- Shares or other securities for which market quotations are not readily available are valued at fair market value as determined by management. These valuations are based on estimates made by management and may differ from realizable values.
- Options are valued at market value as reported on recognized exchanges.

b) Policies for the recognition of investment appreciation, depreciation and income

The difference between the market value and the cost of the investments held net of taxes, is shown as unrealized appreciation or depreciation. The average cost basis is used to determine the gain or loss on disposal of investments.

Transactions are recorded at trade date. Net unrealized appreciation or depreciation in the value of investments at year end is recorded in shareholders' equity. Gains and losses realized on sales are recorded in net income.

Forward contracts are revalued with the resultant unrealized gains and losses being included in unrealized appreciation or depreciation and recognized in the statement of net income when positions mature or are closed out.

Option fees paid or received are deferred and are recognized in the statement of net income when options expire or are closed out. Unrealized gains and losses on options are recognized with investments and as a component of net unrealized appreciation or depreciation in the value of investments in shareholders' equity.

Dividend income is recognized on the ex-dividend date.

c) Income taxes

The Company follows the tax allocation method of accounting whereby provision for income taxes is based on the income and realized gains and losses reported in the statement of net income. Shareholders' equity reflects deferred taxes on unrealized appreciation or depreciation in the value of precious metals and securities held at the end of the year.

d) Foreign currency translation

The market values of foreign investments are translated into Canadian dollars at the closing rate of exchange for the year. Translation gains and losses are reflected in shareholders' equity as a component of the net unrealized appreciation or depreciation in the value of investments.

Other assets and liabilities in foreign currencies are also translated at closing rates. Translation gains and losses are reflected in net income.

Purchases and sales of foreign investments, and foreign income and expenses, are translated at the rates of exchange prevailing on the dates of the respective transactions. Any exchange gains or losses on the settlement of the transactions are reflected in net income.

3. CAPITAL STOCK AND WARRANTS

	1998		1997	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Class A shares				
Balance, beginning of year	7,427,938	\$ 85,795	7,815,438	\$ 90,271
Shares purchased and cancelled	(3,566)	(41)	(387,500)	(4,476)
Balance, end of year	<u>7,424,372</u>	<u>85,754</u>	<u>7,427,938</u>	<u>85,795</u>
Class A share purchase warrants	<u>2,520,000</u>	<u>2,520</u>	<u>2,520,000</u>	<u>2,520</u>
Common shares	<u>3,000</u>	<u>1</u>	<u>3,000</u>	<u>1</u>
		<u>\$ 88,275</u>		<u>\$ 88,316</u>

a) Share Capital

The authorized share capital is comprised of an unlimited number of Class A shares and 3,000 common shares.

Each Class A and common share ranks equally as to voting and dividend rights and equally on wind up, after Class A shareholders receive \$9.425 per share.

Goodman & Company Ltd. ("the Manager") owns all of the common shares.

b) Warrants

At January 31, 1998 and 1997, there were 2,520,000 Class A share purchase warrants outstanding. Each warrant entitles the holder to purchase one Class A share at any time up to February 20, 2004 at \$25.00 per share.

c) Shares purchased

During 1998, the Company purchased and cancelled 3,566 Class A shares having a stated capital cost of \$41,189 for a total cash consideration of \$50,423 (cost per share of \$14.14 per share). The purchase premium of \$9,234 was charged to retained earnings.

During 1997, contributed surplus decreased by \$740,000 as a result of the Company's purchase and cancellation of 387,500 Class A shares under its normal course issuer bid. The amount charged to contributed surplus represents the amount by which the aggregate cash consideration paid of \$7,180,000 (an average cost per share of \$18.52) exceeded the stated capital of the shares repurchased of \$4,476,000. The purchase premium of \$1,964,000 was charged to retained earnings.

4. INCOME TAXES

The Company is a "public corporation" under the Income Tax Act (Canada). The Company accounts for its gains or losses on security transactions as capital transactions whereby they are taxed at normal corporate rates (1998 - 44.62%; 1997 - 44.30%) on three-fourths of the net realized amount. The tax authorities have challenged this treatment (see Note 7).

5. MANAGEMENT AND PERFORMANCE FEES

Management and performance fees are paid to the Manager under the terms of investment management and advisory agreements. The base management fee is comprised of monthly fees calculated at 1/12 of 1% of total assets. An annual performance fee may be paid, dependent upon the Company meeting certain performance criteria, to a maximum of 2% of average monthly total assets.

	1998	1997
Base management fees	\$ 1,418	\$ 2,215
Performance fees	-	4,418
Total management fees	\$ 1,418	\$ 6,633

6. RELATED PARTY TRANSACTIONS

All transactions between related parties are conducted at fair market value.

The Company may have dealings in the normal course of business with a related party to whom commissions are paid as agents in the purchase and sale of securities.

7. CONTINGENCY

The Company has been reassessed by the Canadian Federal tax authority (Revenue Canada) and the Ontario Provincial tax authority (Ontario Ministry of Finance) on the basis that gains and losses on securities and precious metals transactions are on account of income, rather than capital. Management is of the opinion that taxation of these transactions as capital is the proper tax treatment, and therefore, the Company has objected to the reassessments issued. Revenue Canada has reassessed the Company for the taxation years ended January 31, 1988 to January 31, 1995. The Ontario Ministry of Finance has deferred acting on the Company's objections pending the outcome of the Federal appeals. If the Governments' position for the years reassessed and the subsequent years to January 31, 1998 is sustained, it is estimated that the net asset value per share of the Company as at January 31, 1998 would decrease from \$15.41 to \$14.00 (January 31, 1997, \$21.65 to \$19.14).

In May 1995 The Toronto Stock Exchange adopted a by-law (the "TSE By-Law") with respect to corporate governance of listed companies. This by-law was passed in response to the Report of The Toronto Stock Exchange Committee on Corporate Governance in Canada dated December 1994 (the "TSE Report"). The by-law included a proposed guideline for corporate governance but does not require listed companies to adopt these guidelines. Pursuant to the TSE By-Law, listed companies must disclose annually their approach to corporate governance.

The TSE Report paid a considerable amount of attention to the make-up and independence of the Board of Directors of a company. The TSE Report defines an unrelated director to be a director who is independent of management and is free from any interest in any business or relationship which could, or could reasonably be perceived to, materially interfere with the directors ability to act with a view to the best interests of the company, other than interest and relationships arising from shareholding. Significant shareholders are not considered to be related directors. A significant shareholder is defined by the TSE Report to be a shareholder who has the right to vote the majority of the outstanding voting rights for the election of directors.

The following disclosure sets out the Company's approach to corporate governance during fiscal 1998.

MANDATE OF THE BOARD

The Board of Directors of the Company operates pursuant to the mandate set out in the Canada Business Corporations Act which is to supervise the management of the business and affairs of the Company and act with a view to the best interests of the Company.

As a closed-end investment holding Company, the Board of Directors is responsible for the general investment policies of the Company and the management of the investment portfolio is carried out by the Manager, Goodman & Company Ltd., pursuant to an investment management agreement. The Articles of Incorporation of the Company provide the specific investment restrictions which are applicable to the investments which can be made by the Company.

The frequency of meetings and the nature of agenda items may change from year to year depending on the Company's affairs. However, there are always at least quarterly Board meetings. At each quarterly Board meeting there is a complete update of the business and affairs of the Company and a review of the investment portfolio and investment activities presented to the Board of Directors by management and the Manager. For the fiscal year ended January 31, 1998 the Board met four times.

COMPOSITION OF THE BOARD

During the fiscal year ended January 31, 1998, the Board of Directors was composed of 10 members. The Board of Directors has concluded that of the 10 directors in fiscal 1998, six (60%) were unrelated to the Company and the Manager.

BOARD COMMITTEES

The Audit Committee is the only standing committee of the Board of Directors. From time to time ad hoc committees of the Board may be appointed as necessary or as may be required by law, which would include any requirements with respect to any related party transactions which might be considered.

The Audit Committee for fiscal 1998 was composed of three directors, all of whom were outside and unrelated directors. The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls and the performance of the Company's external auditors. The Committee also reviews the annual audited financial statements. During fiscal 1998 the members of the Audit Committee were Alfred Holland, Howard Kelly and William Wilson.

BOARD PERFORMANCE

The Board of Directors in fiscal 1998 did not consider it necessary to formally assess the effectiveness of the Board of Directors. The Board of Directors regularly assesses the performance of the Manager and the Company.

SHAREHOLDER FEEDBACK

The Company does not have an investor relations department. All shareholder or investment community inquiries are directed to the Corporate Secretary or the Chief Financial Officer. Shareholder inquiries are responded to promptly by the appropriate individual within the Company.

EXPECTATIONS OF MANAGEMENT

The Board of Directors believes it is critical that management of the Company, including the Manager, provide complete and accurate information with respect to the business and affairs of the Company and an analysis of the investment portfolio. To date the Board of Directors believes that such information has been provided which has allowed the Board to be effective in carrying out its mandate. Four of 10 directors are related to the Manager including the portfolio manager primarily responsible for the investment portfolio and involved in the day-to-day operations of the Company. This is viewed by the Board of Directors as being important and beneficial.

BOARD APPROVAL

The Board has no formal policy setting out what specific matters must be brought by management to the Board for approval; however, there is a clear understanding between management and the Board through historical board practice and accepted legal practice that all transactions or matters of a material nature or with respect to dealings between the Company and the Manager must be presented for approval by the Board.

It has been the experience to date of the Board of Directors that the matters which have been brought forward to the Board for approval have been appropriate.

	1983	1984	1985	1986	1987	1988	1989
JANUARY		9.48	8.16	10.41	13.00	13.87	11.85
FEBRUARY		10.44	7.99	10.31	13.41	13.50	12.07
MARCH		10.56	9.03	10.40	15.40	14.55	12.03
APRIL		10.31	8.94	10.11	17.52	14.11	11.58
MAY		10.31	8.92	10.08	16.79	14.23	11.43
JUNE		9.81	8.68	10.04	16.49	13.96	11.74
JULY		8.42	9.24	9.89	18.87	13.54	11.61
AUGUST		9.11	9.78	11.12	18.65	13.46	11.60
SEPTEMBER		9.11	9.07	12.12	18.95	12.41	11.70
OCTOBER		8.74	8.87	11.81	14.99	12.28	11.56
NOVEMBER	9.85	8.84	9.34	11.92	16.14	12.16	12.30
DECEMBER	9.76	8.02	9.01	12.00	15.38	11.88	12.23

	1990	1991	1992	1993	1994	1995	1996	1997	1998
JANUARY	12.36	8.42	8.25	8.21	16.68	16.10	21.09	21.65	15.41
FEBRUARY	12.18	9.03	8.21	8.67	16.90	16.03	23.26	23.27	15.60
MARCH	11.56	8.96	7.94	9.62	17.74	16.76	23.63	21.61	15.75
APRIL	10.74	8.62	7.44	10.78	17.07	17.45	25.20	20.92	
MAY	10.95	8.71	7.95	12.56	17.64	17.33	26.59	21.11	
JUNE	10.68	9.03	8.12	13.48	17.22	18.02	23.76	19.52	
JULY	11.02	9.11	8.58	14.84	17.56	18.09	22.97	18.26	
AUGUST	10.84	8.31	8.31	14.18	17.57	17.88	25.20	18.58	
SEPTEMBER	10.60	8.29	8.56	13.31	18.47	17.70	24.20	18.50	
OCTOBER	9.48	8.35	8.05	14.64	18.31	16.94	22.90	17.07	
NOVEMBER	9.39	8.63	7.89	14.58	17.15	17.46	22.60	15.02	
DECEMBER	9.75	8.32	7.99	16.26	17.38	17.80	22.43	15.15	

The figures exclude cumulative dividends of \$4.50 per share paid between September 1987 and January 1992.

DIRECTORS

DEREK H.L. BUNTAIN
Paget, Bermuda

PETER C. CAVELTI
Toronto, Ontario

JONATHAN GOODMAN
Toronto, Ontario

NED GOODMAN
Innisfil, Ontario

ALFRED T. HOLLAND
Toronto, Ontario

HOWARD L. KELLY
Montreal, Québec

GARTH A.C. MACRAE
Toronto, Ontario

DONN L. MORGAN
West Vancouver,
British Columbia

BRIAN J. STECK
Toronto, Ontario

WILLIAM G. WILSON
Dublin, Ireland

OFFICERS

GARTH A. C. MACRAE
Director & Chairman

JONATHAN GOODMAN
Director, President &
Chief Executive Officer

RAY BENZINGER
Vice-President Finance &
Chief Financial Officer

MURRAY JOHN
Vice-President

CAROLE COLBERT
Secretary

ROSANNA GATTI
Controller

CORPORATE INFORMATION

MANAGER

GOODMAN & COMPANY LTD.,
a wholly-owned subsidiary of
Dundee Bancorp Inc.
Toronto, Ontario, Canada

LEGAL COUNSEL

SMITH LYONS
Toronto, Ontario

AUDITORS

DELOITTE & TOUCHE
Toronto, Ontario

REGISTRAR &**TRANSFER AGENT**

MONTREAL TRUST COMPANY
OF CANADA

CUSTODIAN OF INVESTMENTS

STATE STREET TRUST COMPANY
CANADA
Toronto, Ontario

HEAD OFFICE

55th Floor, Scotia Plaza
40 King Street West
Toronto, Ontario, Canada
M5H 4A9

STOCK EXCHANGE LISTINGS

THE TORONTO STOCK EXCHANGE
THE MONTREAL EXCHANGE

STOCK & WARRANT SYMBOLS

BPT.A – CLASS A SHARES
BPT.WTA – WARRANTS

Copies of the Company's Quarterly and Annual Report are available on written request from our registrar:

Montreal Trust Company of Canada
151 Front Street West, 8th Floor
Toronto, Ontario
Canada M5J 2N1