

Central Fund of Canada Limited

ANNUAL INFORMATION FORM for the year ended October 31, 2001

February 25, 2002



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DOCUMENTS INCORPORATED BY REFERENCE

Financial Statements and notes thereto are contained in the 2001 Annual Report on pages 5 to 12.

Management's Discussion and Analysis of Financial Condition and Results of Operations is contained in the 2001 Annual Report on pages 13 to 16.

Management Information Circular dated as of January 15, 2002.

REPORTING CURRENCY AND FINANCIAL INFORMATION

Monetary amounts in this Annual Information Form and the documents which are incorporated herein by reference are stated in United States dollars, except where otherwise specifically stated. As of February 25, 2002, the noon buying rate in New York City for cable transfers in United States dollars as certified for customs purposes by the Federal Reserve Bank of New York was U.S. \$1.00 = Cdn. \$ 1.5923 .

INCORPORATION

Central Fund of Canada Limited ("Central Fund" or the "Company") was incorporated under the laws of the Province of Ontario on November 15, 1961 as a specialized investment holding company. Following its incorporation, Central Fund invested mainly in shares and other securities of Canadian issuers, primarily with a view to capital appreciation. During 1983, Central Fund changed its character to that of a specialized holding company the assets of which were held through its wholly-owned subsidiaries primarily as gold and silver bullion.

On April 5, 1990, Central Fund's incorporation was continued under the laws of the Province of Alberta and discontinued under the laws of the Province of Ontario. Pursuant to the Asset Transfer Agreements dated as of June 30, 1990, between Central Fund and each of its then wholly-owned subsidiaries, Central Fund purchased the assets of such subsidiaries, which consisted primarily of gold and silver in bar form, and gold and silver bullion certificates. These subsidiaries were in turn wound up and dissolved subsequent to the above transaction.

DESCRIPTION OF THE BUSINESS

General

Central Fund's objective is to provide an investment alternative for investors interested in holding marketable gold and silver related investments. Its policy is to invest primarily in long-term holdings of gold and silver bullion and not to actively speculate with regard to short-term changes in gold and silver prices. Central Fund's investment policies established by the Board of Directors require it to hold at least 90% of its net assets in gold and silver bullion, primarily in bar form. Currently, on a physical basis, 50.0 ounces of silver are held for each ounce of gold held. As of January 31, 2002, Central Fund's net assets at market value of \$66.6 million consisted of 56.0% gold bullion, 42.5% silver bullion and 1.5% cash, marketable securities and other working capital amounts. Central Fund expects these relative percentages to vary, but it does not intend to substantially increase the relative proportion of cash and marketable securities (except when cash flow increases for the reasons noted in the Annual Report to Shareholders under Liquidity and Capital Resources). Central Fund believes that it is the only company listed on a United States or Canadian stock exchange with the specific investment policies outlined below.

Investment Policies and Operations of Central Fund

Central Fund is a specialized investment holding company whose investment objective is to hold the vast majority of its net assets in gold and silver bullion, primarily in bar form. Central Fund's investment policy is determined by its Board of Directors, subject to the provisions of its articles. A summary of Central Fund's policy regarding the components of its net assets is as follows:

1. At least 85% of Central Fund's net assets shall consist of long-term holdings of gold and silver bullion in bar form.
2. At least 90% of Central Fund's net assets shall consist of gold and silver bullion in bar and certificate form.
3. Central Fund intends that any portion of its non-cash net assets not invested in gold and silver bullion shall be invested primarily in marketable securities related to the gold and silver markets and industries.
4. Central Fund's policy is to only hold "cash assets" (consisting of cash and short-term obligations issued or guaranteed by the governments of Canada or the United States, or any political subdivisions thereof, short-term deposits with financial institutions or investment grade commercial paper) for the purposes of paying dividends and expenses, to facilitate the purchase of the above-described non-cash assets, and to generate interest income.
5. Generally, at the time it invests in gold and silver bullion, Central Fund intends that no more than 10% of its net assets shall be cash assets.

With regard to Central Fund's holding of gold and silver bullion in bar form, it is Central Fund's policy to assess from time to time its mix of such gold and silver bullion based on management's analysis of the current, historical and projected gold to silver price relationship, supply and demand factors and management's analysis of Central Fund's current holdings of gold and silver bars. It is Central Fund's intention to hold both gold and silver bars, but not necessarily in the same proportion as is currently held.

With regard to Central Fund's holdings of bullion certificates and marketable securities, the relative proportions of these items may vary from time to time according to management's assessment of market factors and relative investment opportunities. To the extent that Central Fund varies its mix between gold and silver bullion it intends to do so primarily through varying the mix of its gold and silver bullion certificates.

The articles of Central Fund require that at least 75% of the market value of Central Fund's non-cash net assets be invested in gold and silver related investments. This requirement can be changed only with approval of the holders of Central Fund's Class A shares, to be given in the manner set out under "Investment Restrictions" below.

Central Fund's income objective is secondary to its investment objective of holding almost its entire net assets in gold and silver bullion, primarily in bar form. Thus, it only seeks to achieve adequate cash flow to cover expenses and to meet the Class A shares' dividend requirements. However, this does not preclude management from taking steps to generate additional cash flow from time to time if its assessment of investment opportunities and relative risk are in keeping with Central Fund's primary investment objective. (Additional cash flow might also have to be generated in the event that (a) Central Fund realizes capital gains in excess of its expenses and tax losses carried forward for Canadian income tax purposes and (b) Central Fund distributes such capital gains to its shareholders in order that the tax on such gains payable by Central Fund may be refundable as discussed below under "Taxation").

Investment Restrictions

The articles of Central Fund contain provisions to the effect that Central Fund may not:

- (i) invest less than 75% of the market value of Central Fund's non-cash net assets in gold and silver related investments;
- (ii) purchase any security (other than short-term government securities, short-term deposits with financial institutions and investment grade commercial paper) issued by any issuer if, immediately after and as a result of such purchase, more than 10% of Central Fund's net assets would consist of securities issued by such issuer;
- (iii) purchase any security issued by any issuer if, immediately after and as a result of such purchase, Central Fund would own more than 10% of any class of the outstanding securities issued by such issuer;
- (iv) purchase any security or property on margin or otherwise incur indebtedness (other than in the ordinary course related to settlements of its principal positions in securities or bullion) aggregating at any time in excess of 5% of its total net assets;
- (v) invest in securities of any issuer of which more than 5% of the issued and outstanding voting shares are beneficially owned, either directly or indirectly, by any officer or director of Central Fund or by any person that shall, by agreement, be responsible for administering or managing the business and affairs of Central Fund or for providing investment advice to Central Fund, or any combination thereof;
- (vi) purchase securities from, or sell securities to, any person that is the holder of 10% or more of Central Fund's common shares, any person that shall, by agreement, be responsible for administering or managing the business and affairs of Central Fund or for providing investment advice to Central Fund, or any officer or director of any of the foregoing or of Central Fund.

There is no restriction on the maximum proportion of the assets of Central Fund which may be invested in gold and silver bullion.

The above restrictions can only be changed with the prior approval of the holders of Class A shares then outstanding given in writing by the holders of all of the Class A shares or by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the Class A shares duly called for such purpose. Within these restrictions the Board of Directors

determines Central Fund's investment policies which may be changed without notice to or vote by the holders of Class A shares. In connection with its U.S. public offering in August 1987 Central Fund modified its investment policies to, among other things, increase the percentage of its non-cash net assets to be held in gold and silver in bar form and as otherwise set forth herein. Prior to such offering, Central Fund had not changed its investment policies since 1983, and it has no present intention of changing said policies.

Administration

Pursuant to an agreement (the "Assignment of Administration Agreement") dated as of April 10, 1990, The Central Group Alberta Ltd., ("CGAL"), assumed responsibility for the administration of the business and affairs of Central Fund and now provides certain consultative services to Central Fund which are paid for by CGAL. The rights and obligations under the "Administration Agreement" dated November 1, 1986 were assigned by The Central Group Ltd., now All-Canadian Management Inc. ("ACMI"), to CGAL to facilitate the re-organization process of Central Fund which was completed in 1990. The services provided include the provision of general market and economic advice with respect to the investment of Central Fund's assets in accordance with its investment policies and restrictions, subject to the ultimate approval of the Board of Directors of Central Fund. Under the terms of the Administration Agreement, CGAL arranges for certain services from others, including Mr. Ian M.T. McAvity, President of Deliberations Research Inc. and a director of Central Fund, who provides general advice in relation to economic analysis of bullion market trends and developments, and Dr. Hans F. Sennholz, a monetary expert, who provides general economic advice. CGAL pays for these services out of the fees paid to it by Central Fund pursuant to the Administration Agreement. The shares of CGAL are two-thirds owned by Mr. Philip M. Spicer (Chairman and a director of Central Fund), and one-third owned by his son, Mr. J.C. Stefan Spicer (President, CEO and a director of Central Fund).

In addition, CGAL provides and pays for office services, supplies and facilities and through its staff generally oversees the day-to-day administration of Central Fund's affairs. Certain of these responsibilities have been delegated by CGAL to ACMI pursuant to an agreement dated April 10, 1990 between CGAL and ACMI under which ACMI receives payment from CGAL out of the fees paid to CGAL pursuant to the Administration Agreement. Central Fund is responsible for the payment of direct expenses such as brokerage, listing, legal, audit, insurance, safekeeping and transfer fees, directors' fees and expenses, taxes and expenses incurred with respect to reporting to its shareholders. It is Central Fund's intention that its total annual operating expenses, including the fees payable to CGAL under the Administration Agreement but excluding income taxes, not exceed one percent of its total assets; however, in view of the costs associated with maintaining holdings of gold and silver bullion, Central Fund cannot assure that annual expenses will not exceed one percent. For the year ended October 31, 2001 such expense ratio was 0.9%.

In consideration for services rendered pursuant to the Administration Agreement, Central Fund pays CGAL a monthly fee based on Central Fund's net assets determined for such month. The fee is computed at the annual rate of one-half of one percent on such assets up to U.S. \$50,000,000, three-eighths of one percent on the next U.S. \$50,000,000 and one-quarter of one percent on such assets over U.S. \$100,000,000. Fees paid by Central to CGAL in this regard for the fiscal years ended October 31, 2001, 2000 and 1999 were, in U.S. dollars, \$334,609, \$358,572 and \$359,714 respectively. The Administration Agreement may be amended at the discretion of Central Fund's board of directors and CGAL without the approval of Central Fund's shareholders.

The initial term of the Administration Agreement, as assigned to CGAL, ended October 31, 1990, but such agreement continues from year to year unless terminated by Central Fund. Central Fund has not terminated such agreement. The Administration Agreement is not subject to periodic approval by Central Fund's Class A shareholders; however, Central Fund has the right at any time to terminate the Administration Agreement on the maturity date or any renewal thereof by not less than sixty days' notice if a majority of the Board of Directors of Central Fund (excluding those who are also directors, officers, employees or shareholders of CGAL and any of its affiliates, or of its advisers, to Central Fund through CGAL) determine that the performance of CGAL is in their opinion not satisfactory and also if such termination is then approved by the holders of the Class A shares then outstanding. Such approval is to be given in writing by the holders of all of the Class A shares or by the affirmative vote of at least a majority of the votes cast at a meeting of such holders duly called for such purpose.

Brokerage Allocation

Central Fund has no pre-arrangement, formula or method for allocating the brokerage business arising from its purchases and sales of bullion and marketable securities. Transactions in marketable securities involve the cost of brokerage commissions. Transactions in bullion are generally done with dealers acting as principals and thus are done on a net price basis, which reflects the dealers' spread between bid and asked prices. Central Fund's policy is to execute all bullion and marketable security transactions at the most favourable prices consistent with the best execution, considering all of the costs of the transactions, including brokerage commissions and spreads. This policy governs the selection of brokers and dealers and the market in which a transaction is executed.

Competitive Factors

Because gold and silver prices are established in an extensive international market which is not dominated by any single party, Central Fund believes that it competes on an equal basis with other entities in buying and selling gold and silver bullion and bullion investments.

Principal Properties

Central Fund's properties consist chiefly of its gold and silver bullion, all of which is stored either in the vaults (bars) or on deposit (certificates) with the Canadian Imperial Bank of Commerce ("CIBC") in Toronto and Vancouver, Canada. At October 31, 2001 the composition of gold and silver bullion held by Central Fund was as follows:

Gold Bullion: Long-term physical holdings, 100 oz. and 400 oz. bars Bullion certificates issued by CIBC	Fine Ounces 129,725 <u>2,502</u> <u>132,227</u>
Silver Bullion: Long-term physical holdings, 1000 oz. bars Bullion certificates issued by CIBC	Ounces 6,450,252 <u>165,516</u> <u>6,615,768</u>

The gold and silver bars are segregated, specifically identified by bar number and weight, and are insured to full current market value against destruction, disappearance or wrongful abstraction with a standard war risk exclusion. The physical bullion holdings may only be released by CIBC upon receipt of a certified resolution of Central Fund's Board of Directors. Central Fund intends to maintain insurance on its current physical bullion holdings to the extent that such insurance is available at commercially reasonable rates.

The bullion certificates are deposited with CIBC, registered in the nominee name of CIBC and are not insured by Central Fund. Central Fund, as holder of the bullion certificates, may demand delivery of the underlying bullion at the head office of the certificate issuer. In the case of bullion certificates issued by CIBC, the certificate holder has no security interest in the underlying bullion and thus the ability to receive delivery upon demand could be adversely affected by factors which may influence the credit worthiness of CIBC. At October 31, 2001, CIBC's total assets were in excess of Cdn. \$287 billion, and its net worth was approximately Cdn. \$11.9 billion.

On November 3, 1998, the Company commenced a rights offering to holders of its Class A shares and Common shares on the basis of one right for each Class A share and each Common share. Four rights and U.S. \$4.00 entitled a holder to subscribe for one unit ("A Unit"). Each A Unit consisted of one Class A share and one transferable Series 1 Warrant. Each Series 1 Warrant, exercisable during the period from May 3, 1999 until May 26, 1999, entitled the holder to acquire one unit ("B Unit") for an additional U.S. \$4.00. Each B Unit consisted of one Class A share and one transferable Series 2 Warrant. Each Series 2 Warrant, exercisable during the period from November 1, 1999 until November 24, 1999, entitled the holder to acquire one Class A share for an additional U.S. \$4.00.

Upon completion of this offering on November 24, 1999, the Company had issued 1,313,560 Class A shares for gross proceeds of \$5,254,239. Costs of this offering were \$321,797 and net proceeds \$4,932,442.

A portion of these net proceeds were used to purchase physical gold and silver bullion. On December 23, 1998, the Company purchased 2,827 fine ounces of gold bullion at a cost of \$809,738 and 145,728 ounces of silver at a cost of \$712,609. The balance of the net proceeds were to be used for ongoing operating purposes.

SELECTED FINANCIAL INFORMATION

The selected financial data presented below should be read in conjunction with the Financial Statements and notes thereto included in Central Fund's October 31, 2001 Annual Report to Shareholders which Financial Statements and notes thereto are incorporated herein by reference. In particular, reference should be made to Note 7 to the Financial Statements which describes the difference between Canadian and United States generally accepted accounting principles ("GAAP") with regard to the presentation of Central Fund's unrealized appreciation (depreciation) of investments. The net asset value of Central Fund is identical under both Canadian and United States GAAP.

Net Asset Data:	As of or for the fiscal year ended October 31, ⁽¹⁾				
	2001	2000	1999	1998	1997
Net assets at end of year	\$ 66,351,795	68,364,799	76,219,208	70,947,732	72,864,171
Net asset value per Class A share at end of year ⁽¹⁾	3.42	3.52	3.98	3.92	4.02
Income Data:					
Total income (loss)	\$ <u>79,132</u>	<u>144,212</u>	<u>(304,839)</u>	<u>(285,824)</u>	<u>(414,402)</u>
Net loss under Canadian GAAP	\$ (634,412)	(597,597)	(1,058,474)	(1,068,720)	(1,223,982)
Unrealized appreciation (depreciation) of investments during the year	\$ <u>(1,184,463)</u>	<u>(8,250,543)</u>	<u>(2,405,024)</u>	<u>(959,137)</u>	<u>(9,175,798)</u>
Net income (loss) under U.S. GAAP	\$ <u>(1,818,875)</u>	<u>(8,848,150)</u>	<u>1,346,550</u>	<u>(2,027,857)</u>	<u>(10,399,780)</u>
Net income (loss) per Class A share:					
Canadian GAAP	\$ (0.03)	(0.03)	(0.06)	(0.06)	(0.07)
U.S. GAAP	\$ (0.09)	(0.46)	0.07	(0.11)	(0.57)
Cash dividends per Class A share:					
Canadian funds	\$ 0.02	0.01	0.01	0.01	0.01
U.S. funds	\$ 0.01	0.01	0.01	0.01	0.01

⁽¹⁾ For calculation of net asset value per Class A share see Note 1(c)(ii) to the Financial Statements.

Exchange Rates

The Canadian dollar exchange rates for United States dollars for each of the years in the five-year period ended October 31, 2001 as reported by the Bank of Canada were as follows:

<u>Year Ended October 31</u>	(Cdn. \$ per U.S. \$1.00)			
	Average	Last	Low	High
1997	1.3730	1.4092	1.3306	1.4092
1998	1.4695	1.5425	1.4002	1.5765
1999	1.4977	1.4718	1.4505	1.5555
2000	1.4734	1.5271	1.4341	1.5310
2001	1.5340	1.5867	1.4936	1.5867

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information set forth on pages 13 to 16 of Central Fund's 2001 Annual Report is incorporated herein by reference.

MARKET FOR SECURITIES

Central Fund's Class A shares have been listed on the American Stock Exchange since April 3, 1986 and on The Toronto Stock Exchange since 1965. On January 31, 2002, there were 987 registered holders of record of the Class A shares. Central Fund believes that a majority of the Class A shares are held by U.S. residents.

The following table sets forth the high and low closing market prices of Central Fund's Class A shares as reported on such exchanges as well as the high and low net asset value per Class A share based upon the London second gold fix and the daily London silver fix:

Fiscal Quarter Ended	Net Asset Value (U.S. \$)		American Stock Exchange (U.S. \$)		Toronto Stock Exchange (Cdn. \$)	
	High	Low	High	Low	High	Low
2001 – October 31	3.64	3.31	3.65	3.05	5.73	4.60
July 31	3.61	3.33	3.53	3.01	5.40	4.63
April 30	3.55	3.30	3.25	3.03	5.04	4.55
January 31	3.59	3.45	3.25	2.88	5.00	4.25
2000 – October 31	3.71	3.52	3.38	2.88	5.00	4.41
July 31	3.85	3.65	3.56	3.25	5.30	4.77
April 30	4.15	3.68	3.81	3.38	6.00	4.90
January 31	3.96	3.75	4.50	3.44	6.60	4.75

Central Fund's 40,000 issued and outstanding common shares are closely held and are not publicly traded. On January 31, 2002 there were 55 registered holders of record of such common shares.

DIRECTORS AND OFFICERS

Directors and Officers

The directors and officers of Central Fund, and nominees for director, are listed below. Terms of office run from the date of election or appointment until the close of the next annual meeting.

Name, Residence and Principal Occupation	Position and Office with Central Fund	Year Elected or Appointed to Position
John S. Elder Q.C. Toronto, Ontario Partner, Fraser Milner Casgrain LLP (Barristers & Solicitors)	Secretary and Director(AC)(R)	1983
Douglas E. Heagle Oakville, Ontario Chairman of NSBL International (International Investor)	Director(AC)(E)	1964
Ian M.T. McAvity Toronto, Ontario President of Deliberations Research Inc. (Economic Consultants)	Director(E)(R)	1983
Michael A. Parente CMA, CFP Hamilton, Ontario President of All-Canadian Management Inc. (Manager of Investment Funds)	Director(R)	1992
Robert R. Sale Tortola, British Virgin Islands Corporate Director	Director(AC)	1983
Dale R. Spackman Q.C. Calgary, Alberta Partner, Parlee McLaws LLP (Barristers & Solicitors)	Vice-Chairman and Director(E)(R)	2001 1990
J.C. Stefan Spicer Ancaster, Ontario Chairman of All-Canadian Management Inc. (Manager of Investment Funds)	President, CEO and Director(E)(R)	1997 1995
Philip M. Spicer Ancaster, Ontario President of The Central Group Alberta Ltd. (Administrator of Central Fund)	Chairman and Director(E)(R)	2001 1961
Malcolm A. Taschereau Navan, Ontario Retired Gold Mining Executive	Director(AC)	1985
Catherine A. Spackman CMA Calgary, Alberta Treasurer of The Central Group Alberta Ltd. (Administrator of Central Fund)	Treasurer	1989
Teresa E. Poper Ancaster, Ontario Treasurer of All-Canadian Management Inc. (Manager of Investment Funds)	Assistant-Treasurer	1992

(AC) Member of Audit and Corporate Governance Committee

The Audit and Corporate Governance Committee meets at least annually with management and the external auditors to discuss internal controls, auditing matters, the financial reporting process and related internal controls to satisfy itself that each party is properly discharging its responsibilities. It reviews the annual report, the financial statements and the external auditors' report.

The Audit and Corporate Governance Committee is also responsible for developing Central Fund's approach to governance issues. In addition it acts as a Nominating Committee, proposing new nominees to the Board, assessing the effectiveness of the Board as a whole, and assessing the contribution of individual Board members.

(E) Member of Executive Committee

The Executive Committee meets occasionally between regularly scheduled Board meetings and is delegated authority to deal with most matters. The proceedings of the Executive Committee are reviewed by the Board.

(R) May be regarded as business related.

Mr. Dale Spackman and Mrs. Catherine A. Spackman are husband and wife.

As of the date hereof, the directors and officers of Central Fund as a group beneficially own, directly or indirectly, approximately 58.6% of the outstanding common shares of Central Fund.

ADDITIONAL INFORMATION

There are no officers or employees of Central Fund who receive remuneration from Central Fund for acting in such capacity. Officers who are also directors receive the standard director's fee, except that Messrs. P. Spicer and S. Spicer receive no remuneration as directors from Central Fund. Central Fund does not have any retirement or benefit plans. No director or officer of Central Fund is or has been indebted to Central Fund.

Central Fund will provide to any person, upon request to Central Fund's President, Treasurer or Secretary at the Shareholder and Investor Inquiries' office located at Box 7319, Ancaster, Ontario L9G 3N6, the following additional information:

- (a) when securities of Central Fund are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:
 - (i) one copy of Central Fund's Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;
 - (ii) one copy of the comparative financial statements of Central Fund for its most recently completed financial year, together with the accompanying report of Central Fund's auditor, and one copy of any of Central Fund's interim financial statements subsequent to the financial statements for the most recently completed financial year;
 - (iii) one copy of Central Fund's Management Information Circular in respect of the most recent annual meeting of shareholders that involved the election of directors; and
 - (iv) one copy of any other document that is incorporated by reference into the short form prospectus or the preliminary short form prospectus and is not required to be provided under (i) to (iii) above; or
- (b) at any other time, one copy of any other document referred to in (a)(i), (ii) and (iii) above, provided that Central Fund may require the payment of a reasonable charge if the request is made by a person who is not a holder of Central Fund's securities.

Additional information, including directors' and officers' remuneration, principal holders of Central Fund's Class A shares and common shares and interests of insiders in material transactions, where applicable, is contained in Central Fund's Management Information Circular dated as of January 15, 2002 in connection with its annual meeting of shareholders to be held on February 25, 2002. Additional financial information is provided in Central Fund's 2001 Annual Report. Copies of Central Fund's Management Information Circular dated as of January 15, 2002 and the 2001 Annual Report may also be obtained by visiting our Website at www.centralfund.com.

UNDERTAKING

Central Fund of Canada Limited (the "Registrant") undertakes to make available, in person or by telephone, representatives to respond to enquiries made by the staff of the Securities and Exchange Commission ("SEC"), and to furnish promptly, when requested to do so by the SEC staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in said securities.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: February 25, 2002

CENTRAL FUND OF CANADA LIMITED

(Signed) J.C. STEFAN SPICER

By: _____
J.C. Stefan Spicer, President & CEO