

## ***The Role of Central Fund***

***To serve investors as "The Sound Monetary Fund".  
To hold gold and silver bullion on a secure basis for the  
convenience of investors in the shares of Central Fund.***

*Investment  
Policies &  
Restrictions*

The governing articles of Central Fund require that at least 75% of Central Fund's non-cash assets be invested in gold and silver bullion investments. This cannot be changed without shareholder approval.

The stated investment policy of the Board of Directors requires Central Fund to maintain a minimum of 90% of its net assets in gold and silver bullion of which at least 85% must be in physical form. On October 31, 2008, 96% of Central Fund's net assets were invested in gold and silver bullion. Of this, 99.3% was in physical form and 0.7% was in certificate form.

Central Fund's physical gold and silver bullion holdings may not be loaned, subjected to options or otherwise encumbered in any way.

*Safeguards*

Central Fund's bullion is stored on an allocated and fully segregated basis in the underground vaults of the Canadian Imperial Bank of Commerce (the "Bank"), one of the major Canadian Banks, which insures its safekeeping.

The Bank may only release any portion of Central Fund's physical bullion holdings upon receipt of an authorizing resolution of Central Fund's Board of Directors.

Additional insurance against destruction, disappearance or wrongful abstraction is carried by Central Fund on its physical gold and silver bullion holdings.

Bullion holdings and bank vault security are inspected twice annually by directors and/or officers of Central Fund. On every occasion, inspections are required to be performed in the presence of both Central Fund's external auditors and bank personnel.

Central Fund is subject to the extensive regulations and reporting requirements of the United States Securities and Exchange Commission, two stock exchanges and various Canadian provincial securities regulatory authorities.

*Conveniences*

Central Fund's Class A shares are listed on the NYSE Alternext U.S. (formerly the American Stock Exchange) (CEF) and on the Toronto Stock Exchange (CEF.A in Canadian dollars and CEF.U in U.S. dollars). Making a gold and silver bullion investment through Central Fund is as easy as calling one's stockbroker or investment dealer.

The stock exchange listings provide liquid markets for the Class A shares of Central Fund. The bid/ask spread is considerably less than the buying and selling prices of outright bullion purchases, especially for small transactions.

Unlike most other forms of bullion investment, there are no ownership costs paid directly by the investor. All expenses of handling, storage and insurance of bullion are paid by Central Fund. As well, there are no bullion assay charges to the shareholder upon the sale, redemption or liquidation of the Class A shares of Central Fund.

## **Directors' 47th Report to Shareholders**

Central Fund of Canada Limited is a low-cost, convenient facility for investment ownership of gold and silver bullion. At October 31, 2008, 96% of Central Fund's net assets consisted of unencumbered and segregated passive long-term holdings of gold and silver bullion.

Central Fund's Class A shares are listed on both the NYSE Alternext U.S. (formerly the American Stock Exchange) and the Toronto Stock Exchange, providing investors with a convenient precious metals investment alternative to the high costs of buying and selling gold and silver bullion directly, including handling, recording, storage, insurance and assay charges at time of sale.

Central Fund is also a desirable alternative to bullion coins, the costs of which often include additional shipping and handling charges as well as sales tax costs in many North American jurisdictions.

Central Fund's Class A shares serve as a stock exchange tradeable bullion proxy and qualify for various "regulated capital accounts" such as IRAs, Keoghs, RRSPs, and insurance, mutual and pension funds where direct holdings of physical bullion may be restricted or are too cumbersome to handle, maintain and secure. The role of Central Fund is more thoroughly described on page 1.

Net assets decreased by \$33,520,221 or 2.7% during the year. Three public offerings were completed during the year. The net proceeds from these offerings totalled \$320,577,113 and a total of 27,333,181 Class A shares were issued, bringing the total number of Class A shares outstanding to 152,467,713 at year end. All of these issues of additional shares were priced at premiums to net asset value, assuring no dilution of existing Class A shareholders' equity interests. Details of these Class A share issues are provided in Note 4 to the accompanying financial statements on page 10. The decrease in net assets was primarily attributable to the unrealized depreciation of holdings during the year resulting from decreased gold and silver prices at October 31, 2008. This decrease was nominally increased by expenses incurred during the year and the payment of the annual U.S. \$0.01 Class A share dividend.

During fiscal 2008, the net asset value per Class A share, as reported in U.S. dollars, decreased by 20.1% from \$9.89 to \$7.90. Gold prices decreased by 7.4% during the fiscal year while silver prices decreased by 35.2%. On the other hand, the net asset value per Class A share, as reported in Canadian dollars, while subject to the same factors described above, increased by 2.3% from \$9.39 to \$9.61 primarily due to a 28.1% increase in the exchange rate value of the U.S. dollar relative to the Canadian dollar.

Expenses as a percentage of the average of the month-end net assets during the 2008 fiscal year were 0.38% compared to 0.43% in 2007.

The Company employed the bulk of the proceeds from the Class A share issuances during the year to purchase additional gold and silver bullion in the ratio of approximately 50 ounces of silver to each 1 fine ounce of gold. Thus, the long-standing policy regarding the 50 to 1 ratio of bullion holdings, as mandated by the Board of Directors, has been maintained.

As a result of the share issue related bullion purchases during the year, there has been a fractional change in the respective holdings of physical bars as against bullion certificates. The comparative breakdown in physical bars at October 31, 2008 is: gold bars 99.2% (2007: 99.3%) and silver bars 99.5% (2007: 99.4%).

Securities regulatory authorities require that a detailed analysis of Central Fund's results be provided in a "Management's Discussion and Analysis of Financial Condition and Results of Operations". Since Central Fund has an Administrator and is a passive holding company with no operations or employees, a separate document entitled "Management's Discussion and Analysis" ("MD&A") is provided by Central Fund's Officers to meet regulatory requirements and should be read in conjunction with this Annual Report.

# *Central Fund of Canada Limited*

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Gold and silver have a long demonstrated history as monetary instruments, officially and unofficially. Gold and silver derive intrinsic value from their unique characteristics of scarcity, consistency of quality, durability, resistance to corrosion, and convenience of use. Unlike fiat currencies, gold and silver do not fade away over the years with ever decreasing purchasing power. An ounce of gold or silver is a physical asset, not a negotiable or renegotiable promise, which most closely fits the true definition of “money” as a recognized medium of exchange and a store of value.

Prudence and history suggest that a portion of everyone's savings should be invested and held in physical gold and silver, or their secure share equivalent as insurance for their own ultimate financial and economic well-being.

Upon this philosophical foundation, Central Fund now enters its 48th year since inception and its 26th year of stewardship since its conversion in 1983 to “The Sound Monetary Fund”. Central Fund holds only unencumbered, segregated, long-term, passive holdings of true money in the form of gold and silver bullion. Central Fund continues to fulfill its mandate of providing a sound, secure, low-cost, convenient, exchange-tradable monetary alternative for conservative investors in its role as “The Sound Monetary Fund”.

Respectfully submitted,  
on behalf of the Board of Directors

“J.C. Stefan Spicer”

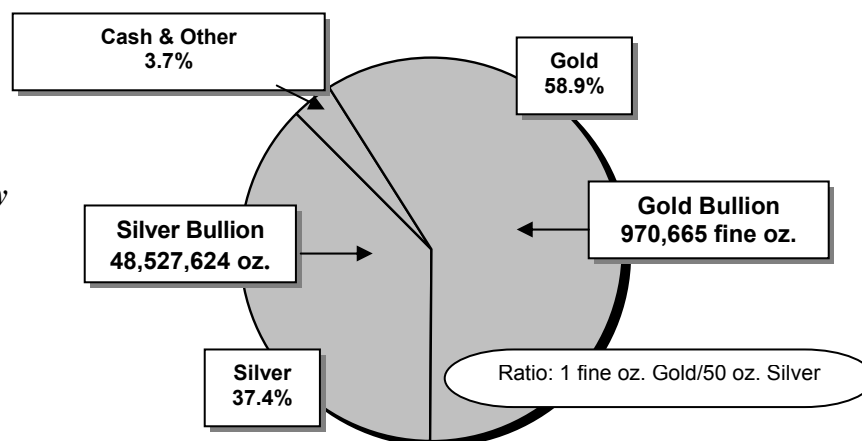
December 15, 2008

J.C. Stefan Spicer, President & CEO

*Central Fund of Canada Limited*

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*Net Asset Summary  
at  
October 31, 2008*



<i>Comparative Net Asset Summary</i>	2008		<i>As at October 31,</i> 2007		2006	
	U.S.\$	Cdn.\$	U.S. \$	Cdn.\$	U.S.\$	Cdn.\$
<b>Total net assets (in millions)</b>	\$ 1,204.0	1464.7	1,237.5	1,175.5	836.3	938.9
<b>Net asset value per Class A share</b>	\$ 7.90	9.61	9.89	9.39	7.99	8.97
<b>Net assets:</b>						
Gold bullion		58.9%		51.4%		49.1%
Silver bullion		37.4%		46.6%		49.1%
Cash & other		3.7%		2.0%		1.8%
		100.0%		100.0%		100.0%
<b>Gold – per fine ounce</b>	<b>U.S. \$</b>	730.75		789.50		603.75
<b>Silver – per ounce</b>	<b>U.S. \$</b>	9.28		14.32		12.08
<b>Exchange Rate</b>	<b>\$1.00 U.S. = Cdn. \$</b>	1.2165		0.9499		1.1227

## ***Management's Responsibility for Financial Reporting***

The accompanying financial statements of Central Fund of Canada Limited and all of the information in this Annual Report are the responsibility of management, being its senior officers, and have been approved by the Board of Directors (the "Board") and its Audit Committee (the "Committee").

The financial statements have been prepared by the senior officers in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, senior officers have chosen those they deem most appropriate in the circumstances. Financial statements include certain amounts based on estimates and judgments. The senior officers have determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. The senior officers have prepared the financial information presented elsewhere in the Annual Report and have ensured that it is consistent with that in the financial statements.

Central Fund maintains systems of internal accounting and backup as well as high quality administrative and regulatory compliance control for a reasonable cost. Hard copies of transactions and monthly statements are retained in the Company's files. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, retrievable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that the senior officers fulfill their responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through the Committee.

The Committee appointed by the Board consists solely of non-related and independent directors. In accordance with its charter, the Committee meets at least annually with the senior officers and the external auditors to discuss: the independence of the external auditors; the scope of the annual audit; the audit plan; access granted to the Corporation's records; co-operation of the senior officers in the audit and review function; the need for internal auditing; the financial reporting process; related internal controls; the quality and adequacy of the Corporation's or Administrator's accounting and financial personnel; and other resources and financial risk management to satisfy itself that each party is properly discharging its responsibilities. The Committee also reviews the Annual Report, the Annual Information Form, the annual and quarterly financial statements, Management's Discussion and Analysis and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also reviews the external auditors' remuneration and considers, for review by the Board and approval by the shareholders, the re-appointment and terms of engagement and, in appropriate circumstances, the replacement of the external auditors. It also pre-approves all non-audit services proposed to be provided by the external auditors. The charter of the Committee is set out on Central Fund's website.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) on behalf of the shareholders. Ernst & Young LLP has full and free access to the Committee.

"J.C. Stefan Spicer"

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*President*

*December 15, 2008*

"Catherine A. Spackman"

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*Treasurer*

*Central Fund of Canada Limited*

**Statement of Net Assets**  
(expressed in U.S. dollars)

	<i>As at October 31,</i>	
	<b>2008</b>	<b>2007</b>
<b>Net assets:</b>		
Gold bullion, at market (Note 2)	\$ 709,313,709	635,681,207
Silver bullion, at market (Note 2)	450,336,352	576,419,467
Cash	1,470,435	2,330,873
Short-term deposits (Note 3)	45,498,877	25,200,000
Prepaid bullion insurance	62,500	62,500
Interest receivable and other	200,462	139,560
	<b>1,206,882,335</b>	<b>1,239,833,607</b>
Accrued liabilities (Note 6)	(1,358,756)	(1,063,139)
Dividends payable (Notes 4 and 5)	(1,524,677)	(1,251,345)
<b>Net assets representing shareholders' equity</b>	<b>\$1,203,998,902</b>	<b>1,237,519,123</b>
<b>Represented by:</b>		
Capital stock (Note 4)	\$1,041,676,329	721,099,216
Contributed surplus (Note 5)	4,693,182	10,762,435
Retained earnings inclusive of unrealized depreciation in 2008 and appreciation in 2007	157,629,391	505,657,472
	<b>\$1,203,998,902</b>	<b>1,237,519,123</b>
<b>Net asset value per share (Notes 1(c)(ii) and 8):</b>		
Class A shares	\$ 7.90	9.89
Common shares	\$ 4.90	6.89
<b>Net asset value per share expressed in Canadian dollars</b>		
Class A shares	\$ 9.61	9.39
Common shares	\$ 5.96	6.54
<b>Exchange rate year end:</b>	U.S. \$1.00 = Cdn. \$	1.2165
		0.9499

See accompanying notes to financial statements.

On behalf of the Board:

“Douglas E. Heagle”  
Director

“Philip M. Spicer”  
Director

# *Central Fund of Canada Limited*

## **Statement of Income (Loss)** **(expressed in U.S. dollars)**

	<i>Years ended October 31,</i>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Income:</b>			
Interest	\$ 958,973	1,097,708	546,537
Dividends	-	-	420
Loss on sale of marketable securities	-	-	(3,153)
Change in unrealized appreciation (depreciation) of holdings	(348,028,081)	221,489,568	215,435,792
	<b>(347,069,108)</b>	<b>222,587,276</b>	<b>215,979,596</b>
<b>Expenses:</b>			
Administration fees (Note 6)	3,223,989	2,558,506	2,013,322
Safekeeping, insurance and bank charges	1,540,018	1,165,156	893,118
Shareholder information	165,971	146,884	216,738
Directors' fees and expenses	139,070	129,047	103,986
Stock exchange fees	129,801	92,419	90,740
Legal fees (Note 6)	113,904	87,556	111,029
Auditor's fees	110,178	117,967	71,826
Registrar and transfer agent fees	77,569	73,728	71,038
Miscellaneous	1,198	1,493	1,798
Foreign currency exchange loss	1,851	5,345	389
<b>Total expenses</b>	<b>5,503,549</b>	<b>4,378,101</b>	<b>3,573,984</b>
Income (loss) before taxes	(352,572,657)	218,209,175	212,405,612
Taxes (Note 7)	-	-	(224,885)
<b>Net income (loss)</b>	<b>\$(352,572,657)</b>	<b>218,209,175</b>	<b>212,180,727</b>
<b>Basic and diluted net income (loss) per share (Note 1 (c)(i)):</b>			
Class A shares	\$ (2.58)	1.94	2.17
Common shares	\$ (2.59)	1.93	2.16

## **Statement of Changes in Net Assets** **(expressed in U.S. dollars)**

	<i>Years ended October 31,</i>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Net assets at beginning of year</b>	<b>\$1,237,519,123</b>	<b>836,328,606</b>	<b>541,001,443</b>
<b>Add (deduct):</b>			
Net income (loss)	(352,572,657)	218,209,175	212,180,727
Net issuance of Class A shares (Note 4)	320,577,113	184,232,687	84,192,981
Dividends on Class A shares	(1,524,677)	(1,251,345)	(1,046,545)
Increase (decrease) in net assets during the year	(33,520,221)	401,190,517	295,327,163
<b>Net assets at end of year</b>	<b>\$1,203,998,902</b>	<b>1,237,519,123</b>	<b>836,328,606</b>

See accompanying notes to financial statements.

# *Central Fund of Canada Limited*

## **Statement of Shareholders' Equity** (expressed in U.S. dollars)

	2008	Years ended October 31, 2007	2006
<b>Capital stock (Note 4):</b>			
152,467,713 (2007: 125,134,532; 2006: 104,654,532)			
Class A retractable shares issued	\$1,041,656,871	721,079,758	536,847,071
40,000 Common shares issued	19,458	19,458	19,458
	<u>1,041,676,329</u>	<u>721,099,216</u>	<u>536,866,529</u>
<b>Contributed surplus:</b>			
Balance at beginning of year	10,762,435	15,294,173	19,595,783
Transfer to retained earnings (Note 5)	(6,069,253)	(4,531,738)	(4,301,610)
	<u>4,693,182</u>	<u>10,762,435</u>	<u>15,294,173</u>
<b>Retained earnings:</b>			
Balance at beginning of year	505,657,472	284,167,904	68,732,112
Net income (loss)	(352,572,657)	218,209,175	212,180,727
Dividends on Class A shares	(1,524,677)	(1,251,345)	(1,046,545)
	<u>151,560,138</u>	<u>501,125,734</u>	<u>279,866,294</u>
Transfer from contributed surplus (Note 5)	6,069,253	4,531,738	4,301,610
	<u>157,629,391</u>	<u>505,657,472</u>	<u>284,167,904</u>
<b>Shareholders' equity</b>	<u>\$1,203,998,902</u>	<u>1,237,519,123</u>	<u>836,328,606</u>

See accompanying notes to financial statements.

## **Notes to Financial Statements**

October 31, 2008, 2007 and 2006  
(amounts expressed in U.S. dollars unless otherwise stated)

### **1. Summary of significant accounting policies:**

Central Fund of Canada Limited ("Central Fund" or the "Company") was incorporated under the Business Corporations Act, 1961 (Ontario), and was continued under the Business Corporations Act (Alberta) on April 5, 1990. The Company is a specialized, passive holding company with most of its assets held in gold and silver bullion.

Effective November 1, 2007, the Company adopted CICA Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures, as to which see Forward-looking and Market Risk Observations within the Management's Discussion & Analysis and Section 3863, Financial Instruments - Presentation. The adoption of these standards did not affect the Company's net assets or its results of operations.

The Company's accounting policies, which conform with Canadian and U.S. generally accepted accounting principles, are summarized below:

#### (a) Foreign exchange translation:

Canadian dollar cash deposits are translated at the rates of exchange prevailing at year end. Any difference between the year-end exchange rate and the exchange rate at the time such deposits were acquired is recorded in the statement of income (loss) as a foreign currency exchange loss or gain.



# *Central Fund of Canada Limited*

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Purchases and sales of holdings traded in foreign currencies and the related income are translated at the rates of exchange prevailing when the transactions occur. Market values of holdings quoted in foreign currencies are translated at the rates of exchange prevailing at year end.

(b) Holdings:

Bullion is valued at market value. Gold bullion is valued at the afternoon London fixing and silver bullion is valued at the daily London fixing.

The change in unrealized appreciation/depreciation of holdings represents the change in the difference between the market value and average cost of holdings.

Transactions are accounted for on the trade date. Realized gains and losses and unrealized appreciation and depreciation are calculated on the average cost basis.

Dividend income was recorded on the ex-dividend date.

(c) Per share amounts:

(i) Net income or loss per share:

The calculation of net income or loss per share is based on the weighted average number of Class A and Common shares outstanding during the year. This weighted average number is at variance with the actual number of Class A and Common shares outstanding at year-end. The net income per Common share is reduced by U.S. \$0.01 as the Class A shares are entitled to receive a U.S. \$0.01 per share preferential non-cumulative annual dividend. The remaining income for the year is attributed equally to each Class A share and Common share, without preference or distinction.

(ii) Net asset value per share:

The calculation of net asset value per share is based on the number of Class A and Common shares outstanding at the end of the year and gives effect to the Class A shares' entitlement to U.S. \$3.00 per share on liquidation, before any remaining net assets are attributed equally to each Class A share and Common share then outstanding.

(d) Future accounting policy:

In February 2008, Canada's Accounting Standards Board confirmed that Canadian generally accepted accounting principles ("GAAP"), as used by publicly accountable enterprises, will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. These companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of the fiscal year to commence on November 1, 2011 and for which the current and comparative information will be prepared under IFRS. The Company has commenced to assess the impact of the transition to IFRS.

# *Central Fund of Canada Limited*

## 2. Gold and silver bullion:

<i>Holdings at October 31:</i>		<i>2008</i>	<i>2007</i>	<i>2006</i>
<b>Gold bullion:</b>				
<i>Fine ounces</i>	- 100 and 400 oz. bars	962,825	799,484	674,348
	- bank certificates	7,840	5,685	5,678
		<u>970,665</u>	<u>805,169</u>	<u>680,026</u>
<i>Cost</i>	-	\$ 526,252,976	370,416,530	284,691,854
<i>Market</i>	- per fine ounce	\$ 730.75	789.50	603.75
<i>Market value</i>	-	\$ 709,313,709	635,681,207	410,565,912
<b>Silver bullion:</b>				
<i>Ounces</i>	- 1,000 oz. bars	48,272,073	40,007,184	33,749,942
	- bank certificates	255,551	245,572	245,572
		<u>48,527,624</u>	<u>40,252,756</u>	<u>33,995,514</u>
<i>Cost</i>	-	\$ 475,723,982	336,022,132	252,354,197
<i>Market</i>	- per ounce	\$ 9.280	14.320	12.080
<i>Market value</i>	-	\$ 450,336,352	576,419,467	410,665,810

## 3. Short-term deposits:

As at October 31, 2008, the Company held four U.S. dollar fixed bank deposits with a Canadian bank: \$7,000,000 at a rate of 2.45% with a maturity date of November 28, 2008; \$11,000,000 at a rate of 2.45% with a maturity date of December 5, 2008; \$2,500,000 at a rate of 0.50% with a maturity date of November 10, 2008 and \$7,000,000 at a rate of 2.35% with a maturity date of December 2, 2008. The Company also held two Treasury Bills: \$7,999,079 at a rate of 0.50% with a maturity date of December 1, 2008 and \$9,999,798 at a rate of 0.45% with a maturity date of December 4, 2008.

As at October 31, 2007, the Company held four U.S. dollar fixed bank deposits with a Canadian bank: \$700,000 at a rate of 4.50% with a maturity date of November 9, 2007; \$7,500,000 at a rate of 4.85% with a maturity date of November 30, 2007; and \$7,000,000 and \$10,000,000 both at a rate of 4.80% with a maturity date of January 31, 2008.

## 4. Capital stock:

The authorized share capital consists of an unlimited number of Class A non-voting shares without nominal or par value and 50,000 Common shares without nominal or par value.

Since October 1989, holders of the Company's Class A shares have had the option to require the Company to redeem their Class A shares on the last day of each fiscal quarter of the Company (each a "Retraction Date") for 80% of the Company's net asset value per Class A share on the Retraction Date (as calculated at the relevant date and in accordance with note 1(c)(ii)). Class A shareholders who wish to exercise this retraction right must submit their written redemption request at least 90 days prior to the desired Retraction Date. The Articles of the Company provide for the suspension of redemptions during specified unusual circumstances, such as suspensions of normal trading on certain stock exchanges or the London bullion market, or to comply with applicable laws or regulations.

The holders of the Class A shares are entitled to receive a preferential, non-cumulative annual dividend of U.S. \$0.01 per share. Any further dividends declared are to be paid rateably on the Class A shares and Common shares then outstanding, without preference or distinction. The Company has adopted a policy that any dividends declared shall be paid to shareholders of record at the close of business each October 31, with payment of such dividends being made during November of the same year.

## *Central Fund of Canada Limited*

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On September 26, 2008, the Company, through a public offering, issued 11,900,000 Class A shares for proceeds of \$123,379,200 net of underwriting fees of \$5,140,800. Costs relating to this public offering were approximately \$600,000 and net proceeds were approximately \$122,779,200. The Company used the net proceeds from this public offering to purchase 72,683 fine ounces of gold at a cost of \$65,229,358 and 3,634,168 ounces of silver at a cost of \$49,161,208, both in physical bar form. The balance of \$8,388,634 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On July 22, 2008, the Company, through a public offering, issued 11,115,000 Class A shares for proceeds of \$144,050,400 net of underwriting fees of \$6,002,100. Costs relating to this public offering were approximately \$600,000 and net proceeds were approximately \$143,450,400. The Company used the net proceeds from this public offering to purchase 67,397 fine ounces of gold at a cost of \$66,287,788 and 3,369,900 ounces of silver at a cost of \$66,039,619, both in physical bar form. The balance of \$11,122,993 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On March 5, 2008, the Company, through a public offering, issued 4,318,181 Class A shares for proceeds of \$54,719,990 net of underwriting fees of \$2,280,000. Costs relating to this public offering were approximately \$500,000 and net proceeds were approximately \$54,219,990. The Company used the net proceeds from this public offering to purchase 25,416 fine ounces of gold at a cost of \$24,319,300 and 1,270,800 ounces of silver at a cost of \$24,501,024, both in physical bar form. The balance of \$5,399,666 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On September 19, 2007, the Company, through a public offering, issued 11,840,000 Class A shares for proceeds of \$107,298,816 net of underwriting fees of \$4,470,784. Costs relating to this public offering were \$499,041 and net proceeds were \$106,799,775. The Company used the net proceeds from this public offering to purchase 72,453 fine ounces of gold at a cost of \$51,792,317 and 3,622,702 ounces of silver at a cost of \$46,850,239, both in physical bar form. The balance of \$8,157,219 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On December 8, 2006, the Company, through a public offering, issued 8,640,000 Class A shares for proceeds of \$77,967,360 net of underwriting fees of \$3,248,640. Costs relating to this public offering were \$573,436 and net proceeds were \$77,393,924. The Company used the net proceeds from this public offering to purchase 52,690 fine ounces of gold at a cost of \$33,932,360 and 2,634,540 ounces of silver at a cost of \$36,817,696, both in physical bar form. The balance of \$6,643,868 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On August 3, 2006, the Company, through a public offering, issued 7,150,000 Class A shares for proceeds of \$58,344,000 net of underwriting fees of \$2,431,000. Costs relating to this public offering were \$559,473 and net proceeds were \$57,784,527. The Company used the net proceeds from this public offering to purchase 42,960 fine ounces of gold at a cost of \$27,395,623 and 2,148,000 ounces of silver at a cost of \$24,549,000, primarily in physical bar form. The balance of \$5,839,904 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On April 27, 2006, the Company, through a public offering, issued 3,208,212 Class A shares for proceeds of \$26,948,981 net of underwriting fees of \$1,122,874. Costs relating to this public offering were \$374,016 and net proceeds were \$26,574,965. The Company used the net proceeds from this public offering to purchase 17,475 fine ounces of gold at a cost of \$10,462,625 and 873,800 ounces of silver at a cost of \$11,215,730, both in physical bar form. The balance of \$4,896,610 was retained by the Company in interest-bearing cash deposits for working capital purposes.

# *Central Fund of Canada Limited*

The stated capital and recorded capital of the Company as at and for the years ended October 31, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
<b>Stated capital</b>			
<i>Class A shares 152,467,713</i>	\$1,054,804,420	732,654,830	547,388,654
<i>(2007: 125,134,532; 2006: 104,654,532)</i>			
<i>Share issue costs</i>	(13,147,549)	(11,575,072)	(10,541,583)
<b>Recorded capital</b>			
- <i>Class A shares</i>	1,041,656,871	721,079,758	536,847,071
- <i>40,000 Common shares</i>	19,458	19,458	19,458
<b>Capital stock</b>	\$1,041,676,329	721,099,216	536,866,529
<b>Weighted average Class A and Common shares outstanding</b>	132,234,241	113,853,546	97,751,783

## 5. Contributed surplus and retained earnings:

In 1985, the shareholders authorized a reduction in stated capital which resulted in the creation of a contributed surplus account to facilitate payment of ongoing annual dividends and the Board of Directors authorized a transfer each year from contributed surplus of an amount equal to net losses before the change in unrealized appreciation (depreciation) of investments and payment of the Class A shares' stated dividend per share. Accordingly, \$6,069,253, \$4,531,738 and \$4,301,610 were transferred from contributed surplus to retained earnings on October 31, 2008, 2007 and 2006, respectively. The balance of contributed surplus was \$4,693,182 (2007: \$10,762,435) at October 31, 2008.

	2008	2007	2006
<i>Transfer from contributed surplus to retained earnings</i>			
<i>Net loss before the change in unrealized depreciation in 2008 and appreciation in 2007 and 2006</i>	\$ 4,544,576	3,280,393	3,255,065
<i>Add: Dividend on Class A shares</i>	1,524,677	1,251,345	1,046,545
	<u>\$ 6,069,253</u>	<u>4,531,738</u>	<u>4,301,610</u>

This change did not affect the net asset value of the Company.

## 6. Related party transactions and fees:

Central Fund has no employees. It is party to an Administrative and Consulting Agreement with The Central Group Alberta Ltd., which is related to the Company through four of its officers and directors. The Central Group Alberta Ltd., which acts as Administrator, has operating offices with employees, advisors and consultants who provide administrative and consulting services to the Company. For such services, the Company pays an administrative and consulting fee, payable monthly, at an annual rate for at least until October 31, 2015 of: 0.30% on the first \$400 million of total net assets; 0.20% on the next \$600 million of total net assets; and 0.15% on total net assets exceeding one billion dollars.

Of the \$1,358,756 (2007: \$1,063,139; 2006: \$820,662) balance in accrued liabilities at October 31, 2008, \$236,749 (2007: \$243,435; 2006: \$183,051) relates to the October administration fee payable to the Administrator.

For the year ended October 31, 2008, the Company incurred fees totaling \$105,828 (2007: \$77,383; 2006: \$99,782) to legal firms of which two of the Company's directors are partners, and \$3,223,989 (2007: \$2,558,506; 2006: \$2,013,322) to the Administrator, The Central Group Alberta Ltd. The Board of Directors is of the opinion that these services were undertaken under the same or better terms and conditions as services with unrelated parties.

**7. Income taxes:**

Although Central Fund is not a mutual fund as designated by securities regulators, the Company qualifies and intends to continue to qualify as a mutual fund corporation under the *Income Tax Act* (Canada) for capital gains distributions and redemption purposes only. As a result thereof, and after deduction of issue costs in computing taxable income, the Company does not anticipate that it will be subject to any material non-refundable income tax liability. The Company was subject to the Canadian Federal large corporations tax based on its taxable capital employed in Canada at the end of its 2005 fiscal year. The Canadian Federal 2006 Budget eliminated the Federal large corporations capital tax retroactive to January 1, 2006. The Company paid instalments up to June 2006. For the year ended October 31, 2006, the Company's large corporations tax expense was \$224,885. A portion of this liability can be refunded if the Company earns federal surtax credits in subsequent years.

The Company has net capital losses of \$1,513,000 available to offset future net capital gains realized and non-capital losses available to offset future income for tax purposes, for both of which no benefit has been recognized in these financial statements. The non-capital loss amounts by year of expiry are as follows: \$1,754,000 in 2014, \$3,023,000 in 2015, \$4,253,000 in 2026 and \$6,718,000 in 2027 for a total of \$15,748,000.

The Company is a long-term passive holder of gold and silver bullion and believes that, as a mutual fund corporation for capital gains distributions and redemption purposes only, should realized gains upon a disposition of bullion holdings arise in the future, these gains should be treated as capital gains for tax purposes and should be distributable as capital gains to shareholders. Deferred income tax liabilities resulting from unrealized capital appreciation of holdings are offset by the refundable mechanisms available to the Company. The Canada Revenue Agency has, however, expressed its opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances.

**8. Management of financial risks and forward-looking observations:**

The Company has risk management policies and procedures in place to identify risks related to financial instruments. The objectives of these policies and procedures are to identify and mitigate risk. The Company's compliance with these policies and procedures is monitored by the Senior Officers, the Audit Committee and the Board of Directors of the Company.

Market fluctuations are unpredictable and outside the control of the Company. New risk factors may emerge from time to time and it is not possible for the Company to predict all such risk factors.

It is possible to predict the impact that changes in the market prices of gold and silver will have on the net asset value per Class A share. Assuming as a constant exchange rate the rate which existed on October 31, 2008 of \$1.2165 Cdn. for each U.S. dollar together with holdings of gold and silver bullion which existed on that date, a 10% change in the price of gold would increase or decrease the net asset value per share by approximately \$0.47 per share or Cdn. \$0.51 per share. A 10% change in the price of silver would increase or decrease the net asset value per share by approximately \$0.29 per share or Cdn. \$0.36 per share. If both gold and silver prices were to change by 10% simultaneously in the same direction, the net asset value per share would increase or decrease by approximately \$0.76 per share or Cdn. \$0.93 per share.

When expressed in U.S. dollars, Central Fund's net asset value per Class A share is largely unaffected by changes in the U.S./Canadian dollar exchange rate due to the fact that nearly all of Central Fund's net assets are priced in U.S. dollars. However, changes in the value of the U.S. dollar relative to the Canadian dollar have a direct impact on net assets as expressed in Canadian dollars. This arises because over 99% of Central Fund's net assets were denominated in U.S. dollars as at October 31, 2008, including gold and silver bullion and some U.S. cash. An increase or decrease in the value of the Canadian dollar versus the U.S. dollar means that the aforementioned U.S. dollar denominated assets would be worth less or more when expressed in Canadian dollar terms.

It is also possible to predict the impact that changes in the value of the U.S. dollar relative to the Canadian dollar will have on the net asset value per Class A share as reported in Canadian dollars. As previously mentioned, over 99% of Central Fund's net assets are expressed in U.S. dollars. Assuming constant gold and silver prices, a 10% increase or decrease in the value of the U.S. dollar relative to the Canadian dollar would change the net asset value per share as expressed in Canadian dollars in the same direction by approximately the same percentage.

# *Central Fund of Canada Limited*

Central Fund's annual tax liability was exclusively made up of the Canadian Federal large corporations tax (a tax on the amount of taxable capital employed in Canada in excess of an allowable capital deduction). The Canadian Federal 2006 Budget eliminated this tax retroactive to January 1, 2006.

## 9. Financial highlights:

	Years ended October 31,				
	2008	2007	2006	2005	2004
<b>Class A per share performance:</b>					
<b>Net asset value per share at beginning of period</b>	\$9.89	\$7.99	\$5.74	\$5.27	\$4.35
Net loss before unrealized appreciation (depreciation) of holdings	(0.03)	(0.03)	(0.03)	(0.02)	(0.03)
Unrealized appreciation (depreciation) of holdings - gold	(0.62)	1.21	0.86	0.30	0.27
Unrealized appreciation (depreciation) of holdings - silver	(2.01)	0.72	1.42	0.19	0.68
Total increase (decrease) <sup>(1)</sup>	(2.66)	1.90	2.25	0.47	0.92
<b>Net asset value per share at end of year</b>	\$7.90	\$9.89	\$7.99	\$5.74	\$5.27
Total return	(20.1)%	23.8%	39.2%	8.9%	20.9%
<b>Percentages and supplemental data:</b>					
<b>Ratio as a percentage of average net assets:</b>					
Expenses	0.38%	0.43%	0.48%	0.51%	0.48%
Net loss before unrealized appreciation (depreciation) of holdings	0.31%	0.32%	0.41%	0.45%	0.46%

Based on the weighted average number of shares during the year except for the net asset value which is based on actual number of outstanding shares at the relevant time.

<sup>(1)</sup> This table is not meant to be a reconciliation of opening to ending net asset value.

## 10. Canadian and United States generally accepted accounting principles:

For fiscal 2008, the Company adopted the provisions of the Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 ("FIN 48"). Under FIN 48, the Company may recognize the tax benefit or liability from a tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The adoption of FIN 48 did not have any impact on the Company's tax position.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, to increase consistency and comparability in fair value measurements and to expand their disclosures. The new standard includes a definition of fair value as well as a framework for measuring fair value. The standard is effective for fiscal periods beginning after November 15, 2007 and should be applied prospectively, except for certain financial instruments where it must be applied retrospectively as a cumulative-effect adjustment to the balance of opening retained earnings in the year in which this statement is initially applied. The Company is currently evaluating whether this standard will have any impact on its financial statements for the year ending on October 31, 2009. The Company's policy and practice is at all times to only utilize broadly quoted market values (Level 1) when valuing its assets.

## ***Auditors' Report to the Shareholders***

We have audited the statements of net assets of Central Fund of Canada Limited as at October 31, 2008 and 2007 and the statements of income (loss), changes in net assets and shareholders' equity for each of the years in the three-year period ended October 31, 2008. These financial statements are the responsibility of the Company's senior officers. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of 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. We believe that our audit provides a reasonable basis of our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2008 and 2007 and the results of its operations and the changes in its net assets for each of the years in the three-year period ended October 31, 2008 in accordance with Canadian generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of October 31, 2008 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 15, 2008 expressed an unqualified opinion.

“Ernst & Young LLP”

Toronto, Canada  
December 15, 2008

Chartered Accountants  
Licensed Public Accountants

**Report of Independent Registered Public Accounting Firm**

***The Shareholders of Central Fund of Canada Limited***

We have audited Central Fund of Canada Limited's internal control over financial reporting as of October 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). Central Fund of Canada Limited's senior officers are responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in this Annual Report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of senior officers and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Central Fund of Canada Limited maintained, in all material respects, effective internal control over financial reporting as of October 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of net assets of Central Fund of Canada Limited as of October 31, 2008 and 2007, and the related statements of income (loss), changes in net assets and shareholder's equity for each of the three years in the period ended October 31, 2008 and our report dated December 15, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Toronto, Canada  
December 15, 2008

Chartered Accountants  
Licensed Public Accountants



## ***Class A Shares Stock Exchange Listings***

	<b><u>Electronic Ticker Symbol</u></b>	<b><u>Newspaper Quote Symbol</u></b>
NYSE Alternext U.S. (formerly the American Stock Exchange)	CEF	CFCda
The Toronto Stock Exchange	CEF.A in CDN\$ CEF.U in US\$	CFund A

## ***Net Asset Value Information***

The net asset value per Class A share is calculated daily and is available at [www.centralfund.com](http://www.centralfund.com); or by calling the Administrator's Investor Inquiries Office at (905) 648-7878; or, by sending an email to [info@centralfund.com](mailto:info@centralfund.com). The Thursday net asset value is published on a regular basis in several financial newspapers among which are the following:

*In the United States (figures published in U.S. \$):*

- *Barrons*
- *New York Times*
- *Wall Street Journal*

*In Canada (figures published in Canadian \$):*

- *National Post: Financial Post section*
- *The Globe and Mail: Report on Business*

## ***Form 40-F***

Central Fund's S.E.C. Form 40-F is posted on EDGAR (Electronic Data Gathering, Analysis and Retrieval System) at [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml). Copies are available, free of charge, by contacting Central Fund of Canada Limited or its Administrator.

## ***Postings on SEDAR*** (System for Electronic Document Analysis and Retrieval)

Annual & Quarterly Reports  
Management's Discussion and Analysis  
Annual Information Forms  
Prospectuses  
Material Change Reports  
Press Releases  
Proxies and Executive's Certifications  
Board and Committee Charters

All of these filings may be found at [www.sedar.com](http://www.sedar.com)

## **Corporate Information**

### **Directors**

John S. Elder, Q.C. (C)  
Douglas E. Heagle (A)(C)(I)(L)  
Ian M.T. McAvity (E)(I)  
Michael A. Parente CMA, CFP (A)(I)  
Robert R. Sale (A)(C)(I)  
Dale R. Spackman Q.C. (E)  
J.C. Stefan Spicer (E)  
Philip M. Spicer (E)  
Malcolm A. Taschereau (A)(C)(I)

### **Officers**

Philip M. Spicer, Chairman  
Dale R. Spackman, Q.C., Vice-Chairman  
J.C. Stefan Spicer, President & CEO  
John S. Elder, Q.C., Secretary  
Catherine A. Spackman CMA, Treasurer  
Teresa E. Poper, Assistant Treasurer

- (A) - Member of the Audit Committee
- (C) - Member of the Corporate Governance Committee
- (E) - Member of the Executive Committee
- (I) - May be regarded as an independent director under Canadian securities administrators' guidelines.
- (L) - Lead Director

### ***Mr. Malcolm A Taschereau to become a Senior Consultant to Central Fund***

*Mr. Malcolm Taschereau has been an astute, dedicated and contributing Director of Central Fund since 1985. Upon his retirement from the Board of Directors at the coming Annual Meeting on February 23, 2009, he has consented to being retained by the Administrator to act as a Consultant to Central Fund. His 25 years of service to Shareholders as a Director has been admirable and Central Fund will continue to benefit from his ongoing association and wise counsel.*

### **Administrator**

The Central Group Alberta Ltd.  
Calgary, Alberta

### **Auditors**

Ernst & Young LLP  
Canada

### **Banker**

Canadian Imperial Bank of Commerce

### **Custodian**

Canadian Imperial Bank of Commerce

### **Legal Counsel**

Dorsey & Whitney LLP, Toronto  
Fraser Milner Casgrain LLP, Toronto  
Parlee McLaws LLP, Calgary

### **Registrar and Transfer Agents**

CIBC Mellon Trust Company at Calgary,  
Montreal, Toronto and Vancouver  
Mellon Investor Services LLC, New York

### **Share Ownership Certificates**

Certificates of share ownership registered in shareholders' names at their own addresses for delivery to them for their own safekeeping may be obtained upon the request of holders and payment of any applicable fees to the relevant Registrar and Transfer Agent of the Company.

### **Head Office**

Hallmark Estates  
Suite 805, 1323-15th Avenue S.W.  
Calgary, Alberta T3C 0X8  
Telephone (403) 228-5861  
Fax (403) 228-2222

### **Shareholder and Investor Inquiries**

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Ancaster, Ontario L9G 3N6  
Telephone (905) 648-7878  
Fax (905) 648-4196

**Website: [www.centralfund.com](http://www.centralfund.com)**

**E-mail: [info@centralfund.com](mailto:info@centralfund.com)**