

Central Fund of Canada Limited



1st Quarter

INTERIM REPORT TO SHAREHOLDERS

for the three months ended January 31, 2007

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. 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 January 31, 2007, 97.9% of Central Fund's net assets were invested in gold and silver bullion. Of this bullion, 99.2% was in physical form and 0.8% 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 a fully segregated basis in the underground vaults of the Canadian Imperial Bank of Commerce, one of the largest banks in North America in terms of total assets.

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

Insurance is carried on the physical gold and silver bullion holdings, against destruction, disappearance or wrongful abstraction.

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 most Canadian provincial securities regulatory authorities.

Conveniences Central Fund's Class A shares are listed on 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 readily quoted, 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 many 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.

First Quarter Report

Central Fund is currently 97.9% invested in gold and silver bullion. At January 31, 2007 Central Fund's gold holdings were 727,038 fine oz. of physical bullion and 5,678 fine oz. of gold bullion certificates. Silver holdings were 36,384,482 oz. of physical bullion and 245,572 oz. of silver bullion certificates. Insurance is carried on the physical bullion which is held in allocated safekeeping by a Canadian chartered bank in segregated vault storage. Central Fund continues to fulfill its mandate as "The Sound Monetary Fund".

On behalf of the Board of Directors:

J.C. Stefan Spicer, President

February 26, 2007

Management's Discussion and Analysis (MD&A)

The following discussion is based on the financial statements of Central Fund of Canada Limited ("Central Fund" or the "Company") which are prepared in accordance with accounting principles generally accepted in Canada. These principles are substantially the same as United States' generally accepted accounting principles.

This analysis should be read in conjunction with Central Fund's financial statements prepared in accordance with Canadian GAAP included in its 2006 Annual Report and the accompanying MD&A.

Throughout this discussion, all currency amounts are in United States dollars.

Certain statements in this report may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to our future outlook and anticipated events and may relate to matters that are not historical facts. In particular, statements regarding our objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions which we believe are reasonable as of the current date. While we believe these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties (described in "Risk Factors" of the Company's 2006 annual MD&A) that could cause results to differ materially from what we currently expect. Therefore, future events and results may vary significantly from what we currently foresee.

Disclosure Controls and Procedures

Senior executive officers have ensured that there are disclosure controls and procedures that provide reasonable assurance that material information relating to the Corporation is disclosed on a timely basis. They believe these disclosure controls and procedures have been effective during the quarter ended January 31, 2007.

Outstanding Shares

There were 113,294,532 Class A retractable shares and 40,000 Common shares issued and outstanding at January 31, 2007.

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 approximately \$600,000 and net proceeds were approximately \$77,367,360.

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 \$6,617,304 was retained by the Company in interest-bearing cash deposits for working capital purposes.

Administrator, Administration and Consulting Fees

Central Fund has no employees. It is party to an Administration 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 administration and consulting services to the Company. For such services, the Company pays an administration and consulting fee, payable monthly (See note 5 to the financial statements).

Results of Operations – Change in Net Assets

Net assets increased by \$150,738,746 during the three months ending January 31, 2007 as a result of the December 8, 2006 public offering as well as increases in gold and silver prices.

The following table summarizes the quarterly financial information:

	Quarter ended (U.S.\$)			
	Jan. 31, 2007	Oct. 31, 2006	July 31, 2006	Apr. 30, 2006
<i>Unrealized appreciation (depreciation) of holdings (in millions)</i>	\$74.0	\$2.0	\$(42.9)	\$129.1
<i>Net income (loss) (in millions)</i>	\$73.2	\$1.2	\$(43.2)	\$128.0
<i>Earnings (loss) per Class A share</i>	\$0.67	\$0.01	\$(0.45)	\$1.35
	Jan. 31, 2006	Oct. 31, 2005	July 31, 2005	Apr. 30, 2005
<i>Unrealized appreciation of holdings (in millions)</i>	\$127.2	\$45.1	\$1.0	\$16.4
<i>Net income (in millions)</i>	\$126.2	\$44.3	\$0.3	\$15.6
<i>Earnings per share</i>	\$1.34	\$0.47	\$0.00	\$0.17

Financial Results – Net Income

Central Fund's earned income objective is secondary to its investment objective of holding almost all of its net assets in gold and silver bullion. Generally, Central Fund only seeks to maintain adequate cash reserves to enable it to pay operating expenses, taxes if applicable and Class A share dividends. Because the holdings of gold and silver bullion are not loaned to generate income, Central Fund's realized income is a miniscule percentage of its net assets. However, CICA Accounting Guideline 18, Investment Companies requires Central Fund to record unrealized appreciation (depreciation) of holdings in income.

The net income (inclusive of unrealized appreciation of holdings) for the three months

ended January 31, 2007 was \$73,245,402, compared to \$126,183,402 for the same period in 2006. Certain expenses, such as administration fees which are scaled, have varied in proportion to net asset levels, or, in the case of stock exchange fees, with market capitalization based on the number of Class A shares issued. Safekeeping fees and bullion insurance costs increased, reflecting the higher prices of gold and silver bullion. Administration fees increased to \$612,521 from \$434,171 for the three months, such increase being at the rate of one-fifth of one percent per annum (20 basis points) on the increased assets under administration.

Expenses (which exclude taxes) as a percentage of average month-end net assets for the three-month period ended January 31, 2007 were 0.11%, compared to 0.14% for the same three-month period in 2006. For the twelve months ended January 31, 2007, the operating expense ratio was 0.45% compared to 0.53% for the prior twelve-month period.

Liquidity and Capital Resources

All Central Fund's assets are liquid. The Company's objective is to hold cash reserves that generate some income primarily to be applied to pay operating expenses and Class A share dividends. The ability of Central Fund to have sufficient cash for operating expenses, and dividend payments, and to meet demands for redemption (if any), is primarily dependent upon its ability to realize cash flow from its cash equivalents. Should Central Fund not have sufficient cash to meet its needs, portions of Central Fund's bullion holdings may be sold to fund dividend payments, provide working capital and pay for redemptions (if any) of Class A shares.

For the three months ended January 31, 2007, Central Fund's cash reserves increased by \$5,554,600 to \$22,191,187. This increase was a result of the cash portion retained from the proceeds of the public offering completed in December, 2006, offset by amounts used to pay expenses and the Class A share dividend. The Administrator and senior officers monitor Central Fund's cash position with an emphasis on maintaining its mandate to hold maximum amounts of gold and silver bullion.

Forward-looking Observations

Changes in the market prices of gold and silver impact the net asset value per Class A share. Assuming as a constant exchange rate the rate which existed on January 31, 2007 of \$1.1792 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 \$0.42 per share or Cdn. \$0.50 per share. A 10% change in the price of silver would increase or decrease the net asset value per share by approximately \$0.43 per share or Cdn. \$0.51 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 \$0.85 per share or Cdn. \$1.01 per share.

Additional Information

This MD&A is dated February 26, 2007. Additional information relating to the Company, including its Annual Information Form, is available on the SEDAR website at www.sedar.com.

Statement of Net Assets

(expressed in U.S. dollars, unaudited)

	January 31 2007	October 31 2006
Net assets:		
Gold bullion, at market, average cost		
\$318,624,214 (2006: \$284,691,854) (note 2)	\$ 476,631,989	410,565,912
Silver bullion, at market, average cost		
\$289,171,893 (2006: \$252,354,197) (note 2)	489,377,523	410,665,810
Interest-bearing cash deposits	22,191,187	16,636,587
Prepaid insurance, interest receivable and other	184,667	327,504
	988,385,366	838,195,813
Accrued liabilities	(1,318,014)	(820,662)
Dividends payable	-	(1,046,545)
Net assets representing shareholders' equity	\$ 987,067,352	836,328,606
Represented by:		
Capital stock (note 3)		
Class A shares issued;		
113,294,532 (2006: 104,654,532)	\$ 614,340,415	536,847,071
Common shares issued: 40,000	19,458	19,458
	614,359,873	536,866,529
Contributed surplus (note 4)	14,529,033	15,294,173
Retained earnings inclusive of unrealized appreciation of holdings	358,178,446	284,167,904
	\$ 987,067,352	836,328,606
Net asset value per share:		
Class A shares	\$ 8.71	7.99
Common shares	\$ 5.71	4.99
Net asset value per share expressed in Canadian dollars:		
Class A shares	\$ 10.27	8.97
Common shares	\$ 6.73	5.60
Exchange rate:	U.S. \$1.00 = Cdn. \$ 1.1792	1.1227

See accompanying notes to financial statements.

On behalf of the Board:

"Douglas E. Heagle"
Director

"Philip M. Spicer"
Director

Statement of Changes in Net Assets

(expressed in U.S. dollars, unaudited)

	Three months ended January 31	
	2007	2006
Net assets at beginning of period	\$ 836,328,606	541,001,443
Add (deduct):		
Net income	73,245,402	126,183,402
Net issuance of Class A shares	77,493,344	-
Increase in net assets during the period	150,738,746	126,183,402
Net assets at end of period	\$ 987,067,352	667,184,845

Statement of Income

(expressed in U.S. dollars, unaudited)

	Three months ended January 31	
	2007	2006
Income:		
Interest	\$ 258,368	89,005
Dividends	-	130
Unrealized appreciation of holdings	74,010,542	127,186,752
	74,268,910	127,275,887
Expenses:		
Administration fees (note 5)	612,521	434,171
Safekeeping, insurance & bank charges	267,159	192,810
Shareholder information	45,127	40,032
Directors' fees and expenses	35,430	28,306
Legal fees (note 5)	21,704	48,149
Accounting fees	17,000	17,312
Registrar and transfer agent fees	15,004	13,431
Stock exchange fees (note 6)	9,242	60,814
Miscellaneous	321	550
Foreign currency exchange loss	-	8,387
Total operating expenses	1,023,508	843,962
Income before taxes (note 7)	73,245,402	126,431,925
Taxes	-	(248,523)
Net income	\$ 73,245,402	126,183,402
Net income per share:		
Class A shares	\$ 0.67	1.34
Common shares	\$ 0.67	1.34

See accompanying notes to the financial statements.

Statement of Retained Earnings

(expressed in U.S. dollars, unaudited)

	Three months ended January 31	
	2007	2006
Retained earnings:		
Balance at beginning of period	\$ 284,167,904	68,732,112
Net income	73,245,402	126,183,402
	357,413,306	194,915,514
Transferred from contributed surplus (note 4)	765,140	1,003,350
Balance at end of period	\$ 358,178,446	195,918,864

See accompanying notes to the financial statements.

Notes to Financial Statements

For the three months ended January 31, 2007

(amounts expressed in U.S. dollars unless otherwise stated)

1. Summary of accounting policies:

The accounting policies used in the preparation of these unaudited interim financial statements conform with those presented in Central Fund's October 31, 2006 audited annual financial statements. These interim financial statements do not include all of the disclosures included in the annual financial statements and accordingly should be read in conjunction with the annual financial statements.

2. Gold and Silver Bullion:

Details of gold and silver bullion holdings at January 31, 2007, are as follows:

Holdings	Gold		Silver
100 & 400 fine oz bars	727,038	1000 oz bars	36,384,482
Certificates	<u>5,678</u>	Certificates	<u>245,572</u>
Total fine ounces	732,716	Total ounces	36,630,054
Market Value:	Per Fine Ounce		Per Ounce
January 31, 2007	U.S. \$ 650.50		U.S. \$ 13.36
October 31, 2006	U.S. \$ 603.75		U.S. \$ 12.08

3. 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.

There were 113,294,532 Class A shares, which are retractable, and 40,000 Common shares issued and outstanding at January 31, 2007.

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 approximately \$600,000 and net proceeds were approximately \$77,367,360.

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 \$6,617,304 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 approximately \$600,000 and net proceeds were approximately \$57,744,000.

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 \$5,799,377 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 \$4,896,611, was retained by the Company in interest-bearing cash deposits for working capital purposes.

4. Contributed Surplus and Retained Earnings:

Contributed surplus is used to eliminate any deficit that may arise from net losses before unrealized appreciation of holdings and on the payment of the Class A shares' stated dividend per share. Accordingly, on January 31, 2007, \$765,140 (2006, \$1,003,350) was transferred from contributed surplus, representing the net loss before unrealized appreciation of holdings for the three months then ended. These quarterly changes do not affect the net asset value of the Company.

5. Related party transactions and fees:

Central Fund has no employees. It is party to an Administration 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 administration and consulting services to the Company. For such services, the Company pays an administration 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 \$1,315,514 (2006: \$820,662) balance in accrued liabilities at January 31, 2007, \$209,874 (2006: \$154,447) relates to the January administration fee payable to the Administrator.

For the three months ended January 31, 2007, the Company incurred fees totaling \$21,704 (2006: \$48,149) to legal firms of which two of the Company's directors are partners, and \$612,521 (2006: \$434,171) to the Administrator, the Central Group Alberta Ltd. The Board is of the opinion that these services were undertaken under the same terms and conditions as services with unrelated parties.

6. Stock exchange fees:

Stock exchange fees of \$9,242 for the three months ended January 31, 2007 consist of Toronto Stock Exchange fees of \$6,742 and American Stock Exchange fees of \$2,500. These amounts represent 1/12 of the annual fee charged being \$80,962 for the Toronto Stock Exchange and \$30,000 for the American Stock Exchange. The amount of \$60,814 for the same period in 2006 represents the entire 2006 annual fee for the Toronto Stock Exchange. For the year ended October 31, 2006 the American Stock Exchange annual fee was expensed during the second quarter.

7. Income taxes:

The Canadian Federal 2006 Budget has eliminated the Federal large corporations capital tax retroactive to January 1, 2006.

8. Canadian and United States generally accepted accounting principles:

There are no differences between United States and Canadian generally accepted accounting principles which would require a reconciliation in the financial statements of Central Fund.

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

Advisors to the Administrator

Ian M.T. McAvity, Toronto, Ontario
– Market Analyst
Dr. Hans F. Sennholz, Grove City, PA
– Monetary Advisor

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

Administrator

The Central Group Alberta Ltd.
Calgary, Alberta

Auditors

Ernst & Young LLP

Banker

Canadian Imperial Bank of Commerce

Custodian

Canadian Imperial Bank of Commerce

Legal Counsel

Fraser Milner Casgrain LLP,
Toronto, Ontario
Parlee McLaws LLP, Calgary, Alberta

Registrar and Transfer Agents

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

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

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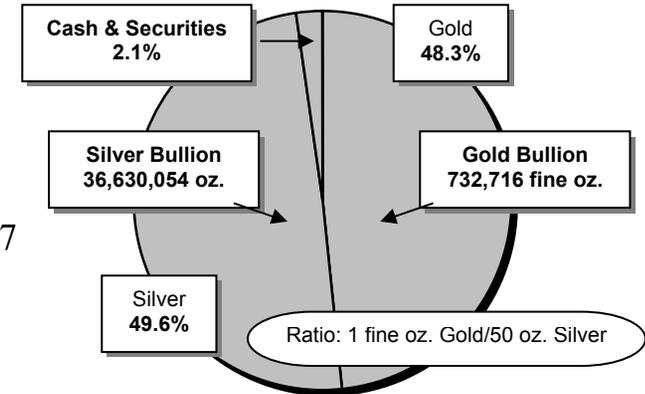
Shareholder and Investor Inquiries

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Central Fund of Canada Limited

Portfolio
at
January 31, 2007



Class A Shares Stock Exchange Listings

	<u>Electronic Ticker Symbols</u>	<u>Newspaper Quote Symbols</u>
American Stock Exchange	CEF	CFCda
The Toronto Stock Exchange	CEF.A	CFund A

Net Asset Value Information

The net asset value per Class A share is calculated daily and is available at 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. The Thursday net asset value is published on a regular basis in several financial newspapers including 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