

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

- Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934
- Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended October 31, 2011

Commission File Number 1-9038

Central Fund of Canada Limited

(Exact name of registrant as specified in its charter)

Alberta, Canada
(Province or Other Jurisdiction of
Incorporation or Organization)

1040
(Primary Standard Industrial Classification
Code)

Not Applicable
(I.R.S. Employer
Identification No.)

Hallmark Estates, #805
1323-15th Avenue S.W.
Calgary, Alberta T3C 0X8
Canada
(403) 228-5861

(Address and telephone number of registrant's principal executive offices)

DL Services, Inc.
Columbia Center
701 Fifth Avenue, Suite 6100
Seattle, Washington 98104-7043
(206) 903-8800

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:

Name of Each Exchange On Which Registered:

Class A non-voting shares, no par value**NYSE Amex LLC**
Toronto Stock ExchangeSecurities registered pursuant to Section 12(g) of the Act: **None**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this form:

 Annual Information Form Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the registrant's classes of capital or common stock as of the close of the period covered by the annual report:

Class	Outstanding at October 31, 2011
Class A non-voting shares, no par value	254,432,713
Common shares, no par value	40,000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

EXPLANATORY NOTE

Central Fund of Canada Limited (the “Company” or the “Registrant”) is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on Form 40-F pursuant to the multijurisdictional disclosure system of the Exchange Act. The Company is a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

NOTE TO UNITED STATES READERS: DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Company is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this annual report on Form 40-F (this “Annual Report”) in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company prepares its financial statements, which are filed as Exhibits to this Annual Report, in accordance with Canadian generally accepted accounting practices (“Canadian GAAP”), and they may be subject to Canadian auditing and auditor independence standards. They may not be comparable to financial statements of United States companies.

CURRENCY

Unless otherwise indicated, all dollar amounts in this Annual Report are in United States dollars. As of December 12, 2011, 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.\$1.0275.

ANNUAL INFORMATION FORM

The Company’s Annual Information Form for the fiscal year ended October 31, 2011 is filed as [Exhibit 99.1](#) and is hereby incorporated by reference in this Annual Report.

AUDITED ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT’S DISCUSSION AND ANALYSIS

Audited Annual Financial Statements

The Company’s audited Statements of Net Assets as of October 31, 2011 and 2010 and its Statements of Income, Statements of Changes in Net Assets and Statements of Shareholders’ Equity for the years ended October 31, 2011, 2010 and 2009, along with the notes to such financial statements and the reports of the independent auditors with respect thereto, and the information included under the heading “Management’s Responsibility for Financial Reporting and Effectiveness of Internal Control over Financial Reporting,” each of which are filed as part of [Exhibit 99.3](#), are hereby incorporated by reference in this Annual Report. For a reconciliation of important differences between Canadian GAAP and generally accepted accounting principles in the United States of America, see Note 11 to the Company’s audited financial statements.

Management’s Discussion and Analysis

The management’s discussion and analysis (“MD&A”) prepared by the Company is filed as [Exhibit 99.2](#) and is hereby incorporated by reference in this Annual Report.

TAX MATTERS

Shareholders should be aware that the acquisition, ownership, and disposition of shares of non-voting, fully participating Class A common stock of the Company (the “Class A Shares”) may have tax consequences under the laws of both Canada and the United States. Shareholders are solely responsible for determining the tax consequences applicable to their particular circumstances and should consult their own tax advisors concerning an investment in the Company’s Class A Shares.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material U.S. federal income tax consequences to a United States Person (as defined below) arising from and relating to the acquisition, ownership, and disposition of the Company's Class A Shares.

This summary is only a general discussion and is not intended to be, and should not be construed to be, legal or United States federal income tax advice to any United States Person. In addition, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a United States Person in light of such United States Person's particular circumstances. No ruling from the Internal Revenue Service has been requested, or will be obtained, regarding the United States federal income tax consequences to United States Persons of the ownership or disposition of Class A Shares. This summary is not binding on the Internal Revenue Service, and the Internal Revenue Service is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the Internal Revenue Service and the United States courts could disagree with one or more of the positions taken in this summary. Moreover, this summary does not include any discussion of United States state or local, United States federal estate or gift, United States federal alternative minimum tax or foreign tax consequences.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the Internal Revenue Service ("IRS"), published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "Canada-U.S. Tax Convention"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this Form 40-F. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

United States Persons

For purposes of this summary, a "United States Person" means (i) an individual citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States, any state in the United States or the District of Columbia; (iii) an estate, the income of which is subject to United States federal income taxation regardless of its source; or (iv) a trust if either (a) such trust has validly elected to be treated as a United States person for United States federal income tax purposes or (b) a United States court is able to exercise primary supervision over the administration of such trust and one or more United States Persons have the authority to control all substantial decisions of such trust.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not discuss the United States federal income tax consequences to United States Persons that are subject to special treatment under the Code (for example, United States Persons (i) that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (ii) that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (iii) that are dealers in securities or currencies or that are traders in securities that elect to apply a mark-to-market accounting method; (iv) that have a "functional currency" other than the United States dollar; (v) that own Class A Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (vi) that hold Class A Shares other than as a capital asset within the meaning of Section 1221 of the Code; or (vii) that own (directly, indirectly, or constructively) 10% or more of the total combined voting power of the outstanding shares of the Company). The summary below also does not address the

consequences of owning Class A Shares to United States Persons who are United States expatriates or former long-term residents of the United States subject to Section 877 of the Code. United States Persons and others that are subject to special provisions under the Code, including United States Persons described immediately above, should consult a tax advisor regarding the United States federal income tax consequences arising from and relating to the ownership of Class A Shares.

The United States federal income tax consequences of the ownership and disposition of the Class A Shares are very complex and, in certain cases, uncertain or potentially unfavorable to United States Persons. Accordingly, a United States Person considering acquiring Class A Shares is strongly urged to consult a tax advisor with respect to the United States federal income, United States state or local, United States federal estate or gift, alternative minimum tax or foreign tax consequences of the ownership and disposition of Class A Shares in light of such United States Person's particular facts and circumstances.

Sale or Disposition of Class A Shares

A United States Person generally will recognize gain or loss on the sale or other taxable disposition of Class A Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such United States Person's tax basis in the Class A Shares sold or otherwise disposed of. Amounts received by a United States Person upon the redemption by the Company of Class A Shares will be treated either as a distribution by the Company (See "Distributions on Class A Shares" below) or as a payment in exchange for the Class A Shares, depending on whether and to what extent the redemption reduces the United States Person's percentage ownership interest in the Company. Generally, a redemption will be treated as an exchange of Class A Shares if (taking into account certain constructive ownership rules under Section 318 of the Code) the redemption (a) completely terminates the United States Person's interest in the Company under Section 302(b)(3) of the Code, (b) is "substantially disproportionate" with respect to the United States Person under Section 302(b)(2) of the Code, or (c) is "not essentially equivalent to a dividend" under Section 302(b)(1) of the Code. Because the Company has been, and expects to continue to be, a "passive foreign investment company", the special rules discussed below generally will apply to any gain recognized by a United States Person on sales or other taxable dispositions of Class A Shares. See "Passive Foreign Investment Company Treatment", below.

Distributions on Class A Shares

A distribution paid on a Class A Share, including a constructive distribution, generally will be included in gross income of a United States Person as ordinary income (without reduction for any amounts withheld in respect of Canadian federal income tax) to the extent of the Company's current or accumulated "earnings and profits" (as computed under United States federal income tax rules). To the extent that a distribution paid on the Class A Shares exceeds the "earnings and profits" of the Company, such distribution generally will be treated as a non-taxable return of capital to the extent of the tax basis of the Class A Share and then as gain from the sale or exchange of the Class A Share. Dividends paid on the Class A Shares will not be eligible for the long-term capital gains tax rate generally applicable to dividends paid by a "qualified foreign corporation" to non-corporate United States Persons if the Company qualifies as a "passive foreign investment company" for the Company's taxable year during which it pays a dividend on the Class A Shares, or for the Company's immediately preceding taxable year. In addition, dividends paid on the Class A Shares generally will not be eligible for the deduction for dividends received by corporations. Notwithstanding the discussion above, because the Company has been, and expects to continue to be, a "passive foreign investment company", the special rules discussed below generally will apply to any distribution paid on the Class A Shares. See "Passive Foreign Investment Company Treatment" below.

Additional Tax on Dividends and Capital Gains After 2012

For tax years beginning after December 31, 2012, certain United States Persons who are individuals, estates or trusts shall be required to pay up to an additional 3.8% tax on, among other things, dividends and capital gains.

Foreign Currency

For U.S. federal income tax purposes, the amount received by a United States Person as payment with respect to a distribution on or a disposition of Class A Shares if paid in Canadian dollars, is the U.S. dollar value at

the date of the payment, regardless of whether the payment is promptly converted into U.S. dollars. If the Canadian dollars are not converted into U.S. dollars on the date of the payment, the United States Person may recognize additional ordinary income or loss as a result of currency fluctuations between the date on which the payment is made and the date the payment is converted into U.S. dollars.

Passive Foreign Investment Company Treatment

The Company generally will be a “passive foreign investment company” for United States federal income tax purposes if, for a taxable year, either (i) 75% or more of the gross income of the Company for such taxable year is passive income or (ii) on average, 50% or more of the assets held by the Company either produce passive income or are held for the production of passive income, based on the fair market value of such assets. “Passive income” includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. The Company has been, and expects to continue to be, a “passive foreign investment company” for United States federal income tax purposes. In any tax year in which the Company is classified as a PFIC, a United States Person would be required to file an annual report with the IRS containing such information as Treasury regulations and/or other IRS guidelines may require. The United States federal income tax rules applicable to passive foreign investment companies are very complex and, in certain cases, uncertain. Each United States Person is strongly urged to consult its own tax advisor with respect to the passive foreign investment company rules.

The United States federal income tax consequences to a United States Person that owns (directly or, in certain cases, indirectly) Class A Shares will depend on whether or not a qualified electing fund (a “QEF”) election or a mark-to-market election (a “Mark-to-Market Election”), each as described below, is made by such United States Person with respect to the Company.

Non-Electing Shareholders

If a QEF election is not made by a United States Person, or is not in effect with respect to the entire period that such United States Person has held the Class A Shares, then, unless such United States Person has made the Mark-to-Market Election, any gain recognized on the sale or other taxable disposition of Class A Shares will be treated as ordinary income realized pro rata over such holding period for such Class A Shares. A United States Person will be required to include as ordinary income in the year of disposition the portion of the gain attributed to such year. In addition, such United States Person’s United States federal income tax for the year of disposition will be increased by the sum of (i) the tax computed by using the highest statutory rate applicable to such United States Person for each year (without regard to other income or expenses of such United States Person) on the portion of the gain attributed to years prior to the year of disposition plus (ii) interest on the tax determined under clause (i), at the rate applicable to underpayments of tax, which interest will not be deductible by non-corporate United States Persons, from the due date of the United States federal income tax return (without regard to extensions) for each year described in clause (i) to the due date of the United States federal income tax return (without regard to extensions) for the year of disposition. Under certain proposed Treasury regulations, a “disposition” for this purpose may include, under certain circumstances, transfers at death, gifts, pledges, transfers pursuant to tax-deferred reorganizations and other transactions with respect to which gain ordinarily would not be recognized. Under certain circumstances, the adjustment generally made to the tax basis of property held by a decedent may not apply to the tax basis of Class A Shares if a QEF election was not in effect for the deceased United States Person’s entire holding period. Any loss recognized by a United States Person on the disposition of Class A Shares generally will be capital loss. In addition, rules similar to those applicable to dispositions generally will apply to “excess distributions” paid on a Class A Share (i.e., distributions that exceed 125% of the average amount of distributions received on the Class A Share during the preceding three years or, if shorter, during the United States Person’s holding period for the Class A Share).

QEF Election

A United States Person that owns Class A Shares may elect (assuming that the Company provides such United States Person with certain information) to have the Company treated, with respect to that United States Person, as a QEF. A QEF election must be made by a United States Person before the due date (including extensions) for such United States Person’s United States federal income tax return for the taxable year for which

the QEF election is made, and, once made, will be effective for all subsequent taxable years of such United States Person, unless revoked with the consent of the Internal Revenue Service. (A United States Person that makes a QEF election with respect to the Company is referred to in this summary as an "Electing Shareholder"). **The Company now makes, and intends to continue to make, available to Electing Shareholders the PFIC Annual Information Statement currently required by the Internal Revenue Service with respect to a QEF election, which will include information as to the allocation of the Company's "ordinary earnings" and "net capital gains" (each as computed under United States federal income tax rules) among the Class A Shares and as to distributions on such Class A Shares. Such PFIC Annual Information Statement may be used by Electing Shareholders for purposes of complying with the reporting requirements applicable to the QEF election.**

Provided that an Electing Shareholder's QEF election is in effect with respect to the entire holding period for the Class A Shares, any gain or loss recognized by such Electing Shareholder on the sale or other taxable disposition of such Class A Shares generally would be a capital gain or loss. Such capital gain or loss generally would be long-term if such Electing Shareholder had held the Class A Shares for more than one year at the time of the sale or other taxable disposition. For non-corporate United States Persons, long-term capital gain is generally subject to a current maximum United States federal income tax rate of 15% (which is currently scheduled to increase to 20% for tax years beginning on or after January 1, 2013). Gain from the disposition of collectibles such as gold or silver, however, is subject to a current maximum United States federal income tax rate of 28%. The Internal Revenue Service has authority to issue Treasury regulations applying the 28% tax rate to gain from the sale of an interest in a passive foreign investment company with respect to which a QEF election is in effect, to the extent that such gain is attributable to unrealized appreciation of collectibles held by such passive foreign investment company. As no such Treasury regulations have been issued, the 15% maximum tax rate (which is currently scheduled to increase to 20% for tax years beginning on or after January 1, 2013) currently should apply to long-term capital gains arising from the sale or other taxable disposition of Class A Shares by an Electing Shareholder. There can be no assurance, however, as to whether, when or with what effective date any such Treasury regulations may be issued, or whether any such Treasury regulations would subject long-term capital gains realized by an Electing Shareholder from the disposition of Class A Shares to the 28% maximum tax rate.

A United States Person holding Class A Shares with respect to which a QEF election is not in effect for the entire holding period may avoid the adverse ordinary income and interest charge rules described above upon any subsequent disposition of such Class A Shares if such United States Person elects to recognize any gain in such Class A Shares as of the first day in the first year that the QEF election applies to such Class A Shares (a "deemed sale" election). Any gain recognized by a United States Person under such a deemed sale election will, however, be subject to the ordinary income and interest charge rules described above.

An Electing Shareholder will be required to include currently in gross income such Electing Shareholder's pro rata share of the annual "ordinary earnings" and "net capital gains" (but may not include any net loss) of the Company. Such inclusion will be required whether or not such Electing Shareholder owns Class A Shares for an entire taxable year or at the end of the Company's taxable year. For purposes of determining the amounts includable in income by Electing Shareholders under the QEF rules, the tax bases of the Company's assets, and the "ordinary earnings" and "net capital gains" of the Company, will be computed under United States federal income tax rules. Accordingly, it is anticipated that such tax bases, and such "ordinary earnings" and "net capital gains", will differ from the figures set forth in the Company's financial statements. The amount currently included in income by an Electing Shareholder will be treated as ordinary income to the extent of the Electing Shareholder's pro rata share of the Company's "ordinary earnings" and generally will be treated as long-term capital gain to the extent of such Electing Shareholder's pro rata share of the Company's "net capital gains." The Electing Shareholder will be required to include in income such pro rata share of the "ordinary earnings" and "net capital gains" of the Company, without regard to the amount of cash distributions, if any, received from the Company. Electing Shareholders will be required to pay United States federal income tax currently on such pro rata share of "ordinary earnings" and "net capital gains" of the Company, unless, as described below, an election is made to defer such payment of tax.

Under these QEF rules, in the event that the Company disposes of a portion of its gold or silver holdings, including dispositions in the course of varying its relative investment between gold and silver, Electing Shareholders may be required to report substantial amounts of income for United States federal income tax purposes (in the absence of any cash distributions received from the Company). Historically, the Company has declared and paid a cash distribution of U.S.\$0.01 per share (prior to 1996, Cdn.\$0.01 per share) on its outstanding Class A Shares. In

addition, it is the intention of the Company to distribute to holders of record of Class A Shares and common shares as of the last day of each taxable year (currently October 31) an aggregate amount of cash distributions (including the stated distributions on the Class A Shares) such that the amount of cash distributions payable to an Electing Shareholder that holds Class A Shares for the entire taxable year of the Company will be at least equal to the product of (i) the Company's "ordinary earnings" and "net capital gains" for such taxable year allocable to such Electing Shareholder and (ii) the highest marginal rate of United States federal income tax on ordinary income or long-term capital gain, as appropriate, applicable to individuals. As discussed above, for non-corporate United States Persons, long-term capital gain from the disposition of collectibles such as gold or silver is subject to a maximum United States federal income tax rate of 28%. Because such cash distributions may be subject to Canadian withholding tax and because the amount of such cash distributions will be determined without reference to possible United States state or local income tax liabilities or to the rate of United States federal income tax applicable to corporate United States Persons, such cash distributions may not provide an Electing Shareholder with sufficient cash to pay the United States federal income tax liability arising from the inclusion in income of the Electing Shareholders' pro rata share of the Company's "ordinary earnings" and "net capital gains" under the QEF rules.

An Electing Shareholder may elect to defer, until the occurrence of certain events, payment of the United States federal income tax liability arising from the inclusion in income of the Electing Shareholders' pro rata share of the Company's "ordinary earnings" and "net capital gains" under the QEF rules, but will be required to pay interest on the deferred tax computed by using the statutory rate of interest applicable to an extension of time for payment of tax.

If an Electing Shareholder demonstrates to the satisfaction of the Internal Revenue Service that amounts actually distributed on the Class A Shares have been previously included in income under the QEF rules by such Electing Shareholder (or a previous United States Person), such distributions generally will not be taxable. An Electing Shareholder's tax basis in the Class A Shares generally will be increased by any amounts currently included in income under the QEF rules and generally will be decreased by any subsequent distributions from the Company that are treated as non-taxable distributions pursuant to the preceding sentence.

Mark-to-Market Election

A United States Person generally may make a Mark-to-Market Election with respect to shares of "marketable stock" of a passive foreign investment company. Under the Code and Treasury regulations, the term "marketable stock" includes stock of a passive foreign investment company that is "regularly traded" on a "qualified exchange or other market". Generally, a "qualified exchange or other market" means (i) a national securities exchange which is registered with the Securities and Exchange Commission or the national market system established pursuant to Section 11A of the Securities Exchange Act of 1934 or (ii) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located and has the following characteristics: (a) the exchange has trading volume, listing, financial disclosure, and other requirements designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open market, and to protect investors, and the laws of the country in which the exchange is located and the rules of the exchange ensure that such requirements are actually enforced; and (b) the rules of the exchange ensure active trading of listed stocks. A class of stock is "regularly traded" on a qualified exchange or other market for any calendar year during which such class of stock is traded (other than in de minimis quantities) on at least 15 days during each calendar quarter. The Company believes that the Class A Shares are, and expects that the Class A Shares will continue to be, "marketable stock" for purposes of the Mark-to-Market Election rules.

A United States Person that makes a Mark-to-Market Election would generally be required to report gain or loss annually to the extent of the difference, if any, between (i) the fair market value of the Class A Shares at the end of each taxable year and (ii) the adjusted tax basis of the Class A Shares at the end of each taxable year. Any gain under this computation, and any gain recognized on an actual sale or other taxable disposition of the Class A Shares, generally would be treated as ordinary income. Any loss under this computation, and any loss recognized on an actual sale or other taxable disposition of the Class A Shares, generally would be treated as an ordinary loss to the extent of the cumulative net mark-to-market gain, and thereafter would be considered capital loss. The United States Person's adjusted tax basis in the Class A Shares generally would be adjusted for any gain or loss taken into account under the Mark-to-Market Election.

Unless either (i) the Mark-to-Market Election is made as of the beginning of the United States Person's holding period for the Class A Shares or (ii) a QEF election has been in effect for such United States Person's entire holding period for the Class A Shares, any mark-to-market gain for the election year generally will be subject to the ordinary income and interest charge rules described above.

United States Foreign Tax Credit

Subject to complex limitations set forth in the Code, United States Persons may be entitled to claim a credit against their United States federal income tax liability for Canadian federal income tax withheld from distributions paid on the Class A Shares. For purposes of applying the limitations set forth in the Code, dividends paid on the Class A Shares generally will constitute "foreign source" income and generally will be categorized as "passive category income". However, the amount of a distribution with respect to the Class A Shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a United States Person with respect to such distribution. Gain from the sale or other disposition of the Class A Shares generally will constitute "U.S. source" income for foreign tax credit purposes unless the gain is subject to tax in Canada and is resourced as "foreign source" under the Treaty and the United States Person elects to treat such gains as "foreign source." United States Persons that do not elect to claim foreign tax credits for a taxable year may be able to deduct any such Canadian federal income tax withheld. Each United States Person is strongly urged to consult his, her or its own tax advisor with respect to the foreign tax credit rules.

Information Reporting and Backup Withholding

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, recently enacted legislation generally imposes new U.S. return disclosure obligations (and related penalties) on United States Persons that hold certain specified foreign financial assets in excess of \$50,000. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. United States Persons may be subject to these reporting requirements unless their Class A Shares are held in an account at a domestic financial institution. Penalties for failure to file certain of these information returns are substantial. United States Persons should consult with their own tax advisors regarding the requirements of filing information returns, and, if applicable, filing obligations relating to a Mark-to-Market or QEF election.

Payments to a United States Person made within the United States, or by a United States payor or United States middleman, of dividends on, or proceeds arising from the sale or other taxable disposition of, Class A Shares generally will be subject to information reporting and backup withholding tax, at the current rate of 28% (increasing to 31% for payments made after December 31, 2012), if a United States Person fails to furnish its correct United States taxpayer identification number, and to make certain certifications, or otherwise fails to establish an exemption. Any amounts withheld under the backup withholding rules from a payment to a United States Person generally may be refunded (or credited against such United States Person's United States federal income tax liability, if any) provided the required information is furnished to the Internal Revenue Service. Each United States Persons should consult a tax advisor regarding the backup withholding rules.

DISCLOSURE CONTROLS AND PROCEDURES

The Company carried out an evaluation as at the end of the fiscal year covered by this Annual Report, under the supervision and with the participation of the Company's senior executive officers, including the Company's President and Chief Executive Officer and Treasurer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15 (e) under the Exchange Act. Based on that evaluation, the President and Chief Executive Officer and Treasurer and Chief Financial Officer have concluded that as of the end of the fiscal year covered by this Annual Report, the Company's disclosure controls and procedures were adequately designed and effective to ensure that i) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed,

summarized and reported within the time periods specified in the applicable rules and forms and ii) information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's senior executive officers, including its President and Chief Executive Officer and Treasurer and Chief Financial Officer, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's senior executive officers are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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 and/or procedures may deteriorate.

The senior executive officers conducted an evaluation of the effectiveness, design and operation of the Company's internal control over financial reporting as of October 31, 2011 based on the criteria established in *Internal Control — Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, the senior executive officers have concluded that the Company's internal control over financial reporting was effective as of October 31, 2011 and no material weaknesses were discovered.

This report is required for U.S. reporting purposes as the Company is a "foreign private issuer" as defined in Rule 3b-4 of the Exchange Act, and as the Company is an "accelerated filer," the Company is required to provide an auditor's attestation report on management's assessment of the Company's internal control over financial reporting for the fiscal year ended October 31, 2011. The auditor's attestation is filed as part of [Exhibit 99.3](#) and is incorporated by reference in this Annual Report.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the fiscal year covered by this Annual Report, no change occurred in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The senior executive officers of the Company, including the President and Chief Executive Officer and Treasurer and Chief Financial Officer, do not expect that the Company's disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by officers' override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

CORPORATE GOVERNANCE

The Company is listed on the Toronto Stock Exchange and is required to describe its practices and policies with regard to corporate governance with specific reference to the corporate governance guidelines of the Canadian Securities Administrators on an annual basis by way of a corporate governance statement contained in the Company's annual information form or information circular. The Company is also listed on the NYSE Amex LLC ("NYSE Amex") and additionally complies as necessary with the rules and guidelines of NYSE Amex as well as the United States Securities and Exchange Commission (the "Commission"). The Company reviews its governance practices on an ongoing basis to ensure it is in compliance with the applicable laws, rules and guidelines both in Canada and in the United States.

The Company's board of directors is responsible for the Company's corporate governance policies and has separately designated a standing Corporate Governance Committee. The Company's board of directors has determined that the members of the Corporate Governance Committee are independent, based on the criteria for independence and unrelatedness prescribed by the Sarbanes-Oxley Act of 2002, Section 10A(m)(3), and NYSE Amex.

Corporate governance relates to the activities of the Company's board of directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the senior officers who are appointed by the board and who are charged with the day to day administration of the Company. The Company's board of directors is committed to sound corporate governance practices that are both in the interest of its shareholders and contribute to effective and efficient decision making.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the fiscal year ended October 31, 2011 to directors and executive officers concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

AUDIT COMMITTEE

The Company's board of directors has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Company's Audit Committee are identified on page 16 of the Annual Information Form, filed as Exhibit 99.1 to this Annual Report, and incorporated by reference herein. In the opinion of the Company's board of directors, all members of the Audit Committee are independent as determined under Rule 10A-3 of the Exchange Act, the rules of NYSE Amex and the policies of the Canadian Securities Administrators and are financially literate.

Audit Committee Financial Expert

Bruce D. Heagle, Chairman of the Audit Committee, is the financial expert, in that he has an understanding of generally accepted accounting principles and financial statements; is able to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; has experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable in breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements (or actively supervising one or more persons engaged in such activities); has an understanding of internal controls and procedures over financial reporting and an understanding of audit committee functions.

The members of the Audit Committee do not have fixed terms and are appointed and replaced annually by resolution of the Company's board of directors.

The Audit Committee meets with the President and Chief Executive Officer and the Treasurer and Chief Financial Officer of the Company and the Company's independent auditors to review and inquire into matters affecting financial reporting, the system of internal accounting and financial controls, as well as accounting policies, audit procedures and audit plans. The Audit Committee also recommends to the Company's board of directors the

auditors to be appointed and their compensation. In addition, the Audit Committee reviews and recommends to the Company's board of directors for approval the Company's financial statements and reports, the MD&A and the Annual Information Form, and undertakes other activities required by regulatory authorities.

Audit Committee Charter

The Company's Audit Committee Charter is available on the Company's website at www.centrafund.com, in the Annual Information Form filed as [Exhibit 99.1](#) to this Annual Report or in print to any shareholder who provides the Company with a written request made to Catherine A. Spackman, Treasurer and Chief Financial Officer, at Hallmark Estates, #805, 1323-15th Avenue S.W., Calgary, Alberta T3C 0X8, Canada.

CODE OF CONDUCT AND ETHICS

The Company's board of directors has adopted a written Code of Conduct and Ethics by which the principal executive officer, principal financial officer and principal accounting officer of the Company abide. In addition, the Company's board of directors, through its meetings with officers and other informal discussions with officers, encourages a culture of ethical business conduct and believes the Company's high caliber officers promote a culture of ethical business conduct throughout the Company's operations and is expected to monitor the activities of the Company's officers, consultants and agents in that regard. The Company's board of directors encourages any concerns regarding ethical conduct in respect of the Company's operations to be raised, on an anonymous basis, with the President and CEO, the Chairman, or the Secretary, as appropriate.

It is a requirement of applicable corporate law that directors or directors and officers who have an interest in a transaction or agreement with the Company promptly disclose that interest at any meeting of the Company's board of directors at which the transaction or agreement will be discussed and abstain from discussions and voting in respect to same if the interest is material.

A copy of the Company's Code of Conduct and Ethics is available on its website at www.centrafund.com and without charge, upon written request made to Catherine A. Spackman, Treasurer and Chief Financial Officer, at Hallmark Estates, #805, 1323-15th Avenue S.W., Calgary, Alberta T3C 0X8, Canada.

PRINCIPAL ACCOUNTING FEES AND SERVICES

Ernst & Young LLP acted as the Company's independent auditor for the fiscal year ended October 31, 2011. See page 20 of the Company's Annual Information Form, which is filed as [Exhibit 99.1](#) to this Annual Report, for the total amount in United States dollars billed to the Company by Ernst & Young LLP for services performed in the last two fiscal years by category of service.

PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES PROVIDED BY INDEPENDENT AUDITORS

See "Audit Committee Matters" beginning on page 16 of the Company's Annual Information Form filed as [Exhibit 99.1](#) to this Annual Report and incorporated by reference herein.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The following table lists, as of October 31, 2011, information with respect to the Company's known contractual obligations.

<u>Contractual Obligations (1)</u>	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations	\$ —	\$ —	\$ —	\$ —	\$ —
Capital (Finance) Lease Obligations	—	—	—	—	—
Operating Lease Obligations	—	—	—	—	—
Purchase Obligations	—	—	—	—	—
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under Canadian GAAP	—	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —	\$ —

(1) The Company pays administrator and safekeeping fees, as discussed in the items expressly incorporated by reference herein.

NYSE AMEX CORPORATE GOVERNANCE

The Company's Class A Shares are listed on NYSE Amex. Section 110 of the NYSE Amex Company Guide permits NYSE Amex to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE Amex listing criteria, and to grant exemptions from NYSE Amex listing criteria based on these considerations. An issuer seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE Amex standards is as follows:

Shareholder Meeting Quorum Requirement. The NYSE Amex minimum quorum requirement for a shareholder meeting is one-third of the outstanding shares of common stock. In addition, a company listed on NYSE Amex is required to state its quorum requirement in its bylaws. The Company's quorum requirement is set forth in its bylaws. A quorum for a meeting of shareholders of the Company is two persons who are, or who represent by proxy, share holders who, in the aggregate, hold at least 10% of the common shares entitled to be voted at the meeting.

Proxy Delivery Requirement. NYSE Amex requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies shall be solicited pursuant to a proxy statement that conforms to Commission proxy rules. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act, and the equity securities of the Company are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. The Company solicits proxies in accordance with applicable rules and regulations in Canada.

Independence of Directors. NYSE Amex requires that the majority of a company's directors be independent. Under Canadian securities law, subject to certain exceptions, at least three directors of a company must be independent. The Company currently has four independent directors, which constitute a majority of its board members.

The foregoing are consistent with the laws, customs and practices in Canada.

In addition, we may from time-to-time seek relief from NYSE Amex corporate governance requirements on specific transactions under Section 110 of the NYSE Amex Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by our home country law, in which case, we shall make the disclosure of such transactions available on our website at www.centralfund.com. Information contained on, or accessible through, our website is not part of this Annual Report.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission 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.

CONSENT TO SERVICE OF PROCESS

The Registrant has filed an Appointment of Agent for Service of Process and Undertaking on Form F-X in connection with the class of securities in relation to which the obligation to file this Annual Report arises.

Any change to the name or address of the Registrant's agent for service of process shall be communicated promptly to the Commission by an amendment to the Form F-X referencing the file number of the Registrant.

SIGNATURES

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, thereunto duly authorized.

CENTRAL FUND OF CANADA LIMITED

/s/ J.C. Stefan Spicer

J.C. Stefan Spicer

President and Chief Executive Officer

Date: December 14, 2011

EXHIBIT INDEX

The following documents are being filed with the Commission as Exhibits to this Annual Report:

Exhibit	Description
99.1	Annual Information Form
99.2	Management's Discussion and Analysis
99.3	Annual Financial Statements
99.4	Consent of Ernst & Young LLP
99.5	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act
99.6	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350

Central Fund of Canada Limited



ANNUAL INFORMATION FORM
for the year ended October 31, 2011

December 13, 2011

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DOCUMENTS INCORPORATED BY REFERENCE

Financial Statements and notes thereto contained in the 2011 Annual Report on pages 7 to 15.

Management's Discussion and Analysis of Financial Condition and Results of Operations dated December 12, 2011 also contained in the 2011 Annual Report on pages 18 to 25.

Management Information Circular dated as of January 11, 2011.

REPORTING CURRENCY AND FINANCIAL INFORMATION

Currency 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 December 12, 2011 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. \$1.0275.

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. In September of 1983, Central Fund changed its character to that of a passive, non-operating, specialized investment holding company the assets of which were then held through its wholly-owned subsidiaries, almost entirely in pure gold and silver bullion, primarily in international bar form.

On April 5, 1990, Central Fund was continued as a corporation 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 international bar form, and gold and silver bullion certificates. These subsidiaries were in turn wound up and dissolved subsequent to the above transactions.

The Head Office of the Company is located at Suite 805, 1323 15th Avenue S.W., Calgary, Alberta T3C 0X8 and the Administrator's Shareholder and Investor Inquiries Office is located at 55 Broad Leaf Crescent, Ancaster, Ontario L9G 3P2.

DESCRIPTION OF THE COMPANY

General

Central Fund's objective is to provide a convenient, low-cost investment alternative for investors interested in holding marketable gold and silver related investments. Its policy is to invest virtually all of its assets in long-term holdings of unencumbered, allocated and segregated gold and silver bullion, and not to speculate with regard to short-term changes in gold and silver prices, thereby providing retail and institutional investors with an ability to effectively hold interests in gold and silver bullion without the associated high transaction and handling costs and inconvenience. The investment policies established

by the Board of Directors of Central Fund require the Company to hold at least 90% of its net assets in gold and silver bullion, primarily in bar form. Although Central Fund's investment policies permit investing in securities, Central Fund disposed of its nominal holding of gold and silver related shares some years ago and does not intend to invest any of the Company's assets in those types of securities in the foreseeable future. **As of October 31, 2011, Central Fund's net assets had a market value of approximately \$5.621 billion and consisted of 51.9% gold bullion and certificates, 46.9% silver bullion and certificates, and 1.2% cash and other working capital amounts.** Central Fund expects these relative percentages to vary from time to time, but it does not intend to substantially increase the relative proportion of cash (except on a short-term basis when cash flow can increase for the reasons noted in the 2011 Annual Report to Shareholders under Management's Discussion and Analysis - Liquidity and Capital Resources). Central Fund believes that it is the only company listed on a United States or Canadian stock exchange with the structure and the specific investment policies outlined below.

Investment Policies and Operations of Central Fund

Central Fund is a specialized investment holding company the investment objective of which is to hold almost all of its net assets in gold and silver bullion, primarily in international bar form. Central Fund's investment policy is determined by its Board of Directors, subject to the provisions of its governing 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. A nominal portion of Central Fund's net assets not invested in gold and silver bullion may be invested in marketable securities related to the gold and silver markets and industries, although it is not currently the policy to do so.
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 and short-term deposits with financial institutions or investment grade commercial paper) for the purposes of paying dividends and expenses, 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 holdings based upon the Board of Directors' analysis of the current, historical and projected gold to silver price relationship, supply and demand factors and the Board of Directors' 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 nominal holdings of bullion certificates, the relative proportions of these items against physical bullion may vary from time to time according to the Board of Directors' assessment of market factors.

The governing 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 bullion related investments. This requirement can be changed only with approval of the holders of Central Fund's Class A non-voting shares, to be given in the manner set out under "Investment Restrictions" below.

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, primarily in international bar form. Generally, Central Fund only seeks to maintain adequate cash reserves to enable it to pay expenses and to meet the Class A non-voting shares' dividend requirements for the near to medium term.

Investment Restrictions

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

- (i) invest less than 75% of the market value of its 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 affairs of Central Fund or for providing investment advice to Central Fund, or any combination thereof; or
- (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 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 the Class A non-voting shares then outstanding given in writing by the holders of all of the Class A non-voting 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 non-voting 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 amended and restated Administrative and Consulting Agreement (the "Administration Agreement") with the Corporation dated November 1, 2005, The Central Group Alberta Ltd. (the "Administrator"), is responsible for the general administration of the affairs of Central Fund under the direction of the Board of Directors of Central Fund. This includes the provision of administrative and consulting services required by Central Fund, including 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. Under the terms of the Administration Agreement, the Administrator arranges, at its expense, for certain services from others, including currently Mr. Ian M.T. McAvity, President of Deliberations Research Inc. and a Director of Central Fund, who provides general advice in relation to analysis of bullion market trends and developments and guidance to the Boards of Central Fund and the Administrator; and Mr. Malcolm Taschereau, a former President of Dome Mines Limited and recently retired director and Mr. Douglas E. Heagle, the Chairman of NSBL International and recently retired director, provides general advice to Central Fund. The shares of the Administrator are sixty percent owned by Mr. Philip M. Spicer (Chairman and a Director of Central Fund), and forty percent owned by his son, Mr. J.C. Stefan Spicer (President, CEO and a Director of Central Fund).

In addition, the Administrator provides and pays for all office services, supplies and facilities and, through its staff and designated independent contractors, generally oversees the day-to-day administration of Central Fund's affairs. Central Fund is responsible for the payment of direct expenses such as brokerage, listing, legal, audit, insurance, safekeeping, transfer agent 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 expenses, including the fees payable to the Administrator 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 its annual expenses will not exceed one percent.

In consideration for services rendered pursuant to the Administration Agreement, Central Fund pays the Administrator a monthly administration and consulting fee based on Central Fund's net assets determined for at such month-end. From 1996 through to October 31, 2005, the fee was computed at

the annual rate of one-half of one percent of Central Fund's net assets up to \$50,000,000, three-eighths of one percent on such assets from \$50,000,001 to \$100,000,000 and one quarter of one percent on such assets over \$100,000,000. Effective November 1, 2005 the fee schedule was reduced for at least a ten year term. Therefore, for at least the next four years the annual fee will be computed at 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 \$1 billion. The approval of the reduced administrative and consulting fee schedule followed Board Committees' requests on August 8, 2005 for the review of agreements of the Administrator. Fees paid by Central Fund to the Administrator for the fiscal years ended October 31, 2011, 2010 and 2009 were, in U.S. dollars, \$9,217,784, \$5,845,297 and \$3,893,726 respectively. The Administration Agreement may be amended at the discretion of Central Fund's Board of Directors and the Administrator without the approval of Central Fund's shareholders.

The Administration Agreement is in force until October 31, 2015 and continues in force thereafter unless terminated by Central Fund. Central Fund may at any time effect such termination effective as of such maturity or any renewal thereof by not less than sixty days prior notice if a majority of the Directors of Central Fund (excluding such as are also directors, officers, employees or shareholders of the Administrator or advisors to Central Fund through the Administrator) determine that the performance by the Administrator of its obligations thereunder is not satisfactory and if such termination is then approved by the holders of Class A non-voting shares, such approval to be given by the affirmative vote of at least a majority of the votes cast at a meeting of such holders called pursuant to the articles and by-laws of Central Fund 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. 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 transactions at the most favourable prices consistent with the best execution, considering all of the costs of the transactions, including brokerage commissions, spreads and delivery charges. 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 when buying and, should it be required, selling gold and silver bullion and bullion related investments.

Principal Assets

Central Fund's assets consist almost entirely of gold and silver bullion, all of which is stored in the vaults of the Canadian Imperial Bank of Commerce ("CIBC") in Toronto, Regina and Vancouver, Canada. As at October 31, 2011, the composition of gold and silver bullion held by Central Fund was as follows:

<u>Gold Bullion:</u>	<u>Fine Ounces</u>
Long-term physical holdings, 400 fine oz. bars	1,673,329
Long-term physical holdings, 100 fine oz. bars	12,889
Bullion certificates issued by CIBC	<u>8,427</u>
	<u>1,694,645</u>
<u>Silver Bullion:</u>	<u>Ounces</u>
Long-term physical holdings, 1000 oz. bars	76,708,551
Bullion certificates issued by CIBC	<u>255,551</u>
	<u>76,964,102</u>

Central Fund's gold and silver bars are segregated, specifically identified by refiner, bar number, fineness and weight, and CIBC carries certain insurance for their custodial business. Central Fund's physical bullion holdings, or any portion thereof, may only be released by CIBC upon receipt of a certified resolution of Central Fund's Board of Directors authorizing such release.

Central Fund's nominal holdings of bullion certificates are deposited with CIBC, registered in the nominee name of CIBC, and are insured by it and not by Central Fund itself. 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, 2011, CIBC's total assets were approximately Cdn. \$353 billion, and its net worth was approximately Cdn. \$17.3 billion.

The Company effects periodic public offerings of its Class A non-voting shares. On April 6, 2011, the Company, through a public offering, issued 16,150,000 Class A non-voting shares for proceeds of \$345,739,200 net of underwriting fees of \$14,405,800. Costs relating to this public offering were approximately \$600,000 and net proceeds were approximately \$345,139,200. The Company used the net proceeds from this public offering to purchase 190,410 fine ounces of gold at a cost of \$272,304,500 and 1,755,000 ounces of silver at a cost of \$66,213,500, all in physical bar form. The balance of \$6,621,200 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On May 18, 2010, the Company, through a public offering, issued 25,300,000 Class A non-voting shares for proceeds of \$360,676,800 net of underwriting fees of \$15,028,200. Costs relating to this public offering were \$482,580 (estimated at \$600,000 at October 31, 2010 and adjusted to actual during fiscal 2011) and net proceeds were approximately \$360,194,220. The Company used the net proceeds from this public offering to purchase 157,732 fine ounces of gold at a cost of \$193,024,535 and 7,886,624 ounces of silver at a cost of \$151,502,047, all in physical bar form. The balance of \$15,667,638 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On November 17, 2009, the Company, through a public offering, issued 16,975,000 Class A shares for proceeds of \$220,973,760 net of underwriting fees of \$9,207,240. Costs relating to this public offering were \$296,748 and net proceeds were \$220,677,012. The Company used the net proceeds from this public offering to purchase 104,132 fine ounces of gold at a cost of \$115,186,924 and 5,206,600 ounces of silver at a cost of \$91,688,905, all in physical bar form. The balance of \$13,801,183 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On August 13, 2009, the Company, through a public offering, issued 11,040,000 Class A non-voting shares for proceeds of \$126,120,960 net of underwriting fees of \$5,255,040. Costs relating to this public offering were \$348,987 (estimated at \$600,000 at October 31, 2009 and adjusted to actual during fiscal 2010) and net proceeds were \$125,771,973. The Company used the net proceeds from this public offering to purchase 69,342 fine ounces of gold at a cost of \$67,404,584 and 3,467,086 ounces of silver at a cost of \$52,595,695, both in physical bar form. The balance of \$5,771,694 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On April 16, 2009, the Company, through a public offering, issued 20,000,000 Class A non-voting shares for proceeds of \$201,600,000 net of underwriting fees of \$8,400,000. Costs relating to this public offering were \$466,716 and net proceeds were \$201,133,284. The Company used the net proceeds from this public offering to purchase 123,700 fine ounces of gold at a cost of \$109,909,145 and 6,188,000 ounces of silver at a cost of \$78,088,690, both in physical bar form. The balance of \$13,135,449 was retained by the Company in interest-bearing cash deposits for working capital purposes.

On February 3, 2009, the Company, through a public offering, issued 12,500,000 Class A non-voting shares for proceeds of \$124,800,000 net of underwriting fees of \$5,200,000. Costs relating to this public offering were \$367,494 and net proceeds were \$124,432,506. The Company used the net proceeds from this public offering to purchase 78,663 fine ounces of gold at a cost of \$71,062,969 and 3,933,169 ounces of silver at a cost of \$48,278,562, both in physical bar form. The balance of \$5,090,975 was retained by the Company in interest-bearing cash deposits for working capital purposes.

SELECTED FINANCIAL INFORMATION

For the year ended October 31, 2004, with retroactive application to prior years, the Company early adopted Accounting Guideline 18, Investment Companies ("AcG - 18"), which requires that, for qualifying entities, investments held are to be measured and reported in the financial statements at their fair value with changes in fair value recognized in income in the period in which the change occurred. While the Company's accounting policy, prior to adoption of AcG - 18, had been to measure its investments at market value, the Company did not recognize any unrealized gains and losses in income, but instead recognized them as a separate component of shareholder's equity until gains or losses were realized, at which time they were recognized as such.

The net asset value of Central Fund is identical under both Canadian and United States GAAP.

The following presentation of selected financial data for the last three fiscal years reflects the application of the AcG - 18 accounting policy:

	Years ended October 31					
	<u>2011</u>		<u>2010</u>		<u>2009</u>	
	U.S.\$	Cdn. \$	U.S.\$	Cdn. \$	U.S.\$	Cdn. \$
Change in unrealized appreciation of holdings (in millions)	\$1,387.1	\$1,293.0	\$955.2	\$823.8	\$734.5	\$586.1
Net income for the year inclusive of the change in unrealized appreciation of holdings (in millions)	\$1,371.4	\$1,275.7	\$945.8	\$810.0	\$728.6	\$571.3
Net income per Class A share	\$5.54	\$5.15	\$4.20	\$3.60	\$4.24	\$3.27
Total net assets (in millions)	\$5,620.9	\$5,584.3	\$3,906.8	\$3,980.2	\$2,382.3	\$2,566.7
Change in net assets from prior year (in millions)	\$1,714.1	\$1,604.1	\$1,524.4	\$1,413.5	\$1,178.3	\$1,102.1
% change from prior year	43.9%	40.3%	64.0%	55.1%	97.9%	75.3%
Change in net assets per Class A share from prior year	\$5.70	\$5.25	\$4.24	\$3.61	\$4.25	\$3.48
% change per Class A share from prior year	34.8%	31.4%	34.9%	27.6%	53.8%	36.2%
Gold price (U.S. \$ per fine ounce)	\$1,722.00		\$1,346.75		\$1,040.00	
% change from prior year	27.9%		29.5%		42.3%	
Silver price (U.S. \$ per ounce)	\$34.24		\$23.96		\$16.57	
% change from prior year	42.9%		44.6%		78.6%	
Exchange rate: \$1.00 U.S. = Cdn.	\$0.9935		\$1.0188		\$1.0774	
% change from prior year	(2.5)%		(5.4)%		(11.4)%	

Exchange Rate

The Canadian dollar exchange rates for United States dollars for each of the years in the five-year period ended October 31, 2011 as reported by the Bank of Canada were as follows:

<u>Year Ended October 31</u>	<u>Cdn. \$ per U.S. \$1.00</u>			
	<u>Average</u>	<u>Last</u>	<u>Low</u>	<u>High</u>
2007	1.1004	0.9499	0.9499	1.1853
2008	1.0275	1.2165	0.9170	1.2943
2009	1.1675	1.0774	1.0292	1.3000
2010	1.0377	1.0188	0.9961	1.0778
2011	0.9868	0.9935	0.9449	1.0604

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

The information set forth within the 2011 Annual Report entitled Management's Discussion and Analysis of December 12, 2011 is incorporated herein by reference.

CAPITAL STRUCTURE, DIVIDENDS AND MARKET FOR SECURITIES

Capital Structure

The capital of the Company consists of 50,000 Common shares without nominal or par value, of which 40,000 such shares were issued and outstanding at the date hereof, and an unlimited number of Class A non-voting shares with preference rights and without nominal or par value, of which 254,432,713 such shares were issued and outstanding as at October 31, 2011.

Class A Non-voting Shares

Notice of Meetings:

Holders of Class A non-voting shares are entitled to notice of and to attend all meetings of shareholders. Holders of Class A non-voting shares are not entitled to vote at any meetings of shareholders of Central Fund except as provided for by law and with respect to those matters set out in the articles of the Company, the majority of which are described below.

Certain Voting Rights:

So long as any Class A non-voting shares are outstanding, Central Fund shall not, without the prior approval of the holders thereof given by the affirmative vote of at least 66 2/3% of the votes cast at a meeting of the holders of the Class A non-voting shares duly called for that purpose:

- (i) approve any change in the minimum amount of Central Fund's assets which must be invested in gold and silver related investments as required by its articles of incorporation. This minimum amount is currently set at 75% of the market value of the non-cash net assets of the Company;
- (ii) approve any change in the restrictions on the investments which Central Fund is permitted to make;
- (iii) issue more than an additional 10,000 Common shares;
- (iv) create any class of shares ranking in preference or priority to the Class A non-voting shares;
- (v) create any class of shares ranking as to dividends in preference to or on a parity with the Common shares;
- (vi) consolidate or subdivide the Common shares, except where the Class A non-voting shares are consolidated or subdivided on the same basis;
- (vii) reclassify any shares into Class A non-voting shares or Common shares;
or
- (viii) provide to the holders of any other class of shares the right to convert into Class A non-voting shares or Common shares.

In addition, so long as any of the Class A non-voting shares are outstanding, Central Fund shall not, without the prior approval of the holders thereof given by the affirmative vote of a majority of the votes cast at a meeting of the holders of the Class A non-voting shares duly called for that purpose, appoint any person, firm or corporation to replace the Administrator (or any duly authorized replacement of the Administrator) or to perform generally the duties and responsibilities of the Administrator under the Administration Agreement.

Dividends:

The Class A non-voting shares are entitled to receive a preferential non-cumulative dividend of U.S. \$0.01 per share per annum and thereafter to participate pro rata in any further dividends with the Common shares on a share-for-share basis.

Purchase for Cancellation of Class A Non-voting Share:

Central Fund may, at any time or times, subject to applicable regulatory requirements, purchase for cancellation in the open market or by invitation for tenders to all holders all or any part of the Class A non-voting shares then outstanding at the market price or lowest tender price per Class A non-voting share, as the case may be.

Rights on Liquidation:

In the event of the liquidation, dissolution or winding-up of Central Fund, the holders of Class A non-voting shares are entitled to receive U.S. \$3.00 per share together with any declared and unpaid dividends thereon, calculated to the date of payment before any amount is paid or any assets of Central Fund are distributed to the holders of Common shares or any shares ranking junior to the Class A non-voting shares. The holders of Class A non-voting shares are entitled to participate pro rata in any further distributions of the assets of Central Fund with the holders of the then outstanding Common shares on a share-for-share basis.

Retraction:

Any holder of Class A non-voting shares is entitled, upon 90 days' notice, to require Central Fund to redeem on the last day of any of Central Fund's fiscal quarters, all or any of the Class A non-voting shares which that person then owns. The retraction price per Class A non-voting share shall be 80% of the net asset value per Class A non-voting share as of the date on which such Class A non-voting shares are redeemed. The articles of Central Fund 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 and regulations.

Common Shares

The Common shares entitle the holders to one vote per share at all annual and general meetings of the shareholders. The rights of Common shares in respect of dividends and upon liquidation rank secondary to those of the Class A non-voting shares as described above.

Dividends

As indicated above, the Company pays an annual dividend of U.S. \$0.01 per Class A non-voting share under the rights attaching to such shares. The dividend amounts paid in respect of the fiscal years ended October 31 in 2011, 2010 and 2009 were U.S. \$2,544,327, U.S. \$2,382,827 and U.S. \$1,960,177 respectively.

Market for Securities

Central Fund's Class A non-voting shares have been listed on the NYSE Amex (formerly known as the American Stock Exchange) since April 3, 1986 and on The Toronto Stock Exchange since 1965. On December 12, 2011 there were 996 registered holders of record of the Class A non-voting shares, the substantial majority of beneficial holdings being in unregistered form.

The following table sets forth the high and low net asset value of Central Fund's Class A non-voting shares based upon the daily London P.M. gold fix and the daily London silver fix as well as the high and low closing market prices per Class A non-voting share and trading volumes as reported on such exchanges for the 12 months ended October 31, 2011:

Fiscal Month Ended	Net Asset Value (U.S. \$)		NYSE Amex (U.S. \$)			Toronto Stock Exchange (Cdn. \$)		
	High	Low	High	Low	Volume	High	Low	Volume
2010 - November 30	18.31	16.66	19.26	17.50	31,191,618	19.78	17.68	2,536,268
December 31	18.92	18.05	20.73	19.49	22,062,863	20.68	19.63	1,951,054
2011- January 31	18.77	17.07	20.64	18.06	29,849,555	19.90	17.93	2,598,065
February 28	19.79	17.63	21.44	19.12	22,227,972	21.16	18.89	2,220,887
March 31	21.37	19.84	23.09	21.30	40,784,020	22.67	20.95	3,204,461
April 30	25.27	21.13	25.10	22.21	55,446,325	23.88	21.37	4,077,127
May 31	23.86	20.06	22.59	19.95	90,746,301	21.48	19.28	6,859,598
June 30	22.22	20.56	22.18	20.02	38,256,639	21.05	19.62	3,221,956
July 31	23.46	20.57	24.22	20.08	38,907,834	22.99	19.72	3,115,775
August 31	25.95	23.21	26.30	23.32	71,715,516	26.09	22.70	6,934,243
September 30	25.63	19.44	25.87	20.69	54,594,240	25.45	21.53	4,516,249
October 31	22.59	19.73	23.22	20.32	28,627,594	23.07	21.00	2,565,611

Central Fund's 40,000 issued and outstanding Common shares are closely held and are not listed on any exchange.

DIRECTORS AND OFFICERS

The Directors and officers of Central Fund 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 Counsel, Fraser Milner Casgrain LLP (Barristers & Solicitors)	Secretary	1983
Brian E. Felske Markdale, Ontario President, Brian E. Felske & Associates Ltd. (Mining Consultants)	Director (A)(C)(I)	2011
Bruce D. Heagle Ancaster, Ontario President, NSBL International (International Investor)	Director (A)(C)(I)	2011
Ian M.T. McAavity Toronto, Ontario Corporate Director and President, Deliberations Research Inc. (Economic Consultants)	Director (C)(I)(L)	1983
Michael A. Parente CMA, CFP Hamilton, Ontario Independent Consultant	Director (A)(I)	1992
Dale R. Spackman Q.C. Calgary, Alberta Partner, Parlee McLaws LLP (Barristers & Solicitors)	Vice-Chairman and Director	2001 1990
J.C. Stefan Spicer Lynden, Ontario President & CEO, Central Fund of Canada Limited President & CEO, Central GoldTrust President & CEO, Silver Bullion Trust	President, CEO and Director	1997 1995
Philip M. Spicer Ancaster, Ontario Chairman, Central Fund of Canada Limited Chairman and Trustee, Central GoldTrust Chairman and Trustee, Silver Bullion Trust President, The Central Group Alberta Ltd. (Administrator of Central Fund)	Chairman and Director	2001 1961

Name, Residence and Principal Occupation	Position and Office with Central Fund	Year Elected or Appointed to Position
Catherine A. Spackman CMA Calgary, Alberta Treasurer, The Central Group Alberta Ltd. (Administrator of Central Fund)	Treasurer and CFO	1989 2003
Teresa E. Poper CB Ancaster, Ontario Assistant Treasurer	Assistant Treasurer	2005

Notes:

(A) Member of Audit Committee

See "Audit Committee Matters" below.

(C) Member of Corporate Governance Committee

The Corporate Governance Committee is responsible for: developing the Company's approach to governance issues; reviewing the effectiveness of the Board's practices in light of emerging and changing regulatory requirements; assessing new nominees for the Board and planning education programs for them; and assessing the size, composition and effectiveness of the Board as a whole and of the Committees as well as assessing the contribution of individual Board members. The Committee's responsibility extends to ensuring that the Board can function independently of the Senior Executive Officers and monitoring the Board's relationship to the Senior Executive Officers. It reviews the communications policy of the Corporation to ensure that communications to shareholders, regulators and the investing public are factual and timely, are broadly disseminated in accordance with applicable policy and law and to treat all shareholders fairly with respect to disclosure. The Committee recommends topics of interest or importance for discussion and/or action by the Board. It annually reviews the charters, mandates and policies of the Corporation, the timing and adequacy of materials provided to Directors or Committee members, the continuing qualifications and contribution of individual members as well as any conflicts of interest and time commitments. It also reviews the adequacy and form of the compensation of Directors to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective Director. The Committee is also responsible for approving the engagement by one or more Directors of an outside legal or other advisor at the expense of the Corporation should such extraordinary circumstances ever arise. The Committee meets independently of Senior Executive Officers from time to time or as necessary. Mr. McAvity chairs the Corporate Governance Committee.

(I) In the view of the Board, is independent under the corporate governance guidelines of the Canadian securities administrators.

(L) Lead Director.

AUDIT COMMITTEE MATTERS

Composition and Background

The Audit Committee is currently comprised of Messrs. Brian Felske, Bruce D. Heagle, and Michael A. Parente. Mr. Heagle serves as its Chairman.

Each is "independent" as contemplated by National Instrument 52-110 ("NI 52-110") of the Canadian securities regulatory authorities and each is financially literate, meaning that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the financial statements of Central Fund. Each of the members of the Audit Committee, is regarded by the Board, by virtue of his respective education and/or business background, as well as experience with Central Fund, as having: (a) a basis for understanding the accounting principles used by the Company to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience analyzing or evaluating financial statements of the type referred to above and, in the case of Mr. Parente, experience supervising one or more persons engaged in such activities; and, (d) an understanding of internal controls and procedures for financial reporting.

Mr. Felske has managed a mining consultancy for more than 25 years with major clients including brokers, institutional investors, banks, multilateral agencies and mining companies. Mr. Heagle has an MBA from the Richard Ivey Business School. He has been an officer since 1982 and President and a director of National System of Baking Ltd. since 1991 and is President of its division, NSBL International (private capital investments). Mr. Parente is a Certified Management Accountant and Certified Financial Planner in Canada and has been an independent consultant since 2009. Prior to that, he had been the Director of Finance for First Ontario Credit Union since 2004. From February, 1990 to August, 2002, Mr. Parente was the Vice-President Finance of Central Fund. Previously, for over 15 years, he was Chief Financial Officer and Compliance Officer for a mutual fund management company.

Responsibilities

The Audit Committee fulfils its responsibilities within the context of the following guidelines:

- the Committee communicates its expectations to the Senior Executive Officers and the external auditors with respect to the nature, extent and timing of its information needs. The Committee expects that draft financial statements and other written materials will be received from the Senior Executive Officers several days in advance of Committee meeting dates;
- the Committee, in consultation with the Officers and the external auditors, develops an Audit Committee agenda which is responsive to the Committee's needs as set out in its charter;
- the Committee, in consultation with the Senior Executive Officers and the external auditors, reviews important financial issues and emerging audit, accounting and governance standards which may impact the Corporation's financial disclosure and presentation;

- the Chairman of the Committee and other Audit Committee members have direct, open and frank discussions during the year with the Senior Executive Officers, other Board members and the external auditors as required;
- to assist the Committee in fulfilling its responsibilities, it may, at the expense of the Corporation and after consultation with the President, engage an outside advisor with special expertise;
- as the external auditor's responsibility is not only to the Board of Directors but to the Audit Committee as representatives of the shareholders, the Committee expects the external auditors to report to it all material issues arising out of their services or relationship with the Corporation; and
- pre-approving both audit and non-audit services.

Charter

The charter of the Audit Committee is as follows:

Purpose

The primary function of the Audit Committee is to assist the board of directors of the Corporation (the "Board") in fulfilling their oversight responsibilities by reviewing:

- (a) selection, independence and effectiveness of the external auditors;
- (b) the financial statements and other financial information and reports which will be provided to the shareholders and others;
- (c) the financial reporting process; and
- (d) the Corporation's internal audit activity and controls.

The external auditor's ultimate responsibility is to the Corporation and the Audit Committee, as representatives of the shareholders. These representatives have the ultimate authority to evaluate and, where appropriate, recommend replacement of the external auditors.

The Committee shall be given full access to the Corporation's records, those of Central Group Alberta Ltd. (the "Administrator") and access to the external auditors as necessary to carry out these responsibilities.

Although the Audit Committee has the powers and responsibilities set forth in this Charter, the role of the Audit Committee is oversight. The members of the Audit Committee are not employees of the Corporation or the Administrator. It is not the duty of the Audit Committee to conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of the Senior Executive Officers. The external auditor's responsibility is to perform an audit to determine whether the financial statements prepared by the Senior Executive Officers are, in all material respects in accordance with generally accepted accounting principles.

Qualification of Members

1. The members of the Audit Committee (the “Committee”) shall be three or more in number and be “independent” as defined in Multilateral Instrument 52-110 of the Canadian securities regulators. “Independent” for this purpose means that a member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with his or her independent judgment. Members of the Committee shall not receive any remuneration other than for acting as a member of the Committee or another Committee or as a Board member.
2. All members of the Committee shall be “financially literate”, that is to say have the ability to read and understand financial statements and related notes that present a breadth and level of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Operating Procedures

1. The Committee requires that the Senior Executive Officers provide for review draft annual and quarterly financial statements, annual and quarterly reports, Management’s Discussion and Analysis, Annual Information Form and press releases where relevant, in a timely manner before the scheduled Committee meetings.
2. The Committee meets annually in December (twice) so as to be able to review the draft annual audited financial statements and related materials, and meets quarterly as required to review the draft first, second and third quarter unaudited financial statements and the accompanying report to shareholders.
3. At least annually, the Committee reviews its effectiveness and the contribution of each of its members.
4. The Committee shall have adequate resources and authority to discharge its responsibilities.
5. The Committee shall have the authority to engage and compensate independent counsel and other advisors which it determines are necessary to enable the Committee to carry out its duties, and to communicate directly with the external auditors.

Relationship with External Auditor and Review Responsibilities

1. The external auditors are accountable to the Board and the Committee, the Committee serving as representatives of the shareholders of the Corporation. As such representatives, the Committee has overall responsibility for selection of the external auditors and recommends to the Board, the firm of external auditors to be put forward for shareholder approval at each annual meeting. The Committee will only select external auditors who (a) participate in the oversight program of the Canadian Public Accountability Board (the “CPAB”) and (b) are in good standing with the CPAB.
2. The Committee annually reviews and discusses a letter from the external auditors detailing factors that might have an impact on the auditors’ independence, including all services provided and fees charged by the external auditors. The Committee satisfies itself regarding the

independence of the auditors and reports its conclusions, and the basis for those conclusions, to the Board.

3. The Committee reviews and recommends to the Board for approval the annual audited financial statements and accompanying report to shareholders as well as related documents such as the Annual Information Form or equivalent filings and the Management's Discussion and Analysis.
4. The Committee also reviews and recommends to the Board for approval the unaudited financial statements for the first, second and third quarters, Management's Discussion and Analysis and related reports to shareholders.
5. The Committee is responsible for approving the scope of the annual audit, the audit plan, the access granted to the Corporation's records and the co-operation of the Senior Executive Officers in any audit and review function.
6. The external auditors are required to present and discuss with the Committee its views about the quality of the accounting policies adopted by the Senior Executive Officers in preparing the financial statements, including International Financial Reporting Standards when in effect, with a particular focus on the accounting estimates and judgments made by the Senior Executive Officers selection of accounting principles. The Committee meets in private with appropriate Senior Executive Officers and separately with the external auditors to share perceptions on these matters, discuss any potential concerns and agree upon appropriate action plans.
7. The Committee is responsible for reviewing the work of the external auditors, including their findings and recommendations, as well as the Senior Executive Officers' response to any such findings and recommendations, and resolving any disagreements between them and the external auditors regarding financial reporting.
8. The Committee should approve all audit services and, wherever feasible, pre-approve any non-audit services to be provided by its external auditors.
9. The Committee is responsible for assessing the effectiveness of the working relationship of the external auditors with the Senior Executive Officers.
10. The Committee is responsible for reviewing the performance of, and approving the fees charged by, the external auditors.
11. The Committee is also responsible, when circumstances dictate, for recommending to the Board the removal and replacement of external auditors.
12. The Committee shall establish procedures for dealing with complaints regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by Senior Executive Officers of the Corporation or officers and employees of the Administrator regarding such matters (i.e. whistle-blowing).
13. The Committee shall review and approve the hiring by the Administrator of employees and former employees of the external auditors who were involved in the Corporation's accounts.
14. The Committee shall review and comment to the Board on all related-party transactions.

15. The Committee shall review any change in the Corporation's Code of Ethics for Senior Financial Officers.
16. The Committee shall, when feasible, review any prospectuses, registration statements, information circulars and other reporting issuer or disclosure statements of the Corporation involving and as related to financial disclosure.

Relationship to Internal Audit

1. The Committee is responsible for reviewing and approving the Senior Executive Officers' decisions relating to any potential need for internal auditing, including whether this function should be outsourced and if such function is outsourced, to approve the supplier of such service.
2. The Committee is responsible for ensuring that the Senior Executive Officers have designed and are implementing an effective system of internal control over financial reporting.

Disclosure

1. The Committee provides a report annually to the shareholders, as part of the Information Circular for the annual meeting, which briefly summarizes the nature of the activities of the Committee.

Procedures

1. The times and locations of meetings of the Committee, the calling of such meetings and all aspects of procedure at such meetings shall be determined by the Committee, as the case may be, provided that in every case:
 - (a) the presence of at least two members shall be necessary to constitute a quorum; and
 - (b) the acts of the Committee or any sub-committee, at a duly constituted meeting, shall require no more than the vote of a majority of the members present and that, furthermore, in any circumstance, a resolution or other instrument in writing signed by all members of the Committee shall avail as the act of the Committee.
2. The Secretary of the Corporation, failing which the Assistant Secretary of the Corporation, shall be the Secretary of the Committee.

The following table sets out information in relation to the fees of the Auditors, Ernst & Young LLP, in respect of the past two fiscal years of the Company:

<u>Fiscal Year Ended</u>	<u>Audit Fees⁽¹⁾</u>	<u>Tax Fees</u>	<u>All Other Fees</u>
October 31, 2011	\$ 157,429 ⁽¹⁾	--	--
October 31, 2010	\$ 206,942 ⁽¹⁾	--	--

Note (1): Includes review of financial information and financial statement preparation for public offerings of Class A non-voting shares of the Company.

The Audit Committee is required to approve all non-audit work undertaken by the Auditors. As a matter of policy, the Auditors are precluded by the Board of Directors from supplying: actuarial services; appraisal or evaluation services; fairness opinion or contribution-in-kind reports; bookkeeping or other services related to the accounting records or financial statements; broker or dealer, investment advisor or investment banking services; financial information systems design and implementation; internal audit outsourcing; legal or expert services related to the audit; and management functions or human resources.

RISK FACTORS

Shareholders and prospective investors should consider the following factors relating to the business and primary assets of Central Fund

Gold and Silver Price Volatility

Central Fund's affairs almost entirely involve purchasing and holding pure gold and silver bullion. Therefore, the principal factors affecting the price of its shares are factors which affect the price of gold and silver. Central Fund's gold and silver bullion assets are traded internationally and are denominated in U.S. dollars. As at October 31, 2011, the Company's net assets were made up of 51.9% gold bullion and certificates, 46.9% silver bullion and certificates, and 1.2% cash and other working capital amounts. Central Fund does not engage in any leasing, lending or hedging activities involving its assets, so the value of the shares will depend on, and typically fluctuate with, the price fluctuations of gold and silver. The prices of gold and silver bullion may be affected by a variety of unpredictable, international, economic, monetary and political factors including:

- global gold and silver supply and demand, which is influenced by such factors as: (i) forward selling by gold and silver producers; (ii) purchases made by gold and silver producers to unwind gold and silver hedge positions; (iii) central bank purchases and sales; and (iv) production and cost levels in major gold-and-silver producing countries;
- investors' expectations with respect to various rates of inflation;
- exchange rate volatility of the U.S. dollar, the principal currency in which the price of gold and silver is generally quoted;
- the volatility of interest rates; and
- unexpected global, or regional, political or economic incidents.

Changing tax, royalty and land and mineral rights ownership and leasing regulations under different political regimes can impact market functions and expectations for future gold and silver supply. This can impact both gold and silver mining shares, and the relative prices of other commodities, which can also be competitive factors that impact investor decisions with respect to investing in gold and silver and in the Class A shares of Central Fund.

Foreign Exchange Rates

Central Fund maintains its accounting records, purchases gold and silver and reports its financial position and results in U.S. currency. However, certain of Central Fund's expenses are paid, and the Class A shares trade on the Toronto Stock Exchange, in Canadian currency. Therefore, because exchange rate

fluctuations are beyond Central Fund's control, there can be no assurance that such fluctuations will not have an effect on Central Fund, its net asset value or on the trading price of the Class A shares.

Uninsured and Underinsured Losses

All of the gold and silver bullion owned by Central Fund is stored on an unencumbered and allocated basis in the treasury vaults of the Canadian Imperial Bank of Commerce (the "Bank") in segregated safekeeping. The bullion is partially insured by Central Fund. While insurance is carried by such custodian, there is no assurance that such insurance is sufficient to satisfy any losses incurred by the custodian in respect of its relationship with Central Fund. In addition, Central Fund is not a named beneficiary under such insurance and would have to rely on the custodian's efforts to recover its losses. Should such losses be found to be the fault of the custodian, recovery might be limited to the value of the gold and silver bullion at the time the loss is discovered. Any of the foregoing concerns could negatively affect the value of the assets of Central Fund.

Net Asset Value

The net asset value of Central Fund's gold and silver assets is based on the spot price reported for gold and silver bullion, respectively. Accordingly, the market value of the Class A shares may, at any time, be greater or less than the realizable value of the underlying assets, being primarily the gold, silver and cash owned by Central Fund. Central Fund has no control over the factors that affect the value of the gold and silver bullion held by Central Fund, including factors that affect gold and silver prices generally, such as general economic and political conditions and fluctuations in interest rates, and factors unique to the gold or silver industry.

Price Volatility of Other Commodities

Central Fund's affairs may be affected to a limited extent by the price of other commodities which may be viewed by investors as competitively priced or as an alternative to investing in gold and silver related investments.

Canadian Federal Income Tax Considerations

If Central Fund were to cease to qualify as a "mutual fund corporation" under the Income Tax Act (Canada), the income tax considerations would be materially and adversely different in certain respects.

There can be no assurance that Canadian federal income tax laws and the administrative and assessing practices of the Canada Revenue Agency respecting the treatment of mutual fund corporations and the tax applicable to gains and losses will not be further changed or interpreted in a manner which adversely affects Class A shareholders.

United States Federal Income Tax Considerations

Central Fund has been, and expects to continue to be a passive foreign investment company ("PFIC") for United States federal income tax purposes. Under the PFIC rules, the United States federal income tax treatment of the Class A shares is very complex and, in certain cases, uncertain or potentially unfavorable to United States shareholders. Under current law, a non-corporate United States shareholder who has in effect a valid election to treat Central Fund as a qualified electing fund ("QEF")

should be eligible for the 15% maximum United States federal income tax rate (which is currently scheduled to increase to 20% for tax years beginning on or after January 1, 2013) on a sale or other taxable disposition of Central Fund's shares, if such shares have been held for more than one year at the time of sale or other taxable disposition. Gain from the disposition of collectibles, such as gold or silver, however, is currently subject to a maximum United States federal income tax rate of 28%. The IRS has authority to issue Treasury regulations applying the 28% tax rate to gain from the sale by a non-corporate United States shareholder of an interest in a PFIC with respect to which a QEF election is in effect. Although no such Treasury regulations have been issued to date, there can be no assurance as to whether, when or with what effective date any such Treasury regulations may be issued, or whether any such Treasury regulations would subject long-term capital gains recognized by a United States shareholder (a "U.S. Holder") that has made a QEF election on a disposition of Central Fund shares to the 28% rate. U.S. Holders should be aware that if they purchase Class A shares and make a QEF election, the IRS may issue regulations or other guidance, possibly on a retroactive basis, which would apply the higher 28% United States federal income tax rate to any long-term capital gain recognized on a sale of their Central Fund shares. U.S. Holders should consult their tax advisors regarding the implications of making a QEF election with respect to Central Fund.

Under the QEF rules, in the event that Central Fund disposes of a portion of its gold or silver holdings, including dispositions in the course of varying its relative investment between gold and silver, United States shareholders who have made a QEF election may be required to report substantial amounts of income for United States federal income tax purposes (in the absence of any cash distributions received from Central Fund). Historically, Central Fund has declared and paid a cash distribution of U.S. \$0.01 per share (prior to 1996, Cdn.\$0.01 per share) on its outstanding Class A shares. In addition, it is the intention of Central Fund to distribute to holders of record of Class A shares and common shares as of the last day of each taxable year (currently October 31) an aggregate amount of cash distributions (including the stated distributions on the Class A shares) such that the amount of cash distributions payable to an electing shareholder that holds Class A shares for the entire taxable year of Central Fund will be at least equal to the product of (i) Central Fund's "ordinary earnings" and "net capital gains" for such taxable year allocable to such electing Shareholder and (ii) the highest marginal rate of United States federal income tax on ordinary income or long-term capital gain, as appropriate, applicable to individuals. Because such cash distributions may be subject to Canadian withholding tax and because the amount of such cash distributions will be determined without reference to possible United States state or local income tax liabilities or to the rate of United States federal income tax applicable to corporate United States shareholders, such cash distributions may not provide an electing Shareholder with sufficient cash to pay the United States federal income tax liability arising from the inclusion in income of the electing Shareholders' pro rata share of Central Fund's "ordinary earnings" and "net capital gains" under the QEF rules.

Each United States person that acquires Class A shares, whether from Central Fund or in the secondary market, is strongly urged to consult his, her or its own tax advisor.

NOTICE PURSUANT TO IRS CIRCULAR 230: NOTHING CONTAINED IN THIS RISK FACTOR CONCERNING ANY U.S. FEDERAL TAX ISSUE IS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY A U.S. SHAREHOLDER, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES UNDER THE U.S. INTERNAL REVENUE CODE. THIS RISK FACTOR WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DOCUMENT. EACH U.S. SHAREHOLDER SHOULD SEEK U.S. FEDERAL TAX ADVICE, BASED ON SUCH U.S. SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Risks Related to Redemption

The redemption price of Class A shares as referred to under “Capital Structure, Dividends and Market for Securities – Capital Structure - Class A Non-voting Shares” will generally be lower than the price received from selling Class A shares on the NYSE Amex or Toronto Stock Exchange. If holders of a substantial number of Class A shares were to exercise their redemption rights, the number of Class A shares outstanding and the net assets of Central Fund could be significantly reduced. If a substantial number of the Class A shares were to be redeemed, this could decrease the liquidity of the Class A shares in the market and increase the management expense ratio of Central Fund. In any such circumstance, the articles of Central Fund provide for the suspension of redemptions during specified unusual circumstances such as suspension of trading on certain stock exchanges or the London bullion market or to comply with applicable laws and regulations.

Future Offerings

Central Fund may only undertake offerings of Class A shares where the net proceeds per share to be received by Central Fund are not less than the net asset value calculated at the time of pricing an offering. Accordingly, the price at which Class A shares are offered to the public (other than in a rights offering to existing shareholders) may be below the trading price of Class A shares on the NYSE Amex or Toronto Stock Exchange at the time of the offering, which may have the interim effect of lowering the trading price of the Class A shares following such offering.

Possible Adverse Effect of Substantial Official Sector Gold Sales

The official sector consists of central banks, other governmental agencies and multi lateral institutions that buy, sell and hold gold as part of their reserve assets. The official sector holds a significant amount of gold, some of which is static, meaning that it is held in vaults and is not bought, sold, leased or swapped or otherwise mobilized in the open market. A number of central banks have sold portions of their gold reserves over the last few years, with the result being that the official sector, taken as a whole, has been a net supplier of gold to the open market although recently, there have been substantial purchases of gold bullion from the International Monetary Fund. In the event that future economic, political or social conditions or pressures require members of the official sector to liquidate their gold assets all at once or in an uncoordinated manner, the demand for gold may not be sufficient to accommodate the sudden increase in the supply of gold to the market. Consequently, the price of gold could decline which may adversely affect an investment in the Class A shares.

Loss, Damage or Restriction on Access to Gold and Silver

There is a risk that part or all of Central Fund’s gold and silver bullion could be lost, damaged or stolen, notwithstanding the handling of deliveries of bullion by and storage of bullion in the treasury vaults of a Canadian bank. Also, access to Central Fund’s gold and silver bullion could be restricted by natural events or human actions. Any of these events may adversely affect the assets of Central Fund and, consequently, an investment in the Class A shares.

Investment Eligibility

The Board of Directors intend that the Class A shares will be qualified investments under the applicable tax legislation for various type of investment plans. However, there can be no assurance for

the future that the Class A shares will continue to be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

Regulatory Changes

Central Fund may be affected by changes in regulatory requirements, customs duties and other taxes. Such changes could, depending on their nature, benefit or adversely affect Central Fund and its shareholders.

Competition

An investment in the Class A shares may be adversely affected by competition from other methods of investing in gold and silver. Central Fund may be regarded as competing with other financial vehicles, including traditional debt and equity securities issued by companies in the precious metals industry; other securities backed by or linked to gold or silver; direct investments in gold or silver and open-end or closed-end investment entities. Market and financial conditions, and other conditions beyond Central Fund's control, may make it more attractive to invest in other financial securities or to invest in gold or silver bullion directly, which could occasionally reduce the marketability for the Class A shares.

Conflict of Interest

The Directors and Officers of Central Fund and of the Administrator may provide advisory, administration, investment management and other services to other entities and parties including certain of them who provide services to Central GoldTrust or Silver Bullion Trust which also acquire and hold bullion. The Directors and Officers of Central Fund have undertaken to devote such reasonable time as is required to properly fulfill their responsibilities in respect of the affairs of Central Fund, as they arise from time to time.

Delivery of Silver and Gold Bullion

In accordance with industry standards, there is a delay between the time of acquisition of the bullion purchased by Central Fund out of the proceeds of offerings of Class A shares and the time of actual delivery of such bullion, due to factors beyond Central Fund's control.

Actions and Enforceability

Central Fund and the Administrator are organized under the laws of Canada, their respective head offices and administrative activities are carried out in Canada and their directors and officers are residents of jurisdictions outside the United States as are a substantial portion of the assets of such individuals. All of the assets of Central Fund, principally gold and silver bullion, are located in Canada. As a result, a shareholder may be unable to serve legal process within the United States other than upon Central Fund or enforce against any of the above entities or individuals in the appropriate Canadian courts judgments obtained in United States courts, including judgments predicated on the civil liability provisions of the federal or state securities laws of the United States, or bring an original action in the Canadian courts to enforce liabilities against any of such entitled or individuals based on the United States federal or state securities laws.

ADDITIONAL INFORMATION

Central Fund has no employees and there are no Officers 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 Messrs. Philip Spicer and Stefan Spicer who 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. Mr. Dale Spackman and Mrs. Catherine A. Spackman are husband and wife.

As of December 12, 2011, the Directors and Officers of Central Fund as a group beneficially owned or are deemed to own, directly or indirectly, approximately 63.1% of the outstanding Common shares of Central Fund.

John Elder, Secretary of the Company, was a director of a restaurant enterprise, Richtree Inc. ("Richtree"). Richtree is not affiliated with the Company or the Administrator. In late December 2002 and again in late December 2003, the Ontario Securities Commission issued a temporary restraining order prohibiting each of the directors and officers of Richtree from trading in the securities of Richtree until its annual audited financial statements were filed. The directors individually consented to the Commission issuing such orders. Such orders were lifted in late January 2003 and late February 2004 respectively following Richtree's filing of the audited financial statements for the relevant fiscal year. In October of 2004, Richtree made a proposal under the Companies' Creditors Arrangement Act (Canada) and all of its assets were subsequently sold to the secured creditor in early 2005. Mr. Elder ceased to be a director prior to completion of such sale.

Central Fund's Registrar and Transfer Agent is CIBC Mellon Trust Company at Calgary, Montreal, Toronto and Vancouver. CIBC Mellon's Co-Transfer Agent for business in the United States is Mellon Investor Services LLC in Jersey City and Pittsburgh.

Central Fund will provide the following information to any person who requests it from Central Fund's President, Treasurer or Secretary at Suite 805, 1323-15th Avenue S.W., Calgary, Alberta T3C 0X8.

- (a) when securities of Central Fund are in the course of a distribution pursuant to a short form prospectus or a base shelf or 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 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 Common shares and interests of insiders in material transactions, where applicable, is contained in Central Fund's Information Circular dated as of January 10, 2012 in connection with its Annual Meeting of shareholders to be held on February 27, 2012. Additional financial information is provided in Central Fund's 2011 Annual Report. Copies of Central Fund's 2011 Annual Report and its Information Circular dated as of January 11, 2011 may be obtained, and of its Information Circular to be dated as of January 10, 2012 may shortly be obtained, by visiting the Company's website at www.centrfund.com.

Further information relating to Central Fund may be found on SEDAR at www.sedar.com and EDGAR at www.sec.gov/edgar.shtml.