Central Fund of Canada Limited

41ST ANNUAL REPORT
OCTOBER 31, 2002

The Role of Central Fund

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

Investment Policies & Restrictions

Articles of incorporation require that at least 75% of Central Fund's non-cash assets be in gold and silver related investments. This cannot be changed without shareholder approval.

The stated investment policy of the Board of Directors requires Central Fund to maintain a minimum of 90% of its net assets in gold and silver bullion of which at least 85% must be in physical form. On October 31, 2002, 97.5% of Central Fund's net assets were invested in gold and silver bullion.

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

Safeguards

Bullion is stored on a fully segregated basis in the underground vaults of the Canadian Imperial Bank of Commerce, one of the largest banks in North America in terms of total assets.

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

The physical gold and silver bullion holdings are insured against destruction, disappearance or wrongful abstraction.

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

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

Conveniences

Central Fund's Class A shares are listed on the American Stock Exchange (CEF) and on the Toronto Stock Exchange (CEF.A). Making a gold and silver bullion investment through Central Fund is as easy as calling one's stockbroker.

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

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

Directors' 41st Report to Shareowners

Central Fund of Canada Limited is a low-cost, convenient facility for the ownership of gold and silver bullion. At October 31, 2002, 97.5% of Central Fund assets consisted of unencumbered, passive holdings of gold and silver bullion.

Central Fund's Class A shares are listed for trading on both the American Stock Exchange and the Toronto Stock Exchange, providing investors with a convenient precious metals investment alternative to the high costs of bullion buying, selling, handling, recording, storage, insurance and assay charges at time of sale.

Central Fund is also a desirable alternative to bullion coins that often include additional shipping and handling charges and are subject to sales tax costs in many North American jurisdictions.

Central Fund shares serve as a bullion proxy and qualify for various "regulated capital accounts" such as IRAs, Keoghs, RRSPs, Insurance, Mutual and Pension Funds where direct holdings of physical commodities may be restricted or are very cumbersome to institute and maintain. The role of Central Fund is more thoroughly described on page 1.

Net assets increased by approximately $66,100,000 or 99.6% during the year. Of this amount, approximately $63,650,000 was the result of the issuance of 16,384,660 Class A shares during the year. These shares were issued at a premium to net asset value such that there was no dilution of existing Class A shareholders' equity interests. Details of these Class A share issues are provided in note 3 to the accompanying financial statements.

The resulting significant increase in total assets benefits all shareholders by reducing per share expenses due to the total assets related declining scale of administration fees (note 5).

The substantial increase in net assets was partly mitigated by (i) the fact that the prices of gold and silver at October 31, 2002 had declined in some cases from prices paid to acquire new bullion coincident with the new share issues; (ii) the net loss for the year and (iii) payment of the annual dividend on Class A shares.

During the year, the net asset value per Class A share, as reported in U.S. dollars, increased by 8.2% from $3.42 to $3.70. Gold prices increased by 13.7% during the year while silver prices increased by 4.7%. The net asset value per Class A share, as reported in Canadian dollars, while subject to the same effects described above, increased at a lower rate, by 6.5% as a result primarily of the 1.7% decrease in the U.S. dollar relative to the Canadian dollar.

The change in net assets during the year was comprised of the following:

Per Class A share	***U.S. $ terms***	***Cdn. $ terms***
Net asset value, October 31, 2001	*$ 3.42*	*$ 5.42*
Changes due to:		
Change in gold price	*.25*	*.40*
Change in silver price	*.07*	*.11*
Change in U.S./Cdn. $ exchange rate	*–*	*(.09)*
Loss from operations and other	*(.03)*	*(.05)*
Dividends paid	*(.01)*	*(.02)*
Net asset value, October 31, 2002	*$ 3.70*	*$ 5.77*

The net loss for the year ended October 31, 2002 is higher than the net loss for the same period in 2001.

Interest income during the year was sharply reduced due to lower average balances of interest-bearing cash deposits combined with declining interest rates during the year as compared with the prior year. However, cash balances have increased significantly as a result of some cash being retained from the Class A share issues. Accordingly, higher interest income has been earned in recent months and should continue to have a positive impact on interest earned in subsequent periods.

Management has decided to focus its small portfolio of equity securities on high quality, gold and/or silver producers. As such, a portion of the existing portfolio representing illiquid junior mining companies purchased years ago was sold resulting in a realized loss representing approximately one-half of the net loss incurred during the year.

The increase in net assets during the year as a result of the two private placements and the public share offering referred to above had an impact on several expense categories. Administration fees, which are calculated monthly based on net assets at each month end, increased during the year as a direct result of the higher level of net assets attributable to the issuances of Class A shares. Safekeeping fees and bullion insurance costs have increased to reflect the larger quantities and dollar values of gold and silver bullion being held as a result of bullion purchases from the proceeds of the share issues. Shareholder information costs were higher as a result of increases in U.S. and Canadian stock exchange fees. Directors' fees have increased as a result of the addition of an independent director (formerly an officer and inside director). Income taxes, or more specifically, the federal Large Corporations Tax, are based on the Company's total net assets as at its fiscal year end. The increase in taxes is directly related to the higher net asset level which existed at October 31, 2002. It should be noted, however, that while several categories of expense increased as a consequence of the increased size of the net assets mid-year, the relative ratio of expenses to net assets decreased in the second half of the year.

A more detailed analysis of Central Fund's Results of Operations is included in the Management's Discussion and Analysis of Financial Condition and Results of Operations section on page 15 of this Annual Report.

The Company employed a majority of the proceeds from the Class A share issues referred to above to purchase gold and silver bullion in the ratio of approximately 50 ounces of silver to each 1 fine ounce of gold. Thus, the long-standing policy for the ratio of bullion holdings, as mandated by the Board of Directors, has been maintained.

As a result of the share issue related bullion purchases during the year, there has been a minor change in the respective holdings of "good delivery" physical bars and bullion certificates. The comparative breakdown in physical bars at October 31, 2002 is: gold: 98.6% (2001, 98.1%) and silver: 98.6% (2001, 97.5%). (To maximize exposure to bullion markets, management holds excess near term working capital requirements in certificate form as an efficient convenience.)

Gold and silver have a long demonstrated history as monetary metals, officially and unofficially. Defining money as a recognized, accepted medium of exchange and a store of value, gold and silver derive intrinsic value from their unique characteristics of scarcity, consistency of quality and resistance to corrosion without counter-party risk, that is internationally recognized by individuals and nation states. An ounce of gold is a physical fact, not a renegotiable promise, and most closely fits the true definition of "money".

Prudence and history suggest that a part of everyone's savings be held in solid gold and silver or their share equivalent as insurance for their own ultimate financial and economic well-being.

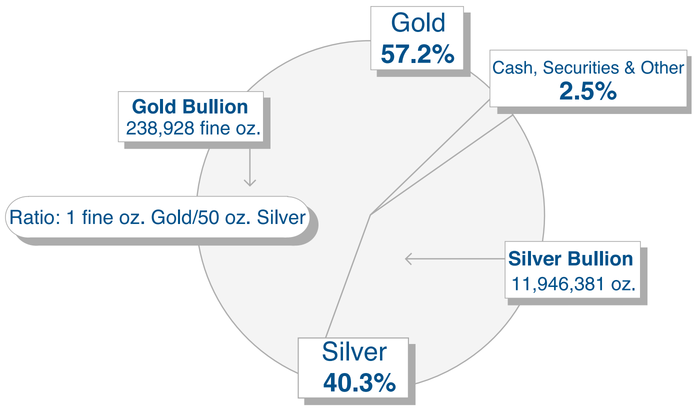
Upon this philosophical foundation, Central Fund of Canada Limited now enters its 42nd year of operations and the 20th year since its conversion in 1983 to holding unencumbered, long-term passive holdings of gold and silver bullion. Central Fund is fulfilling its mandate of providing a sound, low-cost, convenient, Exchange-tradable monetary alternative for conservative investors in its role as "The Sound Monetary Fund".

Respectfully submitted,
on behalf of the Board of Directors

December 12, 2002

J.C. Stefan Spicer, President

Net Asset Summary
at
October 31, 2002



Financial Highlights

		As at October 31,					
		2002		***2001***		***2000***	
		U.S. $	***Cdn. $***	***U.S. $***	***Cdn. $***	***U.S. $***	***Cdn. $***
Total net assets (in millions)	*$*	*132.4*	*206.7*	*66.4*	*105.3*	*68.4*	*104.4*
Net asset value per Class A share	*$*	*3.70*	*5.77*	*3.42*	*5.42*	*3.52*	*5.38*
Net assets:							
Gold bullion		*57.2%*		*55.6%*		*51.2%*	
Silver bullion		*40.3%*		*42.6%*		*45.9%*	
Cash, securities & other		*2.5%*		*1.8%*		*2.9%*	
		100.0%		*100.0%*		*100.0%*	
Gold – per fine ounce	*U.S. $*	*316.90*		*278.75*		*264.50*	
Silver – per ounce	*U.S. $*	*4.4750*		*4.2750*		*4.74*	
Exchange Rate	*$1.00 U.S. = Cdn. $*	*1.5603*		*1.5867*		*1.5271*	

Management's Responsibility for Financial Reporting

The accompanying financial statements of Central Fund of Canada Limited and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

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

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

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

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

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

President

November 22, 2002

Catherine A. Spackman

Treasurer

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

Net Assets:		As at October 31, 2002	2001
Gold bullion, at market (note 2)	$	75,716,165	36,858,284
Silver bullion, at market (note 2)		53,460,056	28,282,409
Marketable securities, at market (average cost - 2002: $89,430 and 2001: $1,005,250)		41,486	45,297
Interest-bearing cash deposits		3,898,449	1,456,544
Prepaid bullion insurance and safekeeping		21,600	21,600
Interest receivable and other		11,957	12,980
		133,149,713	66,677,114
Accrued liabilities		(344,138)	(131,190)
Dividends payable (note 3)		(357,975)	(194,129)
Net assets representing shareholders' equity	$	132,447,600	66,351,795
Represented by:			
Share capital (note 3)	$	153,368,513	89,721,052
Contributed surplus and retained earnings (note 4)		28,695,029	30,948,804
Unrealized depreciation of investments		(49,615,942)	(54,318,061)
	$	132,447,600	66,351,795
Net asset value per share (expressed in U.S. dollars)(note 1(c)(ii)):			
Class A shares	$	3.70	3.42
Common shares	$	0.70	0.42
Net asset value per share (expressed in Canadian dollars):			
Class A shares	$	5.77	5.42
Common shares	$	1.09	0.66
Exchange rate at end of year:	U.S. $1.00 = Cdn. $	1.5603	1.5867

See accompanying notes to financial statements.

On behalf of the Board:

"Douglas E. Heagle"
Director

"Philip M. Spicer"
Director

Statement of Loss
(expressed in U.S. dollars)

		Years ended October 31, 2002	2001	2000
Income:				
Interest	$	43,544	78,752	143,935
Dividends		401	380	277
Realized loss on sale of investments		(906,786)	–	–
		(862,841)	79,132	144,212
Expenses:				
Administration fees (note 5)		447,589	334,609	358,572
Safekeeping, insurance and bank charges		99,164	65,160	70,462
Shareholders' information		77,400	66,118	72,778
Directors' fees and expenses		50,449	41,994	39,001
Professional fees		36,097	25,335	27,170
Registrar and transfer agents' fees		29,872	30,291	30,180
Miscellaneous		2,125	1,174	1,561
Foreign exchange loss		6,776	8,772	2,801
		749,472	573,453	602,525
Loss from operations before income taxes		(1,612,313)	(494,321)	(458,313)
Income taxes (note 6)		(283,487)	(140,091)	(139,284)
Net loss	$	(1,895,800)	(634,412)	(597,597)
Net loss per share (note 1(c) (i)):				
Class A shares	$	(0.07)	(0.03)	(0.03)
Common shares	$	(0.08)	(0.04)	(0.04)

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

		Years ended October 31, 2002	2001	2000
Net assets at beginning of year	$	66,351,795	68,364,799	76,219,208
Add (Deduct):				
Unrealized appreciation (depreciation) of investments during the year		3,795,333	(1,184,463)	(8,250,543)
Realized loss on investments during the year		906,786	–	–
Net loss		(1,895,800)	(634,412)	(597,597)
Net issuance of Class A shares		63,647,461	–	1,187,860
Dividends on Class A shares		(357,975)	(194,129)	(194,129)
Increase (decrease) in net assets during the year		66,095,805	(2,013,004)	(7,854,409)
Net assets at end of year	$	132,447,600	66,351,795	68,364,799

See accompanying notes to financial statements.

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

		Years ended October 31, 2002	2001	2000
Share Capital (note 3):				
35,797,520 (2001 and 2000: 19,412,860) retractable, Class A shares issued	$	153,349,055	89,701,594	89,701,594
40,000 Common shares issued		19,458	19,458	19,458
		153,368,513	89,721,052	89,721,052
Contributed surplus:				
Balance at beginning of year		30,948,804	31,777,345	32,569,071
Transfer to retained earnings on elimination of deficit (note 4)		(2,253,775)	(828,541)	(791,726)
Balance at end of year		28,695,029	30,948,804	31,777,345
Retained earnings:				
Balance at beginning of year		–	–	–
Net loss		(1,895,800)	(634,412)	(597,597)
Dividends on Class A shares		(357,975)	(194,129)	(194,129)
		(2,253,775)	(828,541)	(791,726)
Transfer from contributed surplus on elimination of deficit (note 4)		2,253,775	828,541	791,726
Balance at end of year		–	–	–
Unrealized depreciation of investments:				
Balance at beginning of year		(54,318,061)	(53,133,598)	(44,883,055)
Unrealized appreciation (depreciation) of investments during the year		3,795,333	(1,184,463)	(8,250,543)
Realized loss on investments during the year		906,786	–	–
Balance at end of year		(49,615,942)	(54,318,061)	(53,133,598)
Shareholders' equity	$	132,447,600	66,351,795	68,364,799

See accompanying notes to financial statements.

Notes to Financial Statements

October 31, 2002, 2001 and 2000
(amounts expressed in U.S. dollars unless otherwise stated)

1. Summary of significant accounting policies:

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

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

(a) Foreign exchange translation:

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

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

(b) Investments:

Bullion and marketable securities are valued at market value. Gold bullion is valued at the afternoon London fixing and silver bullion is valued at the daily London fixing. Marketable securities are valued at prices as reported at the close of trading on recognized stock exchanges or over-the-counter markets.

Unrealized depreciation of investments represents the difference between the market value and average cost of investments.

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

Dividend income is recorded on the ex-dividend date.

(c) Per share amounts:

(i) Net loss per share:

The calculation of net loss per share is based on the weighted average number of Class A and Common shares outstanding during the year. The net loss per Class A share is reduced by U.S. $.01 as the Class A shares are entitled to receive a U.S. $.01 preferential non-cumulative annual dividend. The remaining loss for the year is attributed equally to each Class A share and Common share, without preference or distinction.

(ii) Net asset value per share:

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

(d) Income taxes:

Effective November 1, 2000, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for income taxes retroactively, without restatement. There was no effect on the balance sheet as at November 1, 2000, as a result of adopting the liability method of tax allocation.

Under the new recommendations, the liability method of tax allocation is used in the accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Future tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

2. Gold and silver bullion:

Holdings at October 31:			*2002*	*2001*	*2000*
Gold bullion:					
Fine ounces	*– 100 and 400 oz. bars*		*235,539*	*129,725*	*129,725*
	– bank certificates		*3,389*	*2,502*	*2,502*
			238,928	*132,227*	*132,227*
Cost	*–*	*$*	*89,697,793*	*55,750,650*	*55,750,650*
Market value	*–*	*$*	*75,716,165*	*36,858,284*	*34,974,049*
Market value	*– per fine ounce*	*$*	*316.90*	*278.75*	*278.50*
Silver bullion:					
Ounces	*– 1,000 oz. bars*		*11,780,865*	*6,450,252*	*6,450,252*
	– bank certificates		*165,516*	*165,516*	*165,516*
			11,946,381	*6,615,768*	*6,615,768*
Cost	*–*	*$*	*89,046,426*	*62,748,151*	*62,748,151*
Market value	*–*	*$*	*53,460,056*	*28,282,409*	*31,358,741*
Market value	*– per ounce*	*$*	*4.4750*	*4.2750*	*4.7400*

3. Share capital:

The authorized share capital consists of 100,000,000 Class A non-voting shares without nominal or par value and 50,000 Common shares without nominal or par value.

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

The holders of the Class A shares are entitled to receive a preferential non-cumulative annual dividend of U.S. $.01 per share. Any further dividends declared are to be paid rateably on the Class A shares and Common shares then outstanding, without preference or distinction. The Company has adopted a policy that any dividends declared shall be to shareholders of record at the close of business each October 31, with payment of such dividends being made during November of the same year.

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

As at October 31, 1999, 1,015,345 Class A shares were issued in exchange for the rights and Series 1 Warrants for gross proceeds of $4,061,379. Costs of these offerings were $316,797 (inclusive of dealer commission costs of $44,000) and net proceeds were $3,744,582. Upon expiry of the Series 2 Warrants on November 24, 1999, the Company issued an additional 298,215 Class A shares for gross proceeds of $1,192,860. Costs of exercising the Series 2 Warrants were $5,000 and net proceeds were $1,187,860.

On April 3, 2002, the Company, through a private placement, originating in Canadian dollars, issued 4,153,846 Class A shares for gross proceeds of $15,660,000. Costs relating to this issue were $60,000 and net proceeds were $15,600,000.

The Company used the net proceeds from this private placement to purchase 26,492 fine ounces of gold at a cost of $8,093,304 and 1,340,000 ounces of silver at a cost of $6,405,200, both in physical bar form. The balance of the net proceeds, $1,101,496, was retained by the Company in interest-bearing cash deposits for working capital purposes.

On May 2, 2002, the Company, through a private placement, originating in Canadian dollars, issued 646,154 Class A shares for gross proceeds of $2,424,614. Costs relating to this issue were $15,000 and net proceeds were $2,409,614.

The Company used the net proceeds from this private placement to purchase 3,936 fine ounces of gold at a cost of $1,227,892 and 190,871 ounces of silver at a cost of $894,364, both in physical bar form. The balance of the net proceeds, $287,358, was retained by the Company in interest-bearing cash deposits for working capital purposes.

On June 6, 2002, the Company, through a public offering, issued 11,584,660 Class A shares for gross proceeds of $46,112,740. Costs relating to this public offering were $474,893 and net proceeds were $45,637,847.

The Company used the net proceeds from this public offering to purchase 76,273 fine ounces of gold at a cost of $24,625,947 and 3,799,742 ounces of silver at a cost of $18,998,711. Of these quantities, all but 887 fine ounces of gold were purchased in physical bar form. This remainder was purchased in certificate form. The balance of the net proceeds, $2,013,189 was retained by the Company in interest-bearing cash deposits for working capital purposes.

The stated capital and recorded capital of the Company as at and for the years ended October 31, 2002, 2001 and 2000 are as follows:

	2002	2001	2000
Stated capital – 35,797,520 Class A shares (2001 and 2000: 19,412,860)			
Class A shares	*$ 161,020,089*	*96,822,735*	*96,822,735*
Net share issue costs	*(7,671,034)*	*(7,121,141)*	*(7,121,141)*
Recorded capital – Class A shares	*153,349,055*	*89,701,594*	*88,701,594*
– 40,000 Common shares	*19,458*	*19,458*	*19,458*
Capital stock	*$ 153,368,513*	*89,721,052*	*89,721,052*
Weighted average Class A shares outstanding	*26,582,845*	*19,412,860*	*19,393,251*

4. Contributed surplus and retained earnings:

On September 26, 1985, the shareholders authorized the use of contributed surplus to eliminate any deficit that may arise from losses and on the payment of the Class A shares' stated dividend per share. Accordingly, $2,253,775, $828,541 and $791,726 were transferred from contributed surplus to retained earnings on October 31, 2002, 2001 and 2000, respectively.

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

5. Administration fees:

The Company is party to an agreement with The Central Group Alberta Ltd., which is related to the Company through certain of its officers and directors. The Central Group Alberta Ltd. furnishes administrative and consulting services to the Company. For such services, the Company pays an administrative fee, payable monthly, at an annual rate of 1/2 of one percent based on the Company's net assets up to $50,000,000, 3/8 of one percent on the next $50,000,000 in net assets and 1/4 of one percent on any excess over $100,000,000.

6. Income taxes:

Effective November 1, 2000, the Company adopted the liability method of tax allocation for accounting for income taxes retroactively, without restatement. The following table reconciles the reported income tax expense to the income tax provision which would have been obtained by applying the combined basic Canadian federal and provincial income tax rates to the Company's loss before income taxes:

	2002 $ Liability Method	2001 $ Liability Method	2000 $ Deferral Method
Combined basic Canadian federal and provincial income tax rates	40%	43%	45%
Recovery of income taxes based on combined basic Canadian federal and provincial income tax rate	644,925	212,558	206,241
Increase (decrease) in income taxes resulting from:			
Losses not recognized	(644,925)	(212,558)	(206,241)
Federal Large Corporations Tax	283,487	140,091	139,284
	283,487	**140,091**	**139,284**

The Company is subject to the Canadian federal government large corporations tax based on its taxable capital employed in Canada at the end of its fiscal year. At October 31, 2002, the Company had an accumulated large corporations tax balance of $1,175,000 which is available to be applied against future years' corporation surtax, if any. This balance expires between the years 2003 and 2009.

At October 31, 2002, the Company had $3,640,000 of accumulated non-capital losses expiring in the years 2003 to 2009 and $1,230,000 of accumulated net capital losses for income tax purposes which are available to reduce future years' taxable income.

A valuation allowance has been recorded against all of the non-capital and net capital losses and the accumulated federal large corporations tax balance available for carryforward.

7. Difference between Canadian and United States generally accepted accounting principles:

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. These principles differ from the accounting principles and practices prescribed in the United States with regard to the presentation of the Company's unrealized appreciation (depreciation) of investments.

Under Canadian generally accepted accounting principles, the Company records the unrealized appreciation (depreciation) of its investments as a component of shareholders' equity, and changes therein are presented in the statement of shareholders' equity. Under accounting principles generally accepted for investment companies in the United States, these amounts are reflected in the statement of loss. As a result, the following additional information is provided for the benefit of United States shareholders:

		Years ended October 31,	
	2002	2001	2000
Net loss as reported under Canadian principles	*$ (1,895,800)*	*(634,412)*	*(597,597)*
Unrealized appreciation (depreciation) of investments during the year	*3,795,333*	*(1,184,463)*	*(8,250,543)*
Realized loss on investments during the year	*906,786*	*–*	*–*
Net income (loss) under United States principles	*$ 2,806,319*	*(1,818,875)*	*(8,848,140)*
Net income (loss) per share under United States principles:			
Class A shares	*$ 0.11*	*(0.09)*	*(0.46)*
Common shares	*$ 0.10*	*(0.10)*	*(0.47)*

The net assets of the Company are identical under Canadian and United States generally accepted accounting principles.

8. Comparative financial statements:

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2002 statements.

Auditors' Report To The Shareholders

We have audited the statement of net assets of Central Fund of Canada Limited as at October 31, 2002 and 2001 and the statements of loss, changes in net assets and shareholders' equity for each of the years in the three-year period ended October 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2002 and 2001 and the results of its operations and the changes in its net assets for each of the years in the three-year period ended October 31, 2002 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
November 22, 2002

Chartered Accountants

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is based on Central Fund's financial statements which are prepared in accordance with accounting principles generally accepted in Canada.

Results of Operations - Changes in Net Assets

The change in net assets as reported in U.S. dollars from period to period is primarily a result of the changing market prices of gold and silver and the proportion of each held by the Company. Also, because gold and silver are initially denominated in U.S. dollars, changes in the value of the U.S. dollar relative to the Canadian dollar will also have an impact on net assets when reported in Canadian dollars. The following table summarizes the changes in net assets in both U.S. and Canadian dollars, gold and silver prices, and the exchange rate between U.S. and Canadian dollars:

	Years ended October 31					
	2002		2001		2000	
	U.S. $	Cdn. $	U.S. $	Cdn. $	U.S. $	Cdn. $
Change in net assets from prior year (in millions)	$ 66.1	$ 101.5	$ (2.0)	$ 0.9	$ (7.8)	$ (7.1)
% change from prior year	99.6%	96.3%	(2.9)%	0.9%	(10.3)%	(6.4)%
Change in net assets per Class A share from prior year	$ 0.28	$ 0.35	$ (0.10)	$ 0.04	$ (0.46)	$ (0.48)
% change per Class A share from prior year	8.2%	6.5%	(2.8)%	0.7%	(11.6)%	(8.2)%
Gold price (U.S. $ per fine ounce)	$ 316.90		$ 278.75		$ 264.50	
% change from prior year	13.7%		5.4%		(11.6)%	
Silver price (U.S. $ per ounce)	$ 4.4750		$ 4.2750		$ 4.74	
% change from prior year	4.7%		(9.8)%		(10.4)%	
Exchange rate: $1.00 U.S. = Cdn.	$ 1.5603		$ 1.5867		$ 1.5271	
% change from prior year	(1.7)%		3.9%		3.8%	

In 2002, net assets as reported in U.S. dollars increased by $66.1 million or 99.6%. A significant portion of this increase was the result of two private placements and a public offering of Class A shares during the year as described in note 3 to the financial statements. In all cases, these share offerings were issued at a premium over the net asset value per Class A share at the time, such that there was no dilution of the interests of existing Class A shareholders. Of the net proceeds from these share issues ($63,647,461), $33,947,143 was used to purchase 106,701 fine ounces of gold bullion, and $26,298,275 was used to purchase 5,330,613 ounces of silver bullion, primarily in physical bar form. The balance of the proceeds, $3,402,043 was retained in interest-bearing cash deposits for working capital purposes.

The increase in net assets resulting from the factors described above was nominally offset by the net loss incurred during the year and the dividend paid on Class A shares. Though subject to the same effects as described above, net assets, as reported in Canadian dollars, increased at a slightly lower rate of 96.3%, as a result of the 1.7% decrease in the U.S. dollar relative to the Canadian dollar.

In 2001, net assets as reported in U.S. dollars decreased by 2.9%. Gold prices increased by 5.4% whereas silver prices decreased by 9.8% during the year. Also contributing to this decrease were the net loss incurred during the year and the dividend paid on Class A shares. Though subject to the same effects as described above, net assets as reported in Canadian dollars increased by 0.9% as the 3.9% increase in the U.S. dollar relative to the Canadian dollar more than offset the net decline resulting from the aforementioned items.

There were no purchases or sales of gold or silver bullion during the 2001 fiscal year.

In 2000, net assets as reported in U.S. dollars and Canadian dollars decreased by 10.3% and 6.4% respectively. Gold prices decreased by 11.6% and silver prices by 10.4% during the year. Also contributing to this decrease were the net loss incurred during the year and the dividend paid on Class A shares. These decreases in net assets were partially offset by the net proceeds from exercise of the Series 2 Warrants in November 1999 of $1,187,860 (Cdn. $1,749,480), a 1.6% (Cdn. 1.6%) increase over net assets as at October 31, 1999. The percentage decrease in net assets as reported in Canadian dollars, while subject to the same effects described above, was lower than in U.S. dollars as a result of the 3.8% increase in the U.S. dollar relative to the Canadian dollar.

The proceeds from the exercise of the Series 2 Warrants were held in interest-bearing deposits for subsequent use in meeting requirements for operating expenses, tax payments and Class A share dividends.

There were no purchases or sales of gold or silver bullion during the 2000 fiscal year.

It is possible to predict the impact that changes in the market prices of gold and silver will have on the net asset value per Class A share. Assuming as a constant exchange rate the rate which existed on October 31, 2002 of $1.5603 Cdn. for each U.S. dollar together with holdings of gold and silver bullion which existed on that date, a 10% change in the price of gold would increase or decrease the net asset value per share by approximately $0.21 per share or Cdn. $0.33 per share. A 10% change in the price of silver would increase or decrease the net asset value per share by approximately $0.15 per share or Cdn. $0.23 per share. If both gold and silver prices were to change by 10% simultaneously in the same direction, the net asset value per share would increase or decrease by approximately $0.36 per share or Cdn. $0.56 per share.

When expressed in U.S. dollar terms, Central Fund's net asset value per Class A share is largely unaffected by changes in the U.S./Canadian dollar exchange rate due to the fact that nearly all of Central Fund's net assets are priced internationally in U.S. dollar terms. However, changes in the value of the U.S. dollar relative to the Canadian dollar have a direct impact on net assets as expressed in Canadian dollars. This arises because over 99% of Central Fund's net assets are initially denominated in U.S. dollars as at October 31, 2002, including gold and silver bullion and some U.S. cash. An increase in the value of the Canadian dollar versus the U.S. dollar means that the aforementioned U.S. dollar denominated assets are worth less when expressed in Canadian dollar terms.

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

Results of Operations - Net Loss

Central Fund's income objective is secondary to its investment objective of holding the vast majority of its net assets in gold and silver bullion. Generally, Central Fund only seeks to maintain adequate cash reserves to enable it to pay operating expenses, taxes and Class A share dividends. Because gold and silver bullion do not generate revenue, Central Fund's revenues are a low percentage of its net assets. Accordingly, in the last three fiscal years, Central Fund has incurred net losses. Central Fund expects to generate cash flow from its holdings of cash equivalents and marketable securities, and sells bullion certificates only if necessary to replenish cash reserves. Administration fees, which have ranged from 58% to 60% of Central Fund's operating expenses before income taxes in the three-year period ended October 31, 2002, are calculated monthly based on an annualized percentage (not exceeding 1/2 of 1%) of Central Fund's net assets. Accordingly, these fees vary directly with changes in net assets.

Fiscal 2002 Compared to Fiscal 2001

The net loss of $1,895,800 during the 2002 fiscal year is 198.8% higher than the 2001 loss of $634,412. Interest income during the year was sharply reduced due to lower average balances of interest-bearing cash deposits combined with declining interest rates during the year as compared with the prior year. However, cash balances have increased significantly as a result of the Class A share issues which have resulted in higher interest income in recent months and should continue to have a positive impact on interest earned in subsequent periods.

Management has made the decision to focus its small portfolio of equity securities on high quality, senior gold and/or silver producers. As such, a portion of the existing older portfolio representing junior mining companies was sold, resulting in a realized loss representing approximately one-half of the net loss incurred during the year.

Operating expenses (which exclude income taxes) increased by 30.7% over the prior year. The increase in net assets during the year as a result of the two private placements and public share offering referred to above had an impact on several expense categories. Administration fees, which are calculated monthly based on net assets at each month end, increased during the year as a direct result of the higher level of net assets attributable to the issuances of Class A shares. Safekeeping fees and bullion insurance costs have increased to reflect the larger quantities and dollar values of gold and silver bullion being held as a result of bullion purchases from the proceeds of the share issues. Shareholder information costs increased as U.S. and Canadian stock exchange fees were increased at the time of filing the share issues. Directors' fees have increased as a result of the addition of an independent director (formerly an officer and inside director).

Operating expenses (which exclude income taxes) were less than 1.0%, being 0.6% of net assets at October 31, 2002.

Income taxes, or more specifically the federal Large Corporations Tax, are based on the Company's total net assets as at its fiscal year end. The increase in income taxes is directly related to the higher net asset level which existed at October 31, 2002.

Fiscal 2001 Compared to Fiscal 2000

The net loss of $634,412 during the 2001 fiscal year is 6.2% higher than the 2000 loss of $597,597. Interest income decreased by 45.3% as interest-bearing cash deposits were used to fund ongoing operating expenses, taxes and the Class A share dividend. A gradual reduction in interest rates throughout the year also contributed to the reduction in interest income.

Operating expenses (which exclude income taxes) declined by 4.8% over the prior year. Also, administration fees, which are calculated monthly based on net assets, were 6.7% lower in 2001 as average monthly net assets declined during the year, relative to the net asset levels in 2000.

Operating expenses (which exclude income taxes) were less than 1.0%, being 0.9% of net assets at October 31, 2001.

United States Generally Accepted Accounting Principles

Net income (loss) as it would be determined under accounting principles generally accepted in the United States (whereby the change in unrealized appreciation/depreciation of investments is reflected in the statement of loss) has been, and is expected to be, volatile, as a result of the changing market prices of gold and silver.

Liquidity and Capital Resources

Central Fund's liquidity objective is to hold cash reserves primarily for the generation of cash flow to be applied to pay operating expenses, tax payments and Class A share dividends. At October 31, 2002, Central Fund's cash reserves including cash equivalents were $3,898,000. The comparable figure at October 31, 2001 was $1,457,000.

The ability of Central Fund to have sufficient cash for operating expenses, tax and dividend payments, and demands for redemption (if any), is primarily dependent upon its ability to realize cash flow from its cash equivalents and marketable securities. Should Central Fund not have sufficient cash to meet its needs, portions of Central Fund's bullion holdings and/or marketable securities portfolio may be sold to fund tax and dividend payments, provide working capital and pay for redemptions (if any) of Class A shares. Sales of such investments could result in Central Fund realizing capital losses or gains. Central Fund qualifies as a Mutual Fund Corporation for Canadian income tax purposes. As a Mutual Fund Corporation, any Canadian tax payable by Central Fund to the extent that it relates to taxable capital gains is fully refundable when the realized gains are distributed to shareholders through redemptions. Should Central Fund not qualify as a Mutual Fund Corporation at any time in the future, Central Fund would have to pay non-refundable tax on such capital gains, if any. Payments for such distributions or tax would be a further use of Central Fund's cash resources.

During the fiscal year ended October 31, 2002, Central Fund's cash reserves increased by $2,442,000 from those which existed at October 31, 2001. The primary sources and uses of cash are as follows:

Sources of Cash

The primary inflow of cash resulted from the proceeds (net of share issue costs of $550,000) from the issuance of Class A shares during the year of $63,647,000. An additional $44,000 was generated from interest on short-term securities, and $31,000 received upon the sale of marketable securities.

Uses of Cash

The primary outflow of cash involved the purchase of gold and silver bullion with the proceeds from the share issues referred to above. Central Fund paid $33,947,000 to purchase 106,701 fine ounces of gold and $26,298,000 to purchase 5,330,613 ounces of silver.

Central Fund paid $673,000 during the 2002 fiscal year for operating expenses, $123,000 of which related to amounts which had been accrued at October 31, 2001 and were reflected in the accounts of that year. Other cash outflows during the year included $145,000 in payments of the Canadian federal large corporations tax, $194,000 paid in the 2002 fiscal year with respect to Central Fund's October 31, 2001 Class A share dividend declared, and $24,000 paid to purchase marketable securities.

Central Fund's board of directors made the decision to build up cash reserves by maintaining a portion of the proceeds from share issues in recent years in cash and cash equivalents. Consistent with this objective, $3,402,000 of the $63,647,000 received on the issuance of Class A shares this year was kept in interest-bearing cash deposits. These amounts are to be used to pay operating expenses, tax and dividend payments, and demands for redemption (if any). Management is mindful of Central Fund's normal trend of diminishing cash reserves, but monitors its cash position with an emphasis on maintaining its gold and silver bullion holdings as opposed to generating income. Management's mandate and Central Fund's stated objective are to hold the maximum portion of its assets in the form of gold and silver bullion as it deems reasonable. Although holding bullion does not generate income as noted above, Central Fund has the ability to generate any necessary cash by liquidating a small portion of its holdings. At low cash reserve levels and in the absence of other sources of capital, liquidations may be made regardless of market conditions and could result in Central Fund realizing losses on its bullion or marketable security holdings.

Inflation

Because Central Fund's financial statements are prepared on a market price basis, the impact of inflation and changing prices on the price of gold and silver is reflected in these financial statements.

The Relationship between Gold, Silver and Central Fund

The following chart shows the price movements of gold, silver and Central Fund's Class A shares (in U.S. dollars) over the past three years:

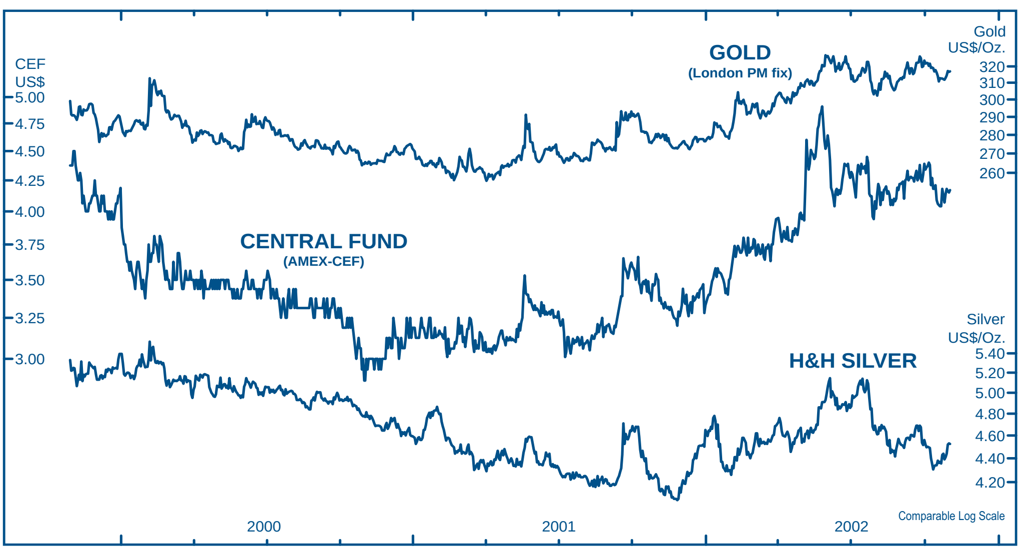


Chart courtesy of Topline Investment Graphics, P.O. Box 2340, Boulder, Colorado © 2002 10/31/02

Class A Shares Stock Exchange Listings

	Electronic Ticker Symbol	Newspaper Quote Symbol
American Stock Exchange	CEF	CFCda
The Toronto Stock Exchange	CEF.A	CFund A

Net Asset Value Information

The net asset value per Class A share is calculated daily and is available by calling Central Fund Investor Inquiries at (905) 648-7878. Weekly, the Thursday net asset value is published in financial newspapers as follows:

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

- In the Monday *Wall Street Journal*'s Publicly Traded Funds table, Specialized Equity and Convertible Funds section.
- In the *Barrons* Closed-End Funds table, Specialized Equity Funds section.
- In the Sunday *New York Times* Closed-End Funds table, Specialized Equity Funds section.

In Canada (figures published in Canadian $):

- Daily in the *Globe and Mail Report on Business* Fund Asset Values table, Closed-End Funds section.
- In the *National* Post's weekend edition, Closed-End Funds table.

Form 40-F

Copies of Central Fund's S.E.C. Form 40-F are available, free of charge, by contacting Central Fund of Canada Limited or its Administrator.

Corporate Information

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

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

Advisors to the Administrator
Ian M.T. McAvity, Toronto, Ontario - Market Analyst
Dr. Hans F. Sennholz, Grove City, PA - Monetary Advisor

(A) – Member of Audit Committee
(C) – Member of Corporate Governance Committee
(E) – Member of Executive Committee
(U) – May be regarded as an unrelated director under TSX guidelines.

Administrator
The Central Group Alberta Ltd.,
Calgary, Alberta

Auditors
Ernst & Young LLP,
Calgary and Toronto

Custodian
Canadian Imperial Bank of Commerce
at Calgary, Toronto and Vancouver

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

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

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

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

Shareholder and Investor Inquiries
P.O. Box 7319
Ancaster, Ontario L9G 3N6
Telephone (905) 648-7878
Fax (905) 648-4196

Website: www.centralfund.com
E-mail: info@centralfund.com