

Central Fund of Canada Limited

3rd QUARTER REPORT

Central Fund is currently 96.6% invested in unencumbered gold and silver bullion. At July 31, 2002, Central Fund's gold holdings were 234,734 fine oz. of physical bullion and 2,502 fine oz. of gold bullion certificates. Silver holdings were 11,741,123 oz. of physical bullion and 165,516 oz. of silver bullion certificates. The physical bullion is insured and held in safekeeping by a Canadian chartered bank in segregated vault storage. Central Fund continues to fulfil its mandate as "The Sound Monetary Fund".

On behalf of the Board of Directors:

J.C. Stefan Spicer, President & CEO

FINANCIAL REVIEW

Results of Operations – Change in Net Assets

Net assets increased by approximately \$66,000,000 or 99% during the nine-month period ended July 31, 2002 and by approximately \$45,000,000 or 51% during the three-month period ended July 31, 2002. Of these amounts, approximately \$64,100,000 and \$48,500,000 respectively were the result of the issuance of 16,384,660 and 12,230,814 Class A shares during these periods. These shares were issued at a premium to net asset value such that there was no dilution of existing Class A shareholders' interests. Details of these Class A share issues are provided in note 3 to the accompanying financial statements. The balance of the increase in net assets during the nine-month period ended July 31, 2002 is primarily due to higher prices of gold and silver at July 31 compared to October 31, as described below. The small decrease in net assets during the three-month period ended July 31, 2002 is principally due to decreases in the prices of gold and silver at July 31 compared to the prices paid to acquire gold and silver bullion at the time of the share issues described in note 3 to the accompanying financial statements.

The \$0.28 or 8.2% increase in net assets per Class A share expressed in U.S. dollar terms during the past nine months was due in part to the 9.3% increase in the price of gold and the 8.3% increase in the price of silver during the period. The issuance of Class A shares during the period at a premium to net asset value also served to increase net assets per Class A share. This impact is included in 'Other' in the adjacent table. Net assets per Class A share as expressed in Canadian dollar terms increased by \$0.43, or 7.9%. In spite of the 0.2% decrease in the U.S. dollar relative to the Canadian dollar, net assets per Class A share as expressed in Canadian dollar terms increased in part due to the fact that the Class A share issues were completed at times when the Canadian dollar had strengthened against the U.S. dollar as compared to the rate at July 31, 2002. The components of the change in net asset value per Class A share in U.S. and Canadian dollars are summarized in the adjacent table.

	U.S. \$ Terms	Cdn. \$ Terms
October 31, 2001	\$3.42	\$5.42
Changes due to:		
Gold price	.09	.14
Silver price	.05	.08
Weaker Cdn. \$	N/A	.09
Other	.14	.12
Total changes	.28	.43
July 31, 2002	\$3.70	\$5.85

Results of Operations – Net Loss

The net losses for the three and the nine-month periods ended July 31, 2002 were higher than the net losses for the same periods in 2001. A portion of this increase is the result of sharply reduced interest income due to lower average balances of interest-bearing cash deposits combined with declining interest rates during the period as compared with the same period in 2001. However, cash balances have increased significantly as a result of the Class A share issues which have positively impacted the current three-month period and should continue to do so in subsequent periods. Operating expenses increased in the periods ended July 31, 2002 as compared with the same periods in 2001. Administration fees increased primarily as a result of the increase in net assets from the proceeds of issuances of Class A shares described in note 3 to the accompanying financial statements as well as higher gold and silver prices during the period. Shareholder information costs rose due to an increase in annual fees levied by both the American Stock Exchange and The Toronto Stock Exchange. Safekeeping and insurance fees reflect anticipated charges from both locations where the Company stores its bullion, and an increase in fees to reflect additional gold and silver bullion purchased. Directors' fees have increased as a result of the addition of an independent director (formerly an officer and inside director) and the holding of additional board meetings relating to share issues described in note 3 to the accompanying financial statements. 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 July 31, 2002.

The Company employed a majority of the proceeds from the Class A share issues referred to above to purchase physical 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. See note 3 of the accompanying financial statements for details.

Liquidity and Capital Resources

Central Fund's dollar liquidity objective is to hold cash reserves primarily for the payment of operating expenses, taxes and Class A share dividends. Should Central Fund not have sufficient cash to meet its needs, a nominal portion of Central Fund's bullion holdings may be sold to fund tax and dividend payments, provide working capital, and pay for redemptions of Class A shares (if any). Sales of such holdings could result in Central Fund realizing capital gains or in the current bullion market, losses. Central Fund qualifies as a "Mutual Fund Corporation" for Canadian income tax purposes. Any Canadian tax payable by Central Fund to the extent it relates to taxable capital gains, is fully refundable when the realized gains are distributed by way of special capital gains dividends or deemed to be distributed to shareholders through redemptions.

For the nine months ended July 31, 2002, Central Fund's cash reserves increased by \$3,467,057 as amounts used to pay operating expenses, taxes and the Class A share dividend were more than offset by amounts retained in interest-bearing cash deposits for working capital purposes from the Class A share issues. Management monitors Central Fund's cash position with an emphasis on maintaining its mandate to hold maximum amounts of gold and silver bullion.

Central Fund of Canada Limited

Statements of Net Assets

(expressed in U.S. dollars, unaudited)(note 1)

	July 31 2002	October 31 2001
Net Assets:		
Gold bullion at market, average cost \$89,165,300 (2001: \$55,750,650) (note 2)	\$ 72,274,326	36,858,284
Silver bullion at market, average cost \$88,847,715 (2001: \$62,748,151) (note 2)	55,484,938	28,282,409
Marketable securities at market, average cost \$997,690 (2001: \$1,005,250)	38,844	45,297
Interest bearing cash deposits	4,908,601	1,456,544
Prepaid insurance, interest receivable and other	45,257	34,580
	132,751,966	66,677,114
Accrued liabilities	(403,622)	(131,190)
Dividends payable	-	(194,129)
	\$ 132,348,344	66,351,795
Represented by:		
Capital Stock (note 3):		
35,797,520 (2001: 19,412,860) Class A shares issued	\$ 153,323,948	89,701,594
40,000 Common shares issued	19,458	19,458
	153,343,406	89,721,052
Contributed surplus (note 4)	30,217,535	30,948,804
Unrealized depreciation of investments	(51,212,597)	(54,318,061)
	\$ 132,348,344	66,351,795
Net Asset Value Per Share (expressed in U.S. dollars):		
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	\$ 5.85	5.42
Common shares	\$ 1.10	0.66
Exchange rate:	U.S. \$1.00 = Cdn	
	\$ 1.5843	1.5867

Notes:

1. The accounting policies used in the preparation of these unaudited interim financial statements conform with those presented in Central Fund's October 31, 2001 audited annual financial statements. These interim financial statements do not include all of the disclosures included in the annual financial statements and accordingly should be read in conjunction with the annual financial statements.

2. Details of gold and silver bullion holdings at July 31, 2002, are as follows:

Holdings	Gold	Silver
100 & 400 fine oz bars	234,734	1000 oz bars 11,741,123
Certificates	2,502	Certificates 165,516
Total fine ounces	237,236	Total ounces 11,906,639
Market Value:	Per Fine Ounce	Per Ounce
October 31, 2001	U.S. \$ 278.75	U.S. \$ 4.2750
July 31, 2002	U.S. \$ 304.65	U.S. \$ 4.6600

3. On April 3, 2002, the Company, through a private placement, issued 4,153,846 Class A shares for gross proceeds of \$15,660,000. Costs relating to this issue were approximately \$60,000 and net proceeds were approximately \$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, approximately \$1,101,496, has been retained by the Company in interest-bearing cash deposits for working capital purposes.

On May 2, 2002, the Company, through a private placement, issued 646,154 Class A shares for gross proceeds of \$2,424,614. Costs relating to this issue were approximately \$15,000 and net proceeds were approximately \$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, approximately \$287,358, has been retained by the Company in interest-bearing cash deposits for working capital purposes.

Central Fund of Canada Limited

Statements of Changes in Net Assets (expressed in U.S. dollars, unaudited)(note 1)

	Nine months ended July 31		Three months ended July 31	
	2002	2001	2002	2001
Net assets at beginning of period	\$ 66,351,795	68,364,799	\$ 87,404,311	65,390,044
Add (deduct):				
Unrealized appreciation (depreciation) of investments during the period	3,105,464	(3,286,302)	(2,778,069)	(634,824)
Net loss	(731,269)	(466,807)	(297,752)	(143,530)
Net issuance of Class A shares	63,622,354	-	48,022,354	-
Increase (decrease) in net assets during the period	<u>65,896,549</u>	<u>(3,753,109)</u>	<u>44,946,533</u>	<u>(778,354)</u>
Net assets at end of period	<u>\$ 132,348,344</u>	<u>64,611,690</u>	<u>\$ 132,350,844</u>	<u>64,611,690</u>

Statements of Loss (expressed in U.S. dollars, unaudited)(note 1)

	Nine months ended July 31		Three months ended July 31	
	2002	2001	2002	2001
Income:				
Interest	\$ 24,140	68,907	\$ 14,548	15,078
Dividends	346	311	147	130
Realized gain on investments	1,409	-	1,409	-
	<u>25,895</u>	<u>69,218</u>	<u>16,104</u>	<u>15,208</u>
Expenses:				
Administration fees	308,102	250,250	131,549	82,614
Safekeeping, insurance and bank charges	76,556	48,860	32,341	16,300
Shareholder Information	72,443	61,495	10,288	8,674
Directors' fees and expenses	35,590	25,476	9,071	7,454
Registrar and transfer agents' fees	26,731	25,491	4,155	2,612
Professional fees	24,886	18,463	9,677	6,029
Miscellaneous	1,126	881	420	275
Foreign currency exchange loss (gain)	(971)	1,851	(2,653)	492
	<u>544,463</u>	<u>432,767</u>	<u>194,848</u>	<u>124,450</u>
Loss from operations before income taxes	(518,568)	(363,549)	(178,744)	(109,242)
Income taxes (note 5)	(212,701)	(103,258)	(121,508)	(34,288)
Net loss (note 6)	<u>\$ (731,269)</u>	<u>(466,807)</u>	<u>\$ (300,252)</u>	<u>(143,530)</u>
Net loss per share:				
Class A shares	\$ (.02)	(.02)	\$ (.01)	(.01)
Common shares	\$ (.02)	(.02)	\$ (.01)	(.01)

Notes:

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 approximately \$500,000 and net proceeds were approximately \$45,612,740

The Company used the net proceeds from this public offering to purchase 74,581 fine ounces of gold at a cost of \$24,093,454 and 3,760,000 ounces of silver at a cost of \$18,800,000, both in physical bar form. The balance of the net proceeds, approximately \$2,719,285 has been retained by the Company in interest-bearing cash deposits for working capital purposes.

4. In 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. Accordingly, \$731,269 (2001, \$466,807) has been transferred from contributed surplus on July 31, 2002 and 2001 representing the net loss for

the nine months then ended. This change did not affect the net asset value of the Company.

5. Income taxes pertain to the Canadian Federal large corporations tax, which is intended to be a minimum corporate tax and in the case of Central, operates similarly to a capital tax.
6. Under Canadian generally accepted accounting principles, the Company records the unrealized appreciation (depreciation) of its investments as a component of shareholders' equity. Under accounting principles generally accepted for investment companies in the United States, these amounts are reflected in the statements of loss. Net gain (loss) for the nine months ending July 31, 2002 would be \$2,374,195; (2001, (\$3,753,109)) under United States principles. The net assets of the Company are identical under both Canadian and United States generally accepted accounting principles.