



CENTRAL GOLD-TRUST

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CENTRAL GOLD-TRUST



1st Annual Report

December 31, 2003

The Role of Central Gold-Trust (or “Gold-Trust”)

To serve investors as “The Gold Bullion Trust”.

To hold gold bullion on a secure basis for the convenience of investors.

Investment Policies & Restrictions The Declaration of Trust requires that at least 90% of Gold-Trust’s assets be invested in physical gold bullion at all times. This cannot be changed without the approval of Unitholders.

Gold-Trust’s physical gold holdings may not be loaned, pledged, subjected to options or otherwise encumbered in any way.

Safeguards Gold bullion is stored on an allocated, segregated and insured basis in the underground treasury vaults of the Canadian Imperial Bank of Commerce, one of the largest banks in Canada.

The Bank may release physical bullion holdings only upon receipt of an authorizing resolution of the Board of Trustees of Gold-Trust.

Bullion holdings and bank vault security are inspected annually and spot audited periodically by Trustees and/or officers of Gold-Trust. On each occasion, inspections are required to be performed in the presence of both Gold-Trust’s external auditors and Bank personnel.

Gold-Trust is subject to the regulations and reporting requirements of the Toronto Stock Exchange and various Canadian provincial securities regulatory authorities.

Conveniences Gold-Trust’s units are listed on the Toronto Stock Exchange (GTU.UN). Making a gold bullion investment through Gold-Trust units is as easy as calling one’s investment dealer. Trust units are eligible for RRSP’s and other regulated capital accounts where physical bullion investment is often not permitted.

The Toronto Stock Exchange listing provides a readily quoted, liquid market for the units. The bid/ask spread is usually considerably less than buying and selling price spreads of outright bullion purchases, especially for small transactions.

Unlike most other forms of bullion investment, there are no storage or other direct costs paid by the investor. As well, there are no assay charges to the Unitholder to verify the legitimacy and/or actual gold content upon sale, redemption or liquidation of Gold-Trust units.

Trustees’ Report to Unitholders

We are pleased to welcome investors as Unitholders of Central Gold-Trust. Central Gold-Trust is a passive, single purpose, self-governing trust, with voting units, that is focused upon the secure holding of gold bullion on behalf of its Unitholders.

Year-end assets were 96.8% invested in gold. Gold holdings were comprised of 82,619 fine ounces of gold bullion and 4,581 ounces in certificate form for a total of 87,200 ounces at a December 31, 2003 market value of U.S. \$416.25 per ounce.

The accounts of Gold-Trust are denominated in United States dollars and discussion in this report refers to United States dollars.

A part of Management’s Discussion and Analysis (MD&A), with additional comments on page 7 hereof, is as follows:

Net Assets – Initial net proceeds from the issuance of 2,000,000 units on July 8, 2003 and the over-allotment subscription for 300,000 units on July 17, 2003 were \$31,508,019 (see note 4 to the financial statements on page 5). Rising gold prices increased net assets by \$5,954,290 to \$37,462,309 by year-end.

Net Income– The net income since establishment of Gold-Trust amounted to \$5,954,290 (\$2.59 per unit) after deducting operating costs of \$132,258. Under the new CICA Accounting Guideline 18 adopted by Gold-Trust and which will become mandatory for subsequent fiscal years, virtually all of the net income for the period is represented by unrealized appreciation of investments, which is not distributable income.

Annual Expense Estimate – Expenses of maintaining Gold-Trust for a twelve-month period, based upon net assets of \$37,462,309 at December 31, 2003, are estimated by the Administrator to be \$310,000 on an annualized basis or an annual expense ratio of 0.83%. The expense ratio is expected to decrease as assets increase.

Liquidity – All of the assets of Gold-Trust are liquid. The gold bullion assets are international money; U.S. dollar currency assets are readily exchangeable; and interest-bearing deposits are redeemable. Those deposits are expected to be sufficient to provide expense coverage for Gold-Trust for at least the next three years, assuming net assets remain at current levels. The Trustees will seek to increase the size of Gold-Trust to reduce per unit expenses for the benefit of all Unitholders.

According to legal and tax counsel, the units of Gold-Trust qualify for investment by individuals and most types of retirement accounts and financial institutions in Canada.

We are committed to the secure stewardship of Central Gold-Trust and its gold bullion holdings to fulfill its purpose and mandate as “The Gold Bullion Trust”.

Sincerely,
On behalf of the Board of Trustees,

(Signed:) “J.C. STEFAN SPICER”

March 3, 2004

J.C. Stefan Spicer, President & CEO

STATEMENT OF NET ASSETS
 (expressed in U.S. dollars)

Net Assets:	At December 31, 2003	
Gold at market, (cost \$30,203,760)(note2)	\$	36,297,000
Interest-bearing cash deposits		1,208,448
Interest receivable & prepaid expenses		2,464
		<u>37,507,912</u>
Accrued liabilities		(45,603)
Net assets representing Unitholders' equity	\$	37,462,309
Represented by:		
Capital (note 4)		
2,300,000 units issued and outstanding	\$	31,508,019
Net income (inclusive of unrealized appreciation of investments)		5,954,290
	\$	<u>37,462,309</u>
Net asset value per unit (expressed in U.S. dollars):	\$	16.29
Net asset value per unit (expressed in Canadian dollars):	\$	21.05
Exchange rate at end of year:	U.S. \$1.00 = Cdn	\$ 1.2924

See accompanying notes to financial statements.

On behalf of the Board of Trustees:

“John P. Embry”

“Douglas E. Heagle”

STATEMENT OF INCOME
 (expressed in U.S. dollars)

Income:	Period from establishment, April 28, 2003 to December 31, 2003	
Interest		10,714
Unrealized appreciation of investments (notes 2, 3(a) and 3(b))		6,075,834
Expenses:		
Administration fees (note 5)		54,065
Trustee fees and expenses (note 5)		20,813
Safekeeping, insurance and bank charges		13,677
Unitholder information		12,802
Audit fees		12,000
Legal fees		10,500
Registrar and transfer agent fees		5,239
Miscellaneous		132
Foreign currency exchange loss		3,030
Total operating expenses		<u>132,258</u>
Net income (inclusive of unrealized appreciation of investments)		5,954,290
Net income per unit (inclusive of unrealized appreciation of investments)	\$	2.59

STATEMENT OF CHANGES IN NET ASSETS
 (expressed in U.S. dollars)

	Period from establishment, April 28, 2003 to December 31, 2003	
Net assets at beginning of period	\$	Nil
Net proceeds from issuance of units		31,508,019
Net income (inclusive of unrealized appreciation of investments)		5,954,290
Increase in net assets during the period		<u>37,462,309</u>
Net assets at end of period	\$	37,462,309

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS**For the period from establishment, April 28, 2003 to December 31, 2003**

1. Central Gold-Trust ("Gold-Trust") is a self-governing limited purpose trust established under the laws of Ontario on April 28, 2003.
2. Details of gold bullion holdings at December 31, 2003, are as follows:

Gold Holdings at December 31

Gold bullion in fine ounces		82,619
Gold certificates in fine ounces		4,581
Total fine ounces of gold		87,200
Cost		\$ 30,203,760
Market Value:	Per Fine Ounce	Total
December 31, 2003	\$ 416.25	\$ 36,297,000

3. Gold-Trust'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 the period end. The difference between the period-end exchange rate and the exchange rate at the time such deposits were acquired is recorded in the statement of income as unrealized appreciation of investments. Included in unrealized appreciation of investments for the period ended December 31, 2003 is an unrealized loss on the interest bearing cash deposits due to foreign exchange. Expenses incurred in Canadian dollars are translated at the rates of exchange prevailing when the transactions occur.
 - (b) Investments: Gold bullion and gold certificates are valued at market value at the afternoon London fixing rate. Unrealized appreciation of investments represents the difference between the market value and average cost of investments and is recorded in the statement of income in accordance with CICA Accounting Guideline 18, Investment Companies. Investment transactions are accounted for on the trade date.
 - (c) Per unit amounts: The calculations of net income per unit and net asset value per unit are based on the weighted average number of units outstanding during the period. Gold-Trust has no dilutive instruments.
 - (d) Income taxes: Gold-Trust is taxed as a "Mutual Fund Trust" for income tax purposes. The Trustees intend to distribute all taxable income directly earned by Gold-Trust to the Unitholders and deduct such distributions for income tax purposes. Accordingly, there is no provision for income taxes.

4. Under the Declaration of Trust, an unlimited number of units may be issued. Each unit carries one vote at all meetings of Unitholders. Each unit is transferable and represents an equal undivided beneficial interest in Gold-Trust, in any distributions therefrom and in the net assets in the event of termination or winding up of the Trust.

The units of Gold-Trust are redeemable at any time on demand by the holders thereof at a price equal to the lesser of 90% of the market price on which the units are quoted for trading during the 10 day trading period commencing immediately following the date on which the units were tendered for redemption; and 100% of the closing market price on which the units are quoted for trading on the redemption date.

On July 8 and 17, 2003, Gold-Trust issued 2,000,000 units and 300,000 units for gross proceeds of \$28,006,224 and \$4,058,404 respectively, for a total of \$32,064,628 (net of underwriting fees). Legal and other costs relating to these issues were \$556,609 and net proceeds were \$31,508,019.

Gold-Trust used the net proceeds from these issuances to purchase 82,619 fine ounces of gold in physical bar form and 4,581 fine ounces of gold in certificate form at a total cost of \$30,203,760. The balance of the proceeds, approximately \$1,304,259, was retained by Gold-Trust in interest-bearing cash deposits for working capital purposes.

5. Gold-Trust is party to an agreement with Central Gold Managers Inc. (the "Administrator"), which is related to Gold-Trust through certain of its officers and Trustees. The Administrator furnishes administrative services to Gold-Trust. For such services, Gold-Trust has agreed to pay an administrative fee, on a monthly basis, equal to 0.40% per annum for the first U.S.\$100,000,000 of Gold-Trust's total assets, 0.30% per annum for any excess over U.S.\$100,000,000 up to U.S.\$200,000,000 and 0.20% per annum for any excess over U.S.\$200,000,000 of total assets. No Trustees fees are paid by Gold-Trust to Trustees who are members of the Executive Committee of Gold-Trust. The Administrator and the Trustees have consented to reduced fees at three-quarters of stated rates during this initial stage of Gold-Trust's development.

The Administrator is party to an agreement with Sprott Asset Management Inc. ("SAM") pursuant to which SAM furnishes certain marketing and other advisory services to Gold-Trust and the Administrator. SAM is related to Gold-Trust through two of its officers that are Trustees of Gold-Trust. As compensation for the services of SAM, the Administrator has agreed to share with SAM a fee equal to one-half of all fees paid to the Administrator under the administrative services agreement referred to above for any year, but based on the net asset value of Gold-Trust in excess of U.S.\$50,000,000, and to pay its reasonable out-of-pocket expenses incurred in connection with such services. No fee was payable to SAM for the period to December 31, 2003.

Auditor's Report to Unitholders

We have audited the statement of net assets of Central Gold-Trust as at December 31, 2003 and the statement of income and changes in net assets for the period from establishment, April 28, 2003 to December 31, 2003. These financial statements are the responsibility of the Central Gold-Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 Central Gold-Trust as at December 31, 2003 and the results of its operations and the changes in its net assets for the period from establishment, April 28, 2003 to December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 20, 2004

Ernst & Young, LLP
Chartered Accountants

Management's Responsibility for Financial Reporting

The accompanying financial statements of Central Gold-Trust and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Trustees and its Audit Committee.

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 may 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 financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

Gold-Trust maintains systems of internal accounting and backup as well as administrative and regulatory compliance controls of high quality, for a reasonable cost. Hard copies of transactions and monthly statements are retained in Gold-Trust's files. Such systems are designed to provide reasonable assurance that the financial

information is relevant, reliable, retrievable and accurate and that Gold-Trust's assets are appropriately accounted for and adequately safeguarded.

The Board of Trustees is responsible for guiding the Administrator and overseeing management in its fulfillment of 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 which consists solely of independent Trustees.

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 Unitholders. Ernst & Young LLP has full and free access to the Audit Committee.

Ancaster, Canada, February 20, 2004

(Signed:) "J.C. STEFAN SPICER"
President & CEO

(Signed:) "WILLIAM L. TRENCH"
Chief Financial Officer

Management's Discussion and Analysis (MD&A)

The financial statements of Central Gold-Trust ("Gold-Trust") are prepared in United States dollars and in accordance with Canadian generally accepted accounting principles, otherwise known as Canadian GAAP. Notes to the financial statements on pages 5 and 6 should be referred to as supplementary information to this discussion and analysis.

Gold-Trust is a self-governing, single purpose passive trust established by Declaration of Trust on April 28, 2003 to acquire, hold and secure gold bullion on behalf of its Unitholders. Gold-Trust is not in itself an operating entity nor does it have any employees or the potential risks thereof. It retains Central Gold Managers Inc. (the "Administrator") to attend to all administrative duties as delegated by the administrative services agreement and as guided by the Trustees.

Net assets, net income, annual cost estimate and liquidity are all discussed in the Trustees' First Period-End Report to Unitholders on page 2 which forms part hereof. There are no off-balance sheet items, arrangements, contingencies or obligations. All accounts are fully disclosed and itemized in the financial statements. As this is the first fiscal period-end report to Unitholders, there are no comparative prior periods.

Gold-Trust does not anticipate the payment of regular dividends. Distributions will be made in the event of any sales of gold that result in taxable income as indicated in note 3(d) to the financial statements on page 5.

There are two related party arrangements in respect of the administration of Gold-Trust. J.C. Stefan Spicer and Philip M. Spicer, Trustees of Gold-Trust, are officers and directors of the Administrator, which has entered into an administrative services agreement with Gold-Trust, and John P. Embry and Eric S. Sprott, also Trustees of

Gold-Trust, are directors and officers of Sprott Asset Management Inc., which has a marketing and advisory services agreement with the Administrator for the benefit of Gold-Trust and the Administrator. These arrangements are described in note 5 to the financial statements on page 6.

The avoidance of risk is uppermost in the purpose, construct and stewardship of Gold-Trust. Gold bullion owned by Gold-Trust is stored, on an allocated basis, in the treasury vaults of the Canadian Imperial Bank of Commerce in segregated safekeeping and is insured by the Bank.

Gold-Trust's purpose is to hold gold. The principal factor affecting the price of the units is volatility in the price of gold, which is beyond Gold-Trust's control. The Trustees believe that gold prices are less volatile than the shares of gold mining producers which can be exposed to many risk factors beyond gold price fluctuations. Gold-Trust's gold assets are traded internationally and are denominated in U.S. dollars. As at December 31, 2003, its assets were 91.7% gold bullion, 5.1% gold certificates and 3.2% cash and other working capital.

Gold-Trust does not engage in any borrowing, leasing, lending or hedging activities involving its assets, so the value of the units will depend on, and typically fluctuate within, the price fluctuations of gold.

The gold price may be affected by many unpredictable international, economic, monetary, and political considerations. Macroeconomic considerations include: expectations of future inflation rates; exchange rate volatility of the U.S. dollar, the principal currency in which gold is quoted; interest rate volatility; and unexpected global or regional political or economic incidents.

Gold-Trust maintains its accounting records, purchases gold and reports its financial position and results in U.S. currency. However, certain of Gold-Trust's operating expenses are paid, and Gold-Trust's units trade, in Canadian currency. Therefore, because exchange rate fluctuations are beyond Gold-Trust's control, there can be no assurance that such fluctuations will not have an effect on Gold-Trust's operations or on the trading value of Gold-Trust's units.

The Administrator anticipates currency denominated prices of gold bullion will increase over time. The impact of inflation should be reflected in Gold-Trust's financial statements which are prepared to report market values, and in the market value of the 2,300,000 voting units issued and outstanding.

The Trustees will consider from time to time the issue of additional units at a net price that would be non-dilutive to present Unitholders' interests. Additional unit issues to enlarge the Trust asset base would enable a reduction in the expense ratio per unit and broaden exchange trading liquidity to the advantage of current and new Unitholders.

This report dated March 3, 2004, the initial annual information form, notices of annual meeting and information circulars, press releases, financial and other information are available at www.sedar.com and www.gold-trust.com.

Corporate Information

Trustees

John P. Embry (E)
 Brian E. Felske (A)
 Douglas E. Heagle (A), (C)
 Ian M.T. McAvity (C)
 Robert R. Sale (A), (C)
 Philip M. Spicer (N), (E)
 J.C. Stefan Spicer (N), (E)
 Eric S. Sprott (E)

- (A) - Member of Audit Committee
- (C) - Member of Corporate Governance & Nominating Committee
- (E) - Member of Executive Committee
- (N) - Nominee of the Administrator

Administrator

Central Gold Managers Inc.
 Ancaster, Ontario, Canada

Auditors

Ernst & Young LLP
 Toronto, Ontario, Canada

Legal Counsel

Fraser Milner Casgrain LLP
 Toronto, Ontario, Canada

Unit Asset Value Information

The net asset value per unit is calculated daily and is available by calling Central Gold-Trust at (905) 304-4653. The total net assets, net asset value per unit and the detailed basis of their calculation are posted daily at www.gold-trust.com.

Officers

John P. Embry, Co-Chairman
 Philip M. Spicer, Co-Chairman
 J.C. Stefan Spicer, President & CEO
 John S. Elder, Q.C., Secretary
 William L. Trench, A.C.I.S., CFO
 Krystyna S. Bylinowski, Treasurer

Custodian

Canadian Imperial Bank of Commerce
 Toronto, Ontario, Canada

Registrar and Transfer Agent

CIBC Mellon Trust Company
 Toronto, Ontario, Canada

Stock Exchange Listing

TSX: Units
 Ticker Symbol: GTU.UN