

*This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold in the United States or to U.S. persons except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities laws or pursuant to an exemption therefrom. Accordingly, the securities will only be offered or sold within the United States to certain accredited investors under the U.S. Securities Act and thereafter may only be reoffered or resold in the United States or to a U.S. person pursuant to the registration requirements of the U.S. Securities Act and applicable state securities laws or an exemption therefrom. See "Plan of Distribution".*

## PROSPECTUS

New Issue

November 12, 2004



## CENTRAL GOLD-TRUST

**\$21.60**

**850,000 Units**

This prospectus qualifies the distribution (the "Offering") of 850,000 units (the "Units", each a "Unit") of Central Gold-Trust ("Gold-Trust"). Gold-Trust is a limited purpose trust established under the laws of the Province of Ontario on April 28, 2003. Gold-Trust has been created to invest in and to hold gold bullion. Gold-Trust will use substantially all of the net proceeds of the Offering to acquire gold bullion. See "Use of Proceeds".

The outstanding Units are listed and posted for trading on the Toronto Stock Exchange ("TSX") under the symbol "GTU.UN". The closing price of the Units on November 11, 2004 was \$21.44 per Unit. The Toronto Stock Exchange ("TSX") has conditionally approved the listing of the Units. Listing is subject to Gold-Trust fulfilling all of the requirements of the TSX on or before January 6, 2005.

**An investment in the Units is subject to a number of risks that should be considered by a prospective purchaser. The primary investment objective of Gold-Trust is long-term appreciation in the value of its gold holdings. Accordingly, Gold-Trust does not anticipate paying regular distributions to the holders of its Units. Any cash distributions will generally be based on the amount of net capital gains, if any, realized each year and the amount of net income (excluding net capital gains) for the year, if any. See "Risk Factors". In the opinion of counsel, the Units will, on the date of closing, qualify for investment under certain statutes as set out under "Eligibility for Investment".**

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**PRICE \$21.60 PER UNIT**

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	<u>Price to the Public <sup>(1)</sup></u>	<u>Agents' Fee</u>	<u>Net Proceeds to Gold-Trust <sup>(2)</sup></u>
Per Unit.....	\$21.60	\$1.134	\$20.466
Total <sup>(3)</sup> .....	\$18,360,000	\$963,900	\$17,396,100

Notes:

- (1) The price of the Units has been determined by negotiation between Gold-Trust and the Agents (as hereinafter defined), and in the context of the market.
- (2) Before deducting expenses of the Offering, estimated at \$100,000, which, together with the Agents' fee, will be paid by Gold-Trust out of the proceeds of the Offering.
- (3) Gold-Trust has granted an over-allotment option (the "Over-Allotment Option") to the Agents, exercisable within 48 hours of execution of the Agency Agreement referred to under "Plan of Distribution", to purchase up to an additional 127,500 Units, sold at closing of the Offering, on the same terms as set forth above. If the Over-Allotment Option is exercised in full, the "Price to the Public", "Agents' Fee" and "Net Proceeds to Gold-Trust" will be \$21,114,000, \$1,108,485 and \$20,005,515, respectively. This prospectus also qualifies both the grant of the Over-Allotment Option and the issuance of Units on the exercise of the Over-Allotment Option.

CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, Raymond James Ltd. and Sprott Securities Inc. (collectively, the "Agents") offer the Units, on a best efforts basis, if, as and when issued by Gold-Trust in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of Gold-Trust by Fraser Milner Casgrain LLP, and on behalf of the Agents by Cassels Brock & Blackwell LLP. See "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A book-entry only certificate representing the Units will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on the date of the closing, which is expected to occur on or about November 18, 2004, or such other date as Gold-Trust and the Agents may agree, but in any event no later than December 15, 2004. A purchaser of Units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the Units are purchased.

On November 10, 2004, the inverse of the noon buying rate in the City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York was U.S.\$0.8349 per Cdn.\$1.00.

Subject to applicable laws and in connection with the Offering, the Agents may effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

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## ELIGIBILITY FOR INVESTMENT

Subject to compliance with the prudent investor standards and the general provisions and restrictions of the following statutes (and the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, standards, procedures or goals and, in certain cases, subject to the filing of such policies, standards, procedures or goals, the purchase of the Units offered hereunder would not, if the date hereof was the date of the closing of the Offering, be precluded as investments under the following statutes:

<i>Insurance Companies Act</i> (Canada);	<i>The Insurance Act</i> (Manitoba);
<i>Trust and Loan Companies Act</i> (Canada);	<i>The Trustee Act</i> (Manitoba);
<i>Cooperative Credit Associations Act</i> (Canada);	<i>The Pension Benefits Act</i> (Manitoba);
<i>Pension Benefits Standards Act, 1985</i> (Canada);	<i>Pension Benefits Act</i> (Nova Scotia);
<i>Loan and Trust Corporations Act</i> (Alberta);	<i>Trustee Act</i> (Nova Scotia);
<i>Insurance Act</i> (Alberta);	<i>Pension Benefits Act</i> (Ontario);
<i>Employment Pension Plans Act</i> (Alberta);	<i>Trustee Act</i> (Ontario);
<i>Alberta Heritage Savings Trust Fund Act</i> (Alberta);	<i>Loan and Trust Corporations Act</i> (Ontario); and
<i>Pension Benefits Standards Act</i> (British Columbia);	<i>Pension Benefits Act, 1992</i> (Saskatchewan).
<i>Financial Institutions Act</i> (British Columbia);	

In the opinion of Fraser Milner Casgrain LLP, counsel for Gold-Trust, and Cassels Brock & Blackwell LLP, counsel for the Agents, the Units offered hereunder will be qualified investments under the *Income Tax Act* (Canada) (the “Tax Act”) and the regulations thereunder for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), deferred profit sharing plans and registered education savings plans (“RESPs”) (collectively, “Plans”) provided that Gold-Trust is a mutual fund trust under the Tax Act. In the opinion of such counsel, based in part on a certificate of Gold-Trust as to factual matters, the Units offered hereunder, if issued on the date hereof, would not constitute “foreign property” for the purposes of computing the tax imposed under Part XI of the Tax Act on Plans (other than RESPs), registered investments and other tax exempt entities, including most registered pension funds or plans, and would not constitute foreign property immediately following the closing of the Offering if substantially all of the net proceeds of the Offering are used to purchase gold bullion. RESPs are not subject to the foreign property rules.

## FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are “forward-looking statements” which reflect management’s expectations regarding Gold-Trust's future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Some of these risks, uncertainties and other factors are described in this prospectus under the heading “Risk Factors”. Although the forward-looking statements contained in this prospectus are based upon what management believes to be reasonable assumptions, Gold-Trust cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this prospectus, and Gold-Trust assumes no obligation to update or revise them to reflect new events or circumstances.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this Offering and should be read together with the more detailed information and financial statements contained elsewhere in this prospectus. Certain terms used in this summary are defined elsewhere in this prospectus.*

*In this prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars, other than the financial statements included herein, which are expressed in U.S. dollars. References to "\$" are to Canadian dollars and references to "U.S.\$" are to U.S. dollars. All amounts also assume, unless otherwise expressed, that the Agents have not exercised the Over-Allotment Option.*

### GOLD-TRUST

Central Gold-Trust ("Gold-Trust") is a self-governing limited purpose trust established under the laws of the Province of Ontario on April 28, 2003 and was created to invest in and to hold gold bullion. The principal and head office of Gold-Trust is located at 55 Broadleaf Crescent, Ancaster, Ontario, Canada L9G 3P2. Gold-Trust's mailing address is Box 10106 Meadowlands P.O., Ancaster, Ontario, Canada L9K 1P3. See "Central Gold-Trust".

### PURPOSE OF GOLD-TRUST

Gold-Trust is an investment holding entity created to invest substantially all of its assets in gold bullion, with the primary investment objective of achieving long-term appreciation in the value of its gold holdings. The objective of Gold-Trust is to provide a secure, convenient, low-cost and low-risk investment alternative for investors interested in holding gold bullion which is physically stored in bank treasury vaults located in Canada. The strategy of Gold-Trust is to invest primarily in long-term holdings of unencumbered gold bullion, in 400 troy ounce international bar sizes, and not to actively speculate with regard to short-term changes in gold prices, thereby providing investors with an ability to effectively invest in gold bullion in a secure manner without the risks inherent in trading and without the associated inconvenience and high transaction, handling, storage, insurance and other costs that are typical of a direct gold bullion investment.

### THE OFFERING

<b>Offering:</b>	Units of Gold-Trust ("Units", each a "Unit")
<b>Amount:</b>	\$18,360,000 (850,000 Units)
<b>Price:</b>	\$21.60 per Unit payable on closing of the Offering.
<b>Units:</b>	Each Unit represents an equal undivided beneficial interest in Gold-Trust and in any distributions from Gold-Trust and in any net assets of Gold-Trust in the event of termination or winding-up of Gold-Trust. Each Unit is transferable, entitles the holder thereof to participate equally in distributions of Gold-Trust, is not subject to additional payments on account of the subscription price, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of the holders of Units of Gold-Trust (the "Unitholders"). See "Description of Gold-Trust".

- Use of Proceeds:** The estimated net proceeds from the Offering, after deducting fees payable to the Agents and the estimated expenses of the Offering, will be \$17,296,100. Gold-Trust will invest over 90% of the net proceeds in gold bullion within 30 days of the closing date and it is expected that approximately 50% of the net proceeds will be invested in gold bullion within the first 10 days after the closing date. The balance of the net proceeds will be invested in gold certificates and cash-related securities to meet redemptions, if any, and to be used by Gold-Trust for general working capital purposes. See “Use of Proceeds”.
- Over-Allotment Option:** Gold-Trust has granted to the Agents an Over-Allotment Option, exercisable for a period of 48 hours from the execution of the Agency Agreement referred to under “Plan of Distribution”, to purchase up to an additional 127,500 Units sold at closing of the Offering, at the Offering price. If the Over-Allotment Option is exercised, substantially all of the net proceeds received by Gold-Trust will be used by Gold-Trust to purchase additional gold bullion. See “Plan of Distribution”.
- Distributions:** Gold-Trust does not anticipate making regular distributions to Unitholders. The Declaration of Trust provides that on an annual basis, a sufficient amount of Gold-Trust’s income for purposes of the Tax Act, including net capital gains realized during the year, if any, will be distributed or made payable during the year to Unitholders, so that Gold-Trust will not be liable for any income tax for the year. See “Description of Gold-Trust – Distributions” and “Certain Canadian Federal Income Tax Considerations”.
- Listing:** The TSX has conditionally approved the listing of the Units. Listing is subject to Gold-Trust fulfilling all of the requirements of the TSX on or before January 6, 2005.
- Administrator:** Gold-Trust and Central Gold Managers Inc. (the “Administrator”) entered into an administrative services agreement (the “Administrative Services Agreement”) on April 28, 2003. The Administrative Services Agreement is for an initial term of 10 years until April 28, 2013 and will continue in force from year to year thereafter unless terminated by Gold-Trust for breach by the Administrator of any of its material obligations under the Administrative Services Agreement. Pursuant to the Administrative Services Agreement, the Administrator is required to administer Gold-Trust’s activities in an efficient, timely and professional manner in accordance with reasonable and prudent business practices and will be paid by Gold-Trust a declining fee, on a monthly basis, equal to 0.4% per annum for the first U.S.\$100,000,000 of Gold-Trust’s total assets, 0.3% per annum for any excess up to U.S.\$200,000,000 and 0.2% per annum for any excess of U.S.\$200,000,000. As an accommodation to Gold-Trust at this early stage of its development, the Administrator has waived 25% of its fees to date. See “Administration of Gold-Trust – Administrative Services Agreement”.
- Advisor:** Sprott Asset Management Inc. (“SAM”) entered into an advisory services agreement with the Administrator (the “Advisory Services Agreement”) on March 14, 2003, pursuant to which SAM provides advisory services to Gold-Trust. The term of the Advisory Services Agreement will continue until the wind-up, liquidation or dissolution of Gold-Trust, unless terminated earlier, in accordance with its terms. For its services under the Advisory Services Agreement, SAM is entitled to be paid by the Administrator a fee equal to half of all fees paid to the Administrator under the Administrative Services

Agreement at the same time that the Administrator is paid its fees, but based on the net asset value of Gold-Trust in excess of U.S.\$50,000,000. No fees have been paid to SAM to date. See “Administration of Gold-Trust – Advisory Services Agreement”.

**Risk Factors:**

An investment in the Units involves a number of risk factors. The price of Units will be affected by the potential volatility of gold prices, which are influenced by economic and political considerations. Additional risks associated with an investment in the Units include: (i) foreign exchange rates; (ii) uninsured and underinsured losses; (iii) trading discount; (iv) nature of units; (v) potential Unitholder liability; (vi) reliance on Trustees, Administrator and SAM; (vii) potential conflicts of interest; (viii) regulatory change; (ix) investment eligibility; and (x) income tax matters. See “Risk Factors”.

**SELECTED FINANCIAL INFORMATION**

The following table sets out selected financial information of Gold-Trust. The information is derived from, and should be read in conjunction with, the historical financial statements of Gold-Trust and the notes thereto, and “Management’s Discussion and Analysis”, all included elsewhere in this prospectus.

	Six month period ended June 30, 2004	Period from establishment April 28, 2003 to December 31, 2003
<b>Data from Statements of Net Income (Loss):</b>		
	<b>(expressed in U.S. dollars)</b>	
Net income (loss) inclusive of unrealized appreciation (depreciation) of investments	\$(1,988,619)	\$5,954,290
Net income (loss) per Unit inclusive of unrealized appreciation (depreciation) of investments	(0.86)	2.59
	<hr/> June 30, 2004	<hr/> December 31, 2003
<b>Data from Statements of Net Assets:</b>		
	<b>(expressed in U.S. dollars)</b>	
Net assets representing Unitholders’ equity	\$35,473,690	\$37,462,309
Net asset value per Unit	15.42	16.29

## **CENTRAL GOLD-TRUST**

Central Gold-Trust (“Gold-Trust”) is a self-governing limited purpose trust established on April 28, 2003 under the laws of the Province of Ontario by a declaration of trust (the “Declaration of Trust”) among John P. Embry, Brian E. Felske, Douglas E. Heagle, Ian M.T. McAvity, Robert R. Sale, Philip M. Spicer, J.C. Stefan Spicer and Eric S. Sprott (the “Trustees”), as trustees, and Central Gold Managers Inc. (the “Administrator”), as the initial Unitholder of Gold-Trust. Gold-Trust is administered by the Trustees and by the Administrator pursuant to an administrative services agreement (the “Administrative Services Agreement”). See “Description of Gold-Trust” and “Administration of Gold-Trust”.

The principal and head office of Gold-Trust is located at 55 Broadleaf Crescent, Ancaster, Ontario, Canada L9G 3P2. Gold-Trust’s mailing address is Box 10106 Meadowlands P.O., Ancaster, Ontario, Canada L9K 1P3.

## **PURPOSE OF GOLD-TRUST**

### **Investment Objective and Strategy**

Gold-Trust is an investment holding entity created to invest substantially all of its assets in gold bullion, with the primary investment objective of achieving long-term appreciation in the value of its gold holdings. The objective of Gold-Trust is to provide a secure, convenient, low-cost and low-risk investment alternative for investors interested in holding gold bullion. Units are almost entirely backed by physical gold bullion.

All gold bullion owned by Gold-Trust must be stored in Canada in the treasury vault facilities of a Schedule I Canadian chartered bank on a segregated basis. The term “treasury vault” means a vault that has the highest security rating for treasury storage purposes and qualifies for storage on behalf of the Bank of Canada. Gold-Trust has entered into a storage and safekeeping agreement (the “Storage and Safekeeping Agreement”) dated June 23, 2003 with Canadian Imperial Bank of Commerce (the “Bank”), pursuant to which the Bank has agreed to store all gold bullion owned by Gold-Trust in accordance with the Declaration of Trust. The gold bullion held for safekeeping on behalf of Gold-Trust is insured by the Bank.

The strategy of Gold-Trust is to invest in long-term holdings of unencumbered gold bullion, in 400 troy ounce international bar sizes, and not to actively speculate with regard to short-term changes in gold prices. This strategy provides investors with an ability to effectively invest in unencumbered gold bullion in a secure manner without the associated inconvenience and high transaction, handling, storage, insurance and other costs that are typical of a direct gold bullion investment.

An investment in Gold-Trust does not carry the same risks as a direct investment in gold bullion because gold bullion is traded in increments of U.S.\$50,000 while the Units trade in smaller increments. For example, on November 11, 2004 the closing price of the Units on the TSX was \$21.44 per Unit. Therefore, investors in Gold-Trust can take a position in gold bullion without having to risk as much capital as required for a direct investment in gold bullion. In addition, provided that Gold-Trust is a mutual fund trust within the meaning of the Tax Act at all relevant times, the Units are qualified investments for trusts governed by RRSPs, RRIFs and other Plans which is not the case for investors who hold physical gold bullion directly.

### **Investment Policies**

In furtherance of the strategy of Gold-Trust, the Trustees have established the following conservative investment policies:

1. Pursuant to the Declaration of Trust, at least 90% of the assets of Gold-Trust must be invested in pure, refined gold bullion in bar form and such policy may only be amended by a resolution of the Unitholders. The current investment policy of Gold-Trust, as approved by the Trustees, is actually more restrictive, in that at least another 5% of the assets of Gold-Trust must be invested in additional gold in physical bullion

or in gold certificate form, so that a total of at least 95% of the total net assets of Gold-Trust are invested in gold.

2. All gold bullion owned by Gold-Trust must be unencumbered and Gold-Trust may not enter into any borrowing arrangements except in strictly limited circumstances to facilitate bullion purchase payments. Only under such circumstances may Gold-Trust enter into short-term borrowing arrangements for which all outstanding amounts do not exceed 10% of Gold-Trust's total net assets at any and all times.
3. No part of the physical gold bullion held in storage on behalf of Gold-Trust may be delivered by the Bank out of safekeeping without receipt of a certified resolution of the Trustees specifying the purpose and giving direction with respect to specific amounts.
4. No Trustee or officer of Gold-Trust or appointed representative of Gold-Trust or the Administrator is authorized to enter the treasury vault facilities designated for the storage of Gold-Trust's gold bullion without being accompanied by a representative of the auditors of Gold-Trust and one or more representatives of such Bank.
5. The gold bullion held in storage on behalf of Gold-Trust shall be inspected annually and spot inspected periodically by bar number, refiner, weight and purity in the presence of at least one Trustee or officer of Gold-Trust, at least one representative of Gold-Trust's auditors and one or more Bank representatives.
6. Maintain qualifying status of the Units of Gold-Trust under current regulations, as described in "Eligibility for Investment".

## **MARKET OVERVIEW**

### **Gold**

Gold is a globally recognized commodity that also has a long history as a monetary asset class. It continues to be the only monetary asset without implicit issuer counter-party risk or obligation, and has represented a significant proportion of international reserve assets by most national central banks that report to the International Monetary Fund, since it was founded in 1949.

Gold is a rare element in creation that has many unique characteristics. It is virtually non-destructible, non-corrosive, extremely malleable and conductive for electricity. Gold also acts as an excellent reflector of heat and is an effective shield against radiation.

### **Assessment of Sprott Asset Management**

Sprott Asset Management Inc. ("SAM") believes that the gold market is in the middle of a major secular shift following a devastating bear market that lasted for two decades. The 1980s and 1990s witnessed a period of disinflation in which financial assets prospered and gold steadily disappeared from investors' radar screens. The onset of a new bull market for gold at the end of 2000 was almost completely ignored by most investors and only a small percentage of investors participated in the first upleg, which saw gold bullion prices progress from a cycle low of U.S.\$252 per ounce to U.S.\$433.80 per ounce on November 11, 2004.

SAM believes that, at this time, economic and financial conditions which traditionally have favoured gold as an investment are unfolding. The U.S. dollar, which has been inversely correlated with the price of gold, is weakening on a trade-weighted basis against other currencies. The financial condition of the U.S. has deteriorated with large federal budget deficits replacing the surpluses of recent years. The aftermath of the war in Iraq is having an effect of increasing what are already high deficit levels. The U.S. current account deficit reached a record of U.S.\$664 billion (on an annualized basis) in the second quarter of 2004, representing approximately 5.7% of U.S. gross domestic product. Private sector debt is at historically high levels. There has been a stated change in philosophy at the U.S. Federal Reserve from controlling inflation to combating deflation, as reflected in recent statements by spokesmen

for the U.S. Federal Reserve. At the same time, physical demand for gold for investment purposes has been increasing globally.

SAM believes that the foregoing is occurring in an environment where there has been a persistent and growing gap between conventional demand (jewellery, industrials, etc.) and mine supply that has been filled, to some extent, by recycled scrap, but primarily by the mobilization of central bank gold that has entered the market through direct sales and leasing activity to facilitate producer hedging and financial speculation. Leasing activity has predominated, but recently, gold producers have sharply reduced their hedging activity and, in many cases, are covering previous hedges while financial speculators have been discouraged by rising gold prices and collapsing interest rate spreads called contangos brought about by falling interest rates. Central bank direct selling has posed an ongoing threat to gold prices but the existence of the *Central Bank Gold Agreement* (previously known as the *Washington Agreement*) limiting European central bank sales, and a growing appetite for gold among the central banks of Asia as their dollar balances expand, are reducing the potential price overhang in this sector.

SAM believes that mine supply will decline in the next several years due to a dearth of exploration expenditures over the past five years, the exhaustion of reserves in older mines and a reduction in the mining of higher grade ores, which in many instances was necessary for survival in the extended period of low, sub-economic gold prices.

SAM believes that a combination of rising investment demand for gold, constrained mine supply and a reduced flow of central bank gold into the market would represent a favourable situation for gold prices.

Many portfolio managers and investment advisors are currently recommending that five to ten percent of every investment portfolio should be held in gold bullion as a prudent diversifier.

## **MANAGEMENT OF GOLD-TRUST**

### **Trustees**

The following table sets out, for each of the Trustees of Gold-Trust, the person's name, municipality of residence, positions with Gold-Trust and principal occupation. Four of the eight named Trustees are independent from the management of Gold-Trust and from the Administrator. In addition, one additional person who is similarly independent is expected to be added by the existing Trustees as a Trustee following completion of the Offering. Each Trustee will hold office until the next annual meeting of Unitholders of Gold-Trust, subject to his earlier resignation or removal.

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with Gold-Trust</u></b>	<b><u>Principal Occupation</u></b>
JOHN P. EMBRY <sup>(E)</sup> Toronto, Ontario	Co-Chairman and Trustee	Chief Investment Strategist of Sprott Asset Management Inc.
PHILIP M. SPICER <sup>(*) (E)</sup> Ancaster, Ontario	Co-Chairman and Trustee	Chairman of Central Fund of Canada Limited (gold and silver bullion investment company)
J.C. STEFAN SPICER <sup>(*) (E)</sup> Copetown, Ontario	President, Chief Executive Officer and Trustee	President and Chief Executive Officer of Central Fund of Canada Limited (gold and silver bullion investment company)
BRIAN E. FELSKE <sup>(A)</sup> Markdale, Ontario	Trustee	President of Brian E. Felske & Associates, Ltd. (mining consultants)
DOUGLAS E. HEAGLE <sup>(A), (CG)</sup> Oakville, Ontario	Trustee	Chairman of NSBL International (international investors)

<u>Name and Municipality of Residence</u>	<u>Position with Gold-Trust</u>	<u>Principal Occupation</u>
IAN M.T. McAVITY <sup>(CG)</sup> Toronto, Ontario	Trustee	Corporate Director and President of Deliberations Research Inc. (economic consultants)
ROBERT R. SALE <sup>(A), (CG)</sup> Tortola, British Virgin Islands	Trustee	Corporate Director
ERIC S. SPROTT <sup>(E)</sup> Oakville, Ontario	Trustee	Chairman, President, Chief Executive Officer and Portfolio Manager of Sprott Asset Management Inc.
WILLIAM L. TRENCH Fort Erie, Ontario	Chief Financial Officer	Independent Consultant
JOHN S. ELDER, Q.C. Toronto, Ontario	Secretary	Partner and a Vice-Chairman of Fraser Milner Casgrain LLP (national law firm)

Notes:

- (\*) Nominee of the Administrator.
- (A) Member of the Audit Committee.
- (CG) Member of the Corporate Governance & Nominating Committee.
- (E) Member of the Executive Committee.

Each of the foregoing officers and Trustees has held the same principal occupation for the previous five years with the exception of J.C. Stefan Spicer, who prior to August 2001, was Vice-President and/or a director of Central Fund of Canada Limited; and John P. Embry, who prior to March 2003, was Vice-President, Equities at RBC Global Investment Management.

The following is a brief biographical description of the principal officers of Gold-Trust:

**John S. Elder, Q.C.** has been a partner of Fraser Milner Casgrain LLP and its predecessor firms for over 35 years. Mr. Elder's degrees are in commerce and finance and law. He carries on a wide-ranging practice in corporate law and is a director and/or officer of several public and private companies.

**John P. Embry** is a graduate from the University of Manitoba with a bachelor of commerce degree. He is a respected industry expert in precious metals, has researched the gold sector for over 30 years and has accumulated industry experience as a portfolio management specialist since 1963.

**J.C. Stefan Spicer** is the President and Chief Executive Officer of Central Fund of Canada Ltd., a publicly traded gold and silver bullion investment company listed on the American Stock Exchange and the Toronto Stock Exchange.

**Philip M. Spicer** is the Chairman of Central Fund of Canada Ltd., which he formed in 1961. He has been a long-time analyst of markets, monetary systems and gold. His career has included being a part-owner and director of Canadian stock brokerage and investment dealer firms, a Registered Investment Counsel and portfolio manager. More recently, he has been a private consultant to financial businesses.

**William L. Trench** is the Chief Financial Officer of Gold-Trust. Mr. Trench was admitted, in South Africa, as an Associate of the Chartered Institute of Secretaries (A.C.I.S.), in 1962. He received the further designation of Professional Administrator (P.Adm.) from the Canadian branch of the Institute of Chartered Secretaries and

Administrators in 1983. His areas of training include corporate governance, legal matters, accounting and finance and general management and administration. Mr. Trench is an independent consultant to private clients.

The following is a brief biographical description of the other Trustees:

**Brian E. Felske** has been an adviser on metal markets and mining finance to mining companies, commercial banks, major brokerage houses, large institutional investors and multilateral agencies for nearly 25 years. He has worked in most of the important metal producing countries in the world.

**Douglas E. Heagle** is a graduate of the Ivey School of Business. He has been an officer (currently Chairman) and a director of National System of Baking Ltd. since 1953 and is Chairman of a division, NSBL International (private capital investments). Mr. Heagle has been a director of several Canadian and overseas companies.

**Ian M.T. McAvity** has been involved in the world of finance for over 40 years, as a banker, broker, and since 1975 as an independent advisor and consultant, specializing in the technical analysis of international equity, foreign exchange and precious metals markets. His analysis and views have been published in “Ian McAvity’s Deliberations on World Markets Newsletter” continuously since 1972.

**Robert R. Sale** was an active member of the Canadian financial community throughout his career until his retirement as President of Walwyn Inc., a member of stock exchanges and investment industry associations throughout Canada.

**Eric S. Sprott** has accumulated over 33 years of experience in the investment industry. He was the founder of Sprott Securities Inc. in 1981, from which he retired and divested to establish Sprott Asset Management Inc. in 2001 as a separate entity. He is well-known for the achievements of the investment funds under his stewardship.

## **Governance**

Gold-Trust’s governance practices are designed to ensure that its business is effectively managed so as to foster value for its Unitholders. With certain exceptions as noted below, these practices generally accord with the guidelines and policies of the TSX and the proposed “Best Practices” guidelines of January 16, 2004 published by the Ontario Securities Commission (collectively, the “Guidelines”).

### *Board Mandate and Code of Ethics*

The Board of Trustees is, as set forth in its mandate, responsible for the management and supervision of the business of Gold-Trust pursuant to its powers and obligations under the Declaration of Trust and other statutory and legal requirements generally applicable to Trustees of a unit trust that is also a reporting issuer. In carrying out its duties, the Board holds regular meetings on at least a quarterly basis and additional meetings to deal with particular matters as appropriate. Supported by three committees of the Board, the Board oversees management of Gold-Trust, including the activities of the Administrator, develops and oversees strategy of Gold-Trust and its implementation, identifies and assesses the principal risks of the business, reviews financial performance and reporting, appoints the senior officers of Gold-Trust, is responsible for succession planning, oversees public communications policies and Unitholder relations and annually reviews the effectiveness of the Board and committees (including a Trustee’s individual contribution). These duties and responsibilities are consistent with the Guidelines. An individual director is permitted to engage an outside advisor at the expense of Gold-Trust in specific circumstances such as where he is placed in a conflict position through activities of Gold-Trust, but any such engagement is subject to prior approval of the Corporate Governance and Nominating Committee referred to below.

The Board has adopted a code of business ethics which governs behaviour of its Trustees and officers as well as employees of the Administrator. Compliance is monitored by the Board and, should any waivers be granted to Trustees or officers, the policy is to disclose this in the next ensuing quarterly or annual report. The establishment and monitoring of the code and the creation of the formal mandate for the Board are proposed under the Guidelines. Although also recommended in the Guidelines, no formal position descriptions have been developed for the Board and the CEO.

### *Composition of Board*

The Trustees are elected by the Unitholders at each annual meeting, except that the Board is entitled to appoint a Trustee to fill a vacancy until the next annual meeting. The term of office of each Trustee expires at the next annual meeting or upon election or appointment of a successor. The Board currently consists of eight Trustees. Four of the eight-member Board of Trustees of Gold-Trust, Messrs. Felske, Heagle, McAvity and Sale, are independent Trustees. The Board does not currently comply with the Guidelines in that there is not a majority of the Trustees that are independent. However, when the Offering is completed, it is expected that a ninth, and independent, Trustee will be elected. With respect to the other Trustees, Messrs. Philip Spicer and Stefan Spicer, the Co-Chairman and President respectively, are directors and officers of the Administrator, Mr. Embry, Co-Chairman, is Chief Investment Strategist of SAM and Mr. Sprott is a director, officer and shareholder of SAM. See “Interest of Management and Others in Material Transactions”.

### *Lead Trustee*

Mr. Heagle, the Chairman of the Audit Committee and an independent Trustee, has been designated as the “lead Trustee” as contemplated by the Guidelines. As such, he has taken on the responsibility of overseeing the operation of the Board and its effectiveness and leads discussions of the Board when it meets in private session without members of management present. These in camera sessions are held at each regular Board meeting and at Audit and Corporate Governance & Nominating Committee meetings so as to promote full and open discussion among the non-management Trustees.

### *Committees*

The Board is responsible for the establishment and overseeing performance of all committees, the appointment of members to serve on such committees and approving their compensation. Three standing committees have been appointed.

The *Executive Committee* is composed of four members, none of whom are independent Trustees. The Committee is intended to meet occasionally between regularly scheduled Board meetings to provide advice and guidance between Trustees’ meetings to Gold-Trust’s management in respect of issues of strategic importance. The proceedings of this Committee are reviewed by the Board. The Committee had no formal meetings during the initial fiscal period.

The *Audit Committee* is composed of three Trustees, all of whom are independent Trustees as contemplated by the Guidelines. Each of the members of the Committee is “financially literate” in having the ability to read and understand a set of financial statements and the accompanying notes. Each of the Trustees serving on the Committee is regarded by the Board as having “accounting or related financial experience” through having the ability, by virtue of past accounting training and/or experience as a chief financial officer or chief executive officer with oversight of a corporation’s or trust’s finance and accounting activities, to analyze and interpret a full set of financial statements and the accompanying notes that present a breadth and complexity of issues that are generally comparable to the breadth and complexity of issues expected to be raised by Gold-Trust’s financial statements. The charter for the Audit Committee reflects the requirements of the Guidelines. Mr. Heagle chairs the Audit Committee, which generally meets at least four times per year.

The *Corporate Governance & Nominating Committee* is composed of three Trustees, all of whom are independent Trustees as defined in the Guidelines. It is responsible, under its charter, among other things for developing Gold-Trust’s approach to governance issues, reviewing the effectiveness of the Board’s practices in light of emerging and changing regulatory requirements, proposing new nominees to the Board, developing awareness programs for them, assessing the size, composition and effectiveness of the Board as a whole and of the Committees, assessing the contribution of individual Board members, revising and assessing the adequacy and form of the compensation of Trustees to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective Trustee. Mr. Sale chairs the Corporate Governance & Nominating Committee, which generally meets twice per year.

### *Remuneration of Trustees*

No trustee fees shall be paid to nominees of the Administrator or SAM. Each of the independent Trustees will be paid such remuneration for their services as the Trustees may from time to time determine. Until otherwise determined, such compensation will be U.S.\$4,000 per year for each Trustee plus U.S.\$1,000 per meeting of the Trustees, Committees of the Trustees and for attendance at bullion audits and inspections. The chairs of the committees will each receive an additional U.S.\$2,000 per year. As an accommodation to Gold-Trust and to assist in cost reduction to Gold-Trust in this early stage of its development, the Trustees have waived 25% of their fees to date. Gold-Trust will also reimburse the independent Trustees for out-of-pocket expenses for attending such meetings, and all Trustees will participate in the indemnification arrangements described under "Description of Gold-Trust – Trustees".

## **ADMINISTRATION OF GOLD-TRUST**

### **Administrative Services Agreement**

Gold-Trust and Central Gold Managers Inc. (the "Administrator") entered into the Administrative Services Agreement on April 28, 2003. The Administrator was incorporated on March 7, 2003 and its sole purpose is to administer the business and affairs of Gold-Trust. The primary administrative responsibilities of the Administrator under the Administrative Services Agreement are to:

- (i) keep full and complete financial, accounting and other records reflecting the financial position of Gold-Trust's business;
- (ii) report to Gold-Trust, its Trustees and through the press to its Unitholders, on at least a weekly basis, the net asset value of each Unit of Gold-Trust (the "NAV"), where NAV is calculated as the total value of gold bullion, cash and other net assets, less any and all payables, indebtedness and any other liabilities, divided by the total number of outstanding Units of Gold-Trust, and the value of gold bullion is calculated on the basis of the p.m. London price fixing for gold bullion. Reports of NAV in Canadian dollars will be calculated with reference to the Bank of Canada's noon exchange rate on the date of each NAV calculation;
- (iii) prepare reports to Unitholders, regulatory filing material and other reports to the Trustees as may be reasonably requested from time to time;
- (iv) furnish office facilities, services and supplies and generally oversee with its staff and independent contractors the administration of Gold-Trust;
- (v) compensate the officers of Gold-Trust for their services, where applicable;
- (vi) retain and compensate SAM for its advisory services, which includes the services of John P. Embry and Eric S. Sprott as Trustees; and
- (vii) fulfill its responsibilities in a manner that does not disable Gold-Trust's ability to maintain the qualifying status of the Units of Gold-Trust under current regulations, as described in "Eligibility for Investment".

The Administrator has agreed to administer Gold-Trust's activities in an efficient, timely and professional manner in accordance with reasonable and prudent practices.

The Administrative Services Agreement is for an initial term of 10 years until April 28, 2013, and will continue in force from year to year thereafter unless terminated by Gold-Trust. Gold-Trust may terminate the Administrative Services Agreement at any time if the Administrator breaches any of its material obligations under the Administrative Services Agreement and: (i) such breach has not been cured within 120 days following notice thereof from Gold-Trust; and (ii) within a further 120 days after the expiry of such cure period, such termination is approved

by either (a) a written resolution of Unitholders representing, collectively, at least 66 2/3% of the aggregate number of votes attached to the then outstanding Units of Gold-Trust or (b) a meeting of Unitholders by a resolution approved by Unitholders representing at least 66 2/3% of the votes attached to the Units of Gold-Trust which are voted at the meeting at which at least 10% of the outstanding Units are represented in person or by proxy, in all cases excluding votes attached to the outstanding Units held by or on behalf of the Administrator and its affiliates.

Under the terms of the Administrative Services Agreement, any directors, officers or employees of the Administrator who are also officers of Gold-Trust, or who have been appointed as Trustees by the Administrator, shall be paid by the Administrator for serving in such capacity and shall not receive any remuneration from Gold-Trust therefor.

Gold-Trust acknowledges that the Administrator shall not be responsible for any loss of opportunity whereby the value of any of the assets of Gold-Trust or the value of any particular gold, monetary or currency investment could have been increased, nor shall it be responsible for any decline in value of any of the assets of Gold-Trust unless such decline is the result of the Administrator's negligence or wilful failure to comply with express directions given by resolution of either the Trustees or Unitholders of Gold-Trust.

The Administrator may, with the prior approval of the Trustees, delegate to any person, firm or corporation, including SAM, any of its duties or obligations under the Administrative Services Agreement. See "Administration of Gold-Trust – Advisory Services Agreement". The Administrator will also arrange, at the expense of Gold-Trust, for the engagement of the custodian(s) of Gold-Trust's assets and for its registrar and transfer agent(s).

Gold-Trust is responsible for paying all costs and expenses incurred in connection with its business except those that are expressly to be borne by the Administrator as referred to above. Such costs and expenses to be borne by Gold-Trust include, without limitation: (i) brokerage and trading commissions; (ii) transport, insurance, fees, security transfer taxes, safekeeping or custodian's fees and other charges arising upon the holding, purchase or sale of gold bullion or other assets by Gold-Trust; (iii) legal and audit fees; (iv) Unit offering costs; (v) fees payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the Units are listed; (vi) the cost of printing, mailing and filing financial reports and material for Unitholders' meetings, valuations, reporting to Unitholders, securities regulatory filings and any other purposes required by law; (vii) fees payable to any registrar and transfer agent of the Units; (viii) its independent Trustees' fees and expenses; and (ix) the Administrator's fees payable under the Administrative Services Agreement.

In consideration of the Administrator carrying out its duties and obligations under the terms of the Administrative Services Agreement, Gold-Trust pays to the Administrator a declining 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 as at the month-end Valuation Date (defined as the last business day of each month on which Gold-Trust's NAV is determined). Such fees are payable on or before the 10<sup>th</sup> day following the end of each such month. For such purposes, "total assets" means the total assets of Gold-Trust as at the Valuation Date, valuing gold bullion and other investments at market value and cash, short-term government securities, short-term deposits with financial institutions and prime commercial paper at cost less any outstanding payables or other indebtedness of Gold-Trust. The independent Trustees have the express authority to engage a third party for the purpose of conducting an independent valuation of the assets of Gold-Trust. As an accommodation to Gold-Trust and to assist in cost constraints in this early stage of its development, the Administrator has waived 25% of its fees to date.

### **Advisory Services Agreement**

The Administrator and SAM entered into an advisory services agreement (the "Advisory Services Agreement") on March 14, 2003. The ongoing primary responsibilities of SAM under the Advisory Services Agreement are to:

- (i) provide strategic and tactical advice, market research and marketing services on an ongoing basis to Gold-Trust and the Administrator for branding and marketing the Units of Gold-Trust to qualified prospective retail and institutional investors; and

- (ii) undertake such other services as may be requested of, and agreed to by, SAM from time to time.

SAM has agreed to carry out such services in an honest, diligent and efficient manner, in good faith and to the best of its ability and in furtherance of the best interests of Gold-Trust.

The term of the Advisory Services Agreement will continue until the wind-up, liquidation or dissolution of Gold-Trust, unless terminated earlier:

- (i) by the Administrator for cause (as defined in the Advisory Services Agreement); or
- (ii) by either the Administrator or SAM upon the other committing a material breach of any of the terms of the Advisory Services Agreement or if either shall be subject to bankruptcy or insolvency proceedings; or
- (iii) by either party if the Administrator ceases to be the administrator of Gold-Trust; or
- (iv) by SAM if Eric S. Spratt and John P. Embry are not appointed as Trustees or either one of them is removed as a Trustee other than by voluntary resignation or death; or
- (v) by SAM on not less than 60 days' prior written notice to the Administrator and Gold-Trust.

SAM and the Administrator have a mutual right of first refusal with respect to furnishing similar services to any similar limited purpose trust or other investment vehicle developed by the other party that is based upon a similar concept to that of Gold-Trust.

The Administrator has agreed to recommend to the Trustees that, so long as the Advisory Services Agreement is in effect, each of Eric S. Spratt and John P. Embry be appointed as Trustees and that John P. Embry be appointed as a co-chair of Gold-Trust's board of trustees.

As compensation for the services provided by SAM under the Advisory Services Agreement, the Administrator has agreed to share with SAM, a fee equal to half of all fees paid to the Administrator under the Administrative Services Agreement, payable at such time as the Administrator is paid its fees, but based on the net asset value of Gold-Trust in excess of U.S.\$50,000,000. No fees have been payable to date as the net asset value of Gold-Trust has been less than the threshold level. In addition, the Administrator will reimburse SAM for any reasonable out-of-pocket expenses incurred in connection with the performance of its services and for any additional advisory services that in either case have been pre-approved by the Administrator.

It is further provided that in the event of a change of control of the Administrator (as defined in the Advisory Services Agreement) within the initial ten year currency of the Advisory Services Agreement, without the prior written approval of SAM which results in the likely effect of terminating the Advisory Services Agreement, SAM shall be entitled to liquidated damages from the Administrator equal to the amount of fees SAM would otherwise have earned for a period of two years following such termination.

#### **Directors and Officers of the Administrator**

The name, municipality of residence, position held and principal occupation of each director and officer of the Administrator are set out below:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with the Administrator</u></b>	<b><u>Principal Occupation</u></b>
J.C. Stefan Spicer <sup>(1)</sup> Copetown, Ontario	President and Director	President and Chief Executive Officer of Central Fund of Canada Limited (gold and silver bullion investment company)
Alexander J. Grieve Toronto, Ontario	Secretary and Director	Associate of Fraser Milner Casgrain LLP
Philip M. Spicer Ancaster, Ontario	Director	Chairman of Central Fund of Canada Limited (gold and silver bullion investment company)
Krystyna S. Bylinowski Ancaster, Ontario	Treasurer	Treasurer of Central Gold Managers Inc.

Note:

(1) J.C. Stefan Spicer is the son of Philip M. Spicer, Co-Chairman of Gold-Trust.

Each of the foregoing directors and officers has had the same principal occupation for the previous five years except for Krystyna S. Bylinowski who was administrative assistant at Pearson Dunn Insurance & Financial Services Inc. from September 2001 to December 2002; Alexander J. R. Grieve who prior to April 2000 was an associate of Power Budd LLP and prior to 1999 was an associate of Fraser Milner Casgrain LLP; and J.C. Stefan Spicer who prior to August 2001 was Vice-President and a director of Central Fund of Canada Limited.

#### **Principal Holder of Shares of the Administrator**

All of the issued and outstanding shares of the Administrator are held by Central Group Administrators Inc., which is wholly-owned by, Joanne Spicer, the wife of Philip M. Spicer, a Trustee and Co-Chairman of Gold-Trust.

#### **Directors and Officers of SAM**

The name, municipality of residence and principal occupation of each director and officer of SAM are set out below:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Principal Occupation</u></b>
Eric S. Sprott Oakville, Ontario	Chairman, President, Chief Executive Officer and Portfolio Manager
John P. Embry Toronto, Ontario	Chief Investment Strategist
Neal R. Nenadovic Toronto, Ontario	Chief Financial Officer
Anne L. Spork Acton, Ontario	Director and Trading Officer

Each of the foregoing directors and officers has had the same principal occupation for the previous five years except for Eric S. Sprott who was Chief Executive Officer and Chairman of Sprott Securities Inc. from December 1981 to December 2001 and a director of Sprott Securities Inc. from December 1981 to August 2002; John P. Embry who was Vice-President, Equities of RBC Global Investment Management Inc. from January 1988 to February 2003; Neal R. Nenadovic who was Assistant Vice President, Treasury at AIM Funds Management Inc. from September 1997 to January 2002; and Anne L. Spork who was Vice-President and a director of Sprott Securities Inc. from April 1985 to January 2002.

## USE OF PROCEEDS

The estimated net proceeds from the Offering, after deducting fees payable to the Agents and the estimated expenses of the Offering, will be \$17,296,100. Gold-Trust will invest over 90% of the net proceeds in gold bullion within 30 days of the closing date. It is expected that approximately 50% of the net proceeds will be invested in gold bullion within the first 10 days after the closing date. The balance of the net proceeds will be invested in gold certificates and cash related securities to meet redemptions, if any, and to be used by Gold-Trust for general working capital purposes.

If the Over-Allotment Option is exercised, substantially all the net proceeds received by Gold-Trust will be used by Gold-Trust to purchase additional gold bullion. See “Plan of Distribution”.

## SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information of Gold-Trust. The information is derived from, and should be read in conjunction with, the historical financial statements of Gold-Trust and the notes thereto, and “Management’s Discussion and Analysis”, all included elsewhere in this prospectus.

	Six month period ended June 30, 2004	Period from establishment April 28, 2003 to December 31, 2003
<b>Data from Statements of Net Income (Loss):</b>		
	<b>(expressed in U.S. dollars)</b>	
Net income (loss) inclusive of unrealized appreciation (depreciation) of investments	\$(1,988,619)	\$5,954,290
Net income (loss) per Unit inclusive of unrealized appreciation (depreciation) of investments	(0.86)	2.59
	June 30, 2004	December 31, 2003
<b>Data from Statements of Net Assets:</b>		
	<b>(expressed in U.S. dollars)</b>	
Net assets representing Unitholders’ equity	\$35,473,690	\$37,462,309
Net asset value per Unit	15.42	16.29

## MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s discussion and analysis is a review of the financial condition and results of operations of Gold-Trust. It should be read in conjunction with the financial statements of Gold-Trust and notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements. See “Forward-Looking Statements”.

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 the Administrator to attend to all administrative duties as delegated by the Administrative Services Agreement and as guided by the Trustees.

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.

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 the Administrative Services Agreement with Gold-Trust. Two Trustees of Gold-Trust are John P. Embry, Chief Investment Strategist of SAM, and Eric S. Sprott, a director, officer and shareholder of SAM. SAM has entered into the Advisory Services Agreement with the Administrator for the benefit of Gold-Trust and the Administrator.

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 Bank 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.

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 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.

**The financial data presented below is prepared in United States dollars and in accordance with Canadian generally accepted accounting principles.**

**Period from establishment April 28, 2003 to December 31, 2003**

**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. Rising gold prices increased net assets by \$5,954,290 to \$37,462,309 by year-end. As at December 31, 2003, Gold-Trust's assets were 91.7% gold bullion, 5.1% gold certificates and 3.2% cash and other working capital.

**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 issue additional Units which would increase the size of Gold-Trust and thereby reduce per Unit expenses, for the benefit of all Unitholders.

#### **Six month period ended June 30, 2004**

**Net Loss** – The expenses of Gold-Trust for the six months amounted to \$171,912 and the net loss including unrealized depreciation amounted to \$1,988,619. Most of the reported loss consists of unrealized depreciation of investments, due to the decline in the price of gold over recent months. In fact, no investments were sold during the period, however, Gold-Trust’s financial reporting follows CICA Accounting Guideline 18, which may result in substantial changes in net income from reporting period to period due to unrealized appreciation, or depreciation, of investments being included in Gold-Trust’s net income calculation.

**Net Assets** – Declining gold prices, from \$416.25 on December 31, 2003 to \$395.80 per ounce on June 30, decreased total net assets after expenses by \$1,988,619, from \$37,462,309 at year-end to \$35,473,690 on June 30. Of these assets, 97% was invested in gold. Gold-Trust’s holdings of 87,200 ounces of unencumbered gold consisted of 82,619 fine ounces of physical gold bullion and 4,581 ounces in certificate form held in safekeeping by the Bank, which provides segregated and insured treasury vault storage for the physical gold bullion.

**Liquidity** – All of the gold and interest-bearing cash deposits, which are the assets of Gold-Trust, are readily marketable, exchangeable and highly liquid.

#### **Summary of Quarterly Financial Information**

	July 8, 2003 to September 30, 2003	October 1, 2003 to December 31, 2003	January 1, 2004 to March 31, 2004	April 1, 2004 to June 30, 2004
	(unaudited)			
	(expressed in U.S. dollars)			
Net income (loss) inclusive of unrealized appreciation (depreciation) of investments	\$3,495,472	\$2,458,818	\$559,396	\$(2,548,015)
Net income (loss) per Unit inclusive of unrealized appreciation (depreciation) of investments	1.52	1.07	0.24	(1.11)

#### **DESCRIPTION OF GOLD-TRUST**

Gold-Trust is a limited purpose trust established on April 28, 2003 under the laws of the Province of Ontario pursuant to the Declaration of Trust. Gold-Trust qualifies as a mutual fund trust for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust. This summary does not purport to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions. See “Material Contracts”.

#### **Activities of Gold-Trust**

The Declaration of Trust provides, among other things, that Gold-Trust is restricted to:

- (i) investing in and holding a minimum of 90% of its total net assets in physical gold bullion and to hold no more than 10% of its total net assets in the following:
  - (a) gold certificates to enable payments, if any, made in connection with the redemption of any Units or other securities of Gold-Trust, for making distributions, if any, to Unitholders, and for cash to pay expenses, and
  - (b) cash and interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses of Gold-Trust;
- (ii) issuing Units (or rights, warrants, convertible securities or options to acquire Units) provided that the net proceeds per Unit to be received by Gold-Trust shall not be less than the most recently calculated NAV prior to or upon such issuance;
- (iii) borrowing on a short-term basis in strictly limited circumstances to facilitate bullion purchase payments, provided that, under such circumstances, Gold-Trust may enter into short-term borrowing arrangements for which all outstanding amounts do not exceed 10% of Gold-Trust's total net assets at any and all times;
- (iv) issuing or redeeming rights and Units pursuant to any Unitholder rights plan adopted by Gold-Trust;
- (v) purchasing securities issued by Gold-Trust subject to all applicable laws;
- (vi) satisfying any obligations or liabilities of Gold-Trust; and
- (vii) undertaking such other activities, or taking such actions (including investing in securities), as are related to or in connection with the foregoing or as are contemplated by the Declaration of Trust or as may be approved by the Trustees from time to time, provided that Gold-Trust shall not undertake any activity, take any action, or make any investment which would result in:
  - (a) Gold-Trust not being considered a "mutual fund trust" for purposes of the Tax Act;
  - (b) the Units constituting foreign property for the purposes of computing the tax payable by Gold-Trust under Part XI of the Tax Act; or
  - (c) all or substantially all of the property of Gold-Trust consisting of property that would be "taxable Canadian property" if the definition "taxable Canadian property" in subsection 248(1) of the Tax Act was read without reference to paragraph (b) of that definition.

## **Units**

An unlimited number of Units may be issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in Gold-Trust, in any distributions from Gold-Trust whether of trust income, net realized capital gains or other amounts, and in the net assets of Gold-Trust in the event of termination or winding up of Gold-Trust. All Units are of the same class and rank among themselves equally and rateably without discrimination, preference or priority. The Units issued pursuant to the Offering are not subject to additional payments on account of the subscription price and entitle the holder thereof to one vote for each whole Unit held at all meetings of Unitholders. Except as set out under "Redemption Rights" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

## **Issuance of Units**

The Declaration of Trust provides that Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions as the Trustees may determine, provided that the net proceeds per

Unit to be received by Gold-Trust shall not be less than the most recently calculated NAV prior to such issuance. At the option of the Trustees, Units may be issued in satisfaction of any distribution of Gold-Trust to Unitholders on a pro rata basis to the extent that Gold-Trust does not have available cash to effect such distributions. The Declaration of Trust also provides that, unless the Trustees determine otherwise, immediately after any distribution of Units to all Unitholders in satisfaction of all or part of any such distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the distribution except where tax was required to be withheld in respect of the Unitholder's share of the distribution. Where amounts so distributed represent income, non-resident Unitholders will be subject to withholding tax and, to such extent, the consolidation will result in such non-resident Unitholders holding fewer Units.

## **Trustees**

Gold-Trust must have a minimum of three Trustees and a maximum of eleven Trustees. The initial number of Trustees is set out in the Declaration of Trust as eight. A change in the number of Trustees may be made from time to time by a resolution of the Trustees, which must be ratified by the Unitholders at the following annual meeting of Unitholders. The Trustees are to supervise the activities and manage the affairs of Gold-Trust.

The Trustees of Gold-Trust are currently John P. Embry, Brian E. Felske, Douglas E. Heagle, Ian M.T. McAvity, Robert R. Sale, J.C. Stefan Spicer, Philip M. Spicer and Eric S. Sprott. Messrs. Philip M. Spicer and J.C. Stefan Spicer are nominees of the Administrator and Messrs. John P. Embry and Eric S. Sprott are nominees of SAM. See "Management of Gold-Trust – Trustees" for the principal occupations and a brief biographical description of such Trustees. Trustees shall be appointed at each annual meeting of Unitholders and may be appointed at a special meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting, subject to their earlier resignation or removal. The Administrator is entitled to appoint two of the authorized Trustees from time to time, as its nominees and has agreed to recommend that Eric S. Sprott and John P. Embry be appointed as Trustees for so long as the Advisory Services Agreement is in effect. See "Administration of Gold-Trust – Advisory Services Agreement". The Declaration of Trust requires that a majority of the Trustees must be independent from the management of Gold-Trust and from the Administrator, and four of the eight initial Trustees are independent. A ninth and independent Trustee is expected to be appointed upon completion of the Offering.

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of Gold-Trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the activities, investments and affairs of Gold-Trust. The Declaration of Trust requires a majority of the Trustees to be residents of Canada (as that term is defined in the Tax Act) and matters decided by the Trustees must be decided by a majority of resident Canadians. A majority of Trustees serving on a committee of the Trustees must also be residents of Canada (as that term is defined in the Tax Act). The Trustees are responsible for, among other things, (i) maintaining records and providing reports to Unitholders; (ii) supervising the activities of Gold-Trust; and (iii) making distributions, if any, from Gold-Trust to Unitholders. See "Description of Gold-Trust – Distributions."

Any one or more of the Trustees may resign effective at the time a written resignation is received by Gold-Trust, or at the time specified in the resignation, whichever is later, and may be removed by a resolution passed by a majority of the Unitholders, and the vacancy created by such removal or resignation may be filled by the Trustees in the manner described in the Declaration of Trust.

A quorum of the Trustees, being a majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Trustees will forthwith call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call such meeting or if there are not Trustees then in office, any Unitholder may call the meeting. The Trustees in office may also appoint such Trustees as may be necessary so that a majority of the Trustees are at all times resident Canadians.

The Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees, subject to there being a maximum of eleven Trustees, to serve until the next annual meeting of Unitholders, but the number of

additional Trustees will not at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders.

The Declaration of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interests of Gold-Trust and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that a Trustee shall individually be entitled to indemnification from Gold-Trust in respect of the exercise of his or her powers and the discharge of his or her duties provided that he or she shall not be indemnified if he or she fails to act in good faith with a view to the best interests of Gold-Trust or if he or she fails to comply with his or her other obligations under the Declaration of Trust.

### **Distributions**

The primary investment objective of Gold-Trust is long-term appreciation in the value of its gold holdings, so Gold-Trust does not anticipate making regular distributions on its Units. The Declaration of Trust provides that on an annual basis a sufficient amount of Gold-Trust's income for purposes of the Tax Act, including net capital gains realized during the year, will be distributed or made payable during the year to Unitholders so that Gold-Trust will not be liable for any income tax for the year. Holders of Units who are non-residents of Canada will be required to pay all applicable withholding taxes payable in respect of any distributions of income by Gold-Trust, whether such distributions are in the form of cash or additional Units. Non-residents of Canada should consult their own tax advisors regarding consequences of investing in the Units. See "Certain Canadian Federal Income Tax Considerations".

To the extent that Gold-Trust has insufficient distributable cash because of amounts applied to redemptions of Units or cash is otherwise unavailable for distribution, amounts to be distributed to Unitholders may be in the form of additional Units so as to ensure that Gold-Trust does not have a net income tax liability. Such additional Units are expected to be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

### **Redemption Rights**

Units are redeemable at any time on demand by the holders thereof. As the Units are issued in book-entry form only (see "Description of Gold-Trust – Book-Entry Only System"), a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer, who will be required to deliver the completed redemption notice form to The Canadian Depository for Securities Limited ("CDS"). Upon receipt of the redemption notice by Gold-Trust from CDS, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive an amount per Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the "market price" on the principal market or exchange on which the Units are quoted for trading during the 10 trading day period commencing immediately following the date on which the Units were tendered for redemption (the "Redemption Date"); and (ii) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, "market price" will be the amount equal to the weighted average of the trading prices of the Units on the applicable market or exchange for each of the trading days on which there was a trade during the specified trading day period; and provided that if there was trading on the applicable exchange or market for fewer than 5 of the trading days during the specified trading day period, the "market price" shall be the average of the following prices established for each of the trading days during the specified trading period: the average of the last bid and last asking prices of the Units for each day on which there was no trading and the weighted average trading prices of the Units for each day that there was trading. The "closing market price" shall be an amount equal to the closing price of the Units on the applicable market or exchange if there was a trade on the specified date and the applicable exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Units on the applicable market or exchange if there was trading on the specified date and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; or the average of the last bid and last asking prices of the Units if there was no trading on the specified date.

The aggregate Redemption Price payable by Gold-Trust in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the calendar month following the month in which the Units were tendered for redemption. Where Gold-Trust is required to dispose of any assets owned by Gold-Trust to pay the Redemption Price to a Unitholder, the Trustees have the discretion to treat any part or all of the income or capital gain realized by Gold-Trust in respect of such disposition as paid to and allocated to such Unitholder out of the Redemption Price. See “Certain Canadian Federal Income Tax Considerations”.

It is anticipated that the primary mechanism for Unitholders to dispose of their Units will be through the facilities of the recognized stock exchange on which the Units are listed for trading rather than exercise of the redemption rights described above.

### **Meetings of Unitholders**

Meetings of Unitholders are required to be called and held annually for the election of Trustees and the appointment of auditors of Gold-Trust. The Declaration of Trust provides that the Unitholders shall be entitled to pass resolutions that will bind Gold-Trust only with respect to: the election or removal of Trustees of Gold-Trust; the appointment or removal of the auditors of Gold-Trust; the appointment of an inspector to investigate the performance by the Trustees of their respective responsibilities and duties in respect of Gold-Trust; the termination of Gold-Trust; the approval of amendments to the Declaration of Trust (except as described below under “Amendments to the Declaration of Trust”); the sale of all or substantially all of the assets of Gold-Trust; any merger of Gold-Trust with any other entity; any material amendment to the Administrative Services Agreement; and the dissolution or winding up of Gold-Trust prior to the end of its term.

Resolutions appointing or removing the Trustees, other than the Administrator’s nominees, or the auditors of Gold-Trust or resolutions appointing an inspector must be passed by a majority of the votes cast by Unitholders in person or by proxy at a meeting of Unitholders. The balance of the foregoing matters must be passed by a resolution passed by no less than 66 2/3% of the votes cast in person or by proxy at a meeting of Unitholders called for the purpose of approving such resolution, or approved in writing by the holders of no less than 66 2/3% of the Units entitled to be voted on such resolution (a “Special Resolution”).

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, if requisitioned by the holders of not less than 10% of the Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy, and a proxy holder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attached to all outstanding Units shall constitute a quorum for the transaction of business at all such meetings.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

### **Amendments to the Declaration of Trust**

The Declaration of Trust may be amended or altered from time to time by Special Resolution of the Unitholders.

The Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments prior to the closing of this Offering or at any time, only in the following circumstances:

- (i) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over Gold-Trust;
- (ii) which, in the opinion of counsel to the Trustees, provide additional protection for Unitholders;

- (iii) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor changes or corrections which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders;
- (iv) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws; and
- (v) to provide added benefits to Unitholders.

### **Term of Gold-Trust**

Gold-Trust has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on April 28, 2003. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of Gold-Trust, the Trustees are obligated to commence to wind-up the affairs of Gold-Trust so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of Gold-Trust, the Unitholders may by Special Resolution require the Trustees to commence to wind up the affairs of Gold-Trust.

The Declaration of Trust provides that, upon being required to commence to wind up the affairs of Gold-Trust, the Trustees will give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders shall surrender their Units for cancellation and the date at which the register of Units will be closed. Following a resolution to terminate Gold-Trust, the Trustees shall proceed to wind up the affairs of Gold-Trust as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Unitholders, fulfill or discharge the contracts of Gold-Trust, perform or cause the auditor to perform any final audit of Gold-Trust assets, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining trust assets, to one or more persons in one transaction or a series of transactions at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate Gold-Trust. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of Gold-Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall distribute the remaining part of the proceeds of the sale of Gold-Trust assets together with any cash forming part of the assets of Gold-Trust among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any part of the assets of Gold-Trust by the date set for termination, the Trustees may distribute all or any part of the remaining assets of Gold-Trust in kind directly to the Unitholders in accordance with their pro rata interests, subject to obtaining all required regulatory approvals. The Trustees shall have no liability for the amount received provided that they act in good faith.

### **Take-over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the take-over bid on the terms offered by the offeror.

### **Information and Reports**

Gold-Trust furnishes, in accordance with and subject to applicable securities laws, to Unitholders such financial statements of Gold-Trust (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Such financial statements are prepared in accordance with Canadian generally accepted accounting principles; provided that such statements and the obligations to deliver such statements may vary from such principles to the

extent required to comply with applicable securities laws or securities regulatory requirements or to the extent permitted by applicable securities regulatory authorities.

Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) all such information as is required by applicable law and the Declaration of Trust to be provided to such Unitholders.

### **Book-Entry Only System**

Registration of interests in and transfers of the Units are made only through a book-based system administered by CDS (the "Book-Entry Only System"). On or about the date of closing of this Offering, the Trustees will deliver to CDS a certificate evidencing the aggregate number of Units subscribed for under this Offering. Units must be purchased, transferred and surrendered for redemption through a participant in the Book-Entry Only System (a "CDS Participant"). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Gold-Trust has the option to terminate registration of the Units through the Book-Entry Only System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

### **PLAN OF DISTRIBUTION**

Pursuant to an agency agreement (the "Agency Agreement") dated November 12, 2004 among Gold-Trust and CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, Raymond James Ltd. and Sprott Securities Inc. (collectively, the "Agents"), the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of Gold-Trust to offer the Units for sale to the public on a best efforts basis. The offer price per Unit was established by negotiation between the Agents and Gold-Trust, and in the context of the market. The Agents will receive a fee of \$1.134 per Unit upon closing and a reimbursement for out-of-pocket expenses incurred will be made by Gold-Trust out of the cash proceeds of the Offering. See "Use of Proceeds".

Gold-Trust has granted an over-allotment option (the "Over-Allotment Option") to the Agents exercisable within 48 hours of execution of the Agency Agreement, to purchase up to an additional 127,500 Units sold at closing of the Offering, at the offering price to cover over-allotments. If the Over-Allotment Option is exercised in full, the total price to the public, Agents' fee and net proceeds to Gold-Trust (before expenses) will be \$21,114,000, \$1,108,485 and \$20,005,515, respectively. This prospectus also qualifies both the grant of the Over-Allotment Option and the issuance of Units on the exercise of the Over-Allotment Option.

Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Until Closing, cash proceeds from subscriptions will be held by the Agents. If the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing will take place on or about November 18, 2004 or such later date that is on or before December 15, 2004 as may be agreed upon by Gold-Trust and the Agents.

Pursuant to policy statements of certain securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions

that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Such transactions, if commenced, may be discontinued at any time.

The TSX has conditionally approved the listing of the Units. Listing is subject to Gold-Trust fulfilling all of the requirements of the TSX on or before January 6, 2005.

The Units have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the “U.S. Securities Act”) and, subject to certain exceptions, may not be offered or sold in the United States. The Agents have agreed that they will not offer or sell these securities within the United States, except for sales to certain accredited investors in the United States in a manner exempt from the registration requirements of the U.S. Securities Act. In addition, until 40 days after the closing date of this Offering, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with Rule 144A or another exemption under the U.S. Securities Act.

### CAPITALIZATION OF GOLD-TRUST

The following table sets forth the capitalization of Gold-Trust as at June 30, 2004, both before and on a pro forma basis after giving effect to this Offering.

<u>Designation</u>	<u>Authorized</u>	<u>As at June 30, 2004</u>	<u>After giving effect to the Offering</u>
Units .....	Unlimited	U.S.\$31,508,019 (2,300,000 Units)	U.S.\$55,752,202 (3,150,000 Units)

### PRIOR SALES

In July 2003, Gold-Trust completed an initial public offering of 2,300,000 Units at a price of \$20 per Unit for aggregate gross proceeds of \$46,000,000.

### PRICE RANGE AND TRADING VOLUME OF UNITS

The outstanding Units are listed and posted for trading on the TSX under the symbol “GTU.UN”. The following table sets forth, for the periods indicated, the high and low closing prices per share and the volumes traded on the TSX, as compiled by the TSX:

<u>Month Ending</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume (000s)</u>
<b>2003</b>			
July – September	23.75	19.99	651,863
October – December	23.25	22.10	379,759
<b>2004</b>			
January – March	23.50	21.75	346,381
April	23.10	20.50	114,322
May	22.15	20.89	62,587
June	21.60	21.00	54,843
July	21.60	20.25	65,529
August	23.75	20.30	331,893
September	23.64	22.75	113,620
October	24.00	21.40	88,025

On November 11, 2004, the closing price of the Units was \$21.44. As of November 11, 2004, there were 2,300,000 Units outstanding.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fraser Milner Casgrain LLP, counsel to Gold-Trust, and Cassels Brock & Blackwell LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this Offering and who, for purposes of the Tax Act, is at all relevant times resident in Canada, deals at arm's length with Gold-Trust and holds the Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a Unitholder that is a financial institution (as defined in the Tax Act for purposes of the mark-to-market rules), a specified financial institution or a Unitholder an interest in which is a tax shelter investment (all as defined in the Tax Act).

This summary is of a general nature only and is based upon the facts set out in this prospectus, certificates of Gold-Trust and the Agents as to certain factual matters, the provisions of the Tax Act and the regulations thereunder in force at the date hereof, all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals") and counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency (the "CRA"). There can be no assurance that the Tax Proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the Unitholder's particular circumstances, including the province or provinces in which the Unitholder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.**

### Status of Gold-Trust

#### *Mutual Fund Trust*

Gold-Trust has elected to be deemed a "mutual fund trust" under the Tax Act from the date it was established and this summary assumes that Gold-Trust will also continuously qualify as a "mutual fund trust". In order for Gold-Trust to qualify as a mutual fund trust at a particular time, it must meet certain prescribed conditions ("minimum distribution requirement") including conditions relating to the number of Unitholders, dispersal of ownership of Units and public trading of its Units at such time; its sole undertaking must be the investing of its funds in property (other than real property); and the ownership of Units by non-residents of Canada does not exceed 50% of the outstanding Units or if such ownership threshold is exceeded, that Gold-Trust's assets are generally restricted to certain types of assets which would include cash, gold bullion located in Canada and certificates in respect of such gold bullion. It is assumed that the sole undertaking of Gold-Trust as described in this prospectus is the investing of its funds in property (other than real property) and this summary assumes that this will continue to be the case at all relevant times. This summary also assumes that Gold-Trust will continue to satisfy the minimum distribution requirement following completion of the Offering. In addition, this summary assumes that at all times since the date of creation of Gold-Trust, more than 90% of the fair market value of its property has consisted and will continue to consist of cash or gold bullion located in Canada and gold certificates in respect of gold bullion located in Canada.

If Gold-Trust were not to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different.

### **Taxation of Gold-Trust**

The taxation year of Gold-Trust is the calendar year. In each taxation year, Gold-Trust will be subject to tax under Part I of the Tax Act on any income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by Gold-Trust or if the Unitholder is entitled in that year to enforce payment of the amount. Provided Gold-Trust deducts, in computing its income in each taxation year, the full amount available for deduction in each year, it will generally not be liable for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year by reason of the “capital gains refund”. Gold-Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the “capital gains refund”). See “– Taxation of Unitholders – Dispositions of Units” below.

Gold-Trust will include in its income for each taxation year all interest on Trust assets that accrues to Gold-Trust to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. A disposition by Gold-Trust of gold bullion or gold certificates will result in ordinary income (or an ordinary loss) rather than a capital gain (or a capital loss).

In computing its income, Gold-Trust may deduct reasonable administrative costs and other expenses incurred by it for the purpose of earning income. Gold-Trust may also deduct from its income for the year a portion of the expenses incurred by Gold-Trust to issue Units pursuant to this Offering. The portion of such issue expenses deductible by Gold-Trust in a taxation year is 20% of such issue expenses, pro-rated where Gold-Trust’s taxation year is less than 365 days.

The Declaration of Trust provides that on an annual basis a sufficient amount of Gold-Trust’s income for purposes of the Tax Act, including net capital gains realized during the year, will be distributed or made payable during the year to Unitholders so that Gold-Trust will not be liable for any income tax for the year. To the extent that Gold-Trust has insufficient distributable cash because of amounts applied to redemptions of Units or cash is otherwise unavailable for distributions, amounts may, at the discretion of the Trustees, be distributed to Unitholders in the form of additional Units so as to ensure that Gold-Trust does not have an income tax liability. Income of Gold-Trust allocated and payable to Unitholders, whether in cash or additional Units, will generally be deductible by Gold-Trust in computing its income under the Tax Act.

In certain circumstances, the capital gains refund in a particular taxation year may not completely offset Gold-Trust’s tax liability for such taxation year arising as a result of the distribution of Trust assets on the redemption of Units. The Declaration of Trust provides that part or all of the income or capital gain realized by Gold-Trust as a result of the disposition of trust assets to fund a redemption may, at the discretion of the Trustees, be treated as paid to, and as income or a taxable capital gain of, the redeeming Unitholders. Any amount so designated as income or a taxable capital gain will be considered to have been paid out of the Redemption Price paid to the redeeming Unitholders. Such amount must be included in computing the income of the redeeming Unitholders and will be deductible by Gold-Trust.

Losses incurred by Gold-Trust cannot be allocated to Unitholders but may be carried forward and deducted by Gold-Trust in subsequent years subject to the detailed provisions of the Tax Act.

## **Taxation of Unitholders**

### *Trust Distributions*

A Unitholder will generally be required to include in income for a particular taxation year the portion of the income of Gold-Trust for that particular taxation year, including net realized taxable capital gains, if any, that is paid or payable to the Unitholder in the particular taxation year, whether such amount is received in cash, additional Units or otherwise.

Provided that appropriate designations are made by Gold-Trust, such portion of its net taxable capital gains as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

The non-taxable portion of any net realized capital gains of Gold-Trust that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the income of Gold-Trust that is paid or payable to a Unitholder in such year will not generally be included in the Unitholder's income for the year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds of disposition of a unit), the Unitholder will be required to reduce the adjusted cost base of the Units to the Unitholder by such amount. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and will be added to the adjusted cost base of the Units held by the Unitholder.

The cost to a Unitholder of additional Units received in lieu of a cash distribution will be the amount distributed by the issue of such Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before such acquisition.

### *Dispositions of Units*

On the disposition or deemed disposition of a Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by Gold-Trust that is otherwise required to be included in the Unitholder's income. Where a capital gain or income realized by Gold-Trust as a result of the disposition of trust assets to fund the redemption of Units has been allocated by Gold-Trust to a redeeming Unitholder, the Unitholder will be required to include in income the taxable portion of the capital gain or income so payable and such amount will not be included in the Unitholder's proceeds of disposition.

## **Capital Gains and Capital Losses**

Generally, one-half of any capital gain realized by a Unitholder on the disposition of a Unit and the amount of any net taxable capital gains designated by Gold-Trust in respect of a Unitholder will be included in the Unitholder's income as a taxable capital gain and one-half of any capital loss realized by a Unitholder on the disposition of a Unit may generally be deducted only from taxable capital gains subject to the limitations under the Tax Act.

## **Alternative Minimum Tax**

In general terms, net income of Gold-Trust paid or payable to a Unitholder who is an individual that is designated as net realized taxable capital gains and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

## **RISK FACTORS**

An investment in the securities offered hereby involves a number of risks. In addition to the other information contained in this prospectus, prospective purchasers should give careful consideration to the following factors.

## **Risks Related to Gold-Trust's Activities and the Industry**

### *Gold Price Volatility*

Gold-Trust's activities almost entirely involve investing in pure gold bullion. Therefore, the principal factors affecting the price of the Units are factors which affect the price of gold bullion, and are thus beyond Gold-Trust's control.

Gold-Trust does not engage in any leasing, lending or hedging activities involving its gold bullion, so the value of the Units will depend upon, and typically fluctuate with, fluctuations in the price of its gold bullion.

The market prices of gold bullion are affected by rates of reclaiming and recycling of gold and rates of production of gold from mining, and may be affected by a variety of unpredictable international economic, monetary and political considerations.

Macroeconomic considerations include: expectations of future rates of inflation; the strength of, and confidence in, the U.S. dollar, the currency in which the price of gold is generally quoted, and other currencies; interest rates; and global or regional economic events.

In addition to changes in production costs, shifts in political and economic conditions affecting gold producing countries may have a direct impact on their sales of gold. Central banks in some countries have been net buyers or net sellers of portions of their gold bullion reserves in recent years. Such purchases or sales by central banks, if continued, could have a positive or a negative effect on gold prices.

### *Foreign Exchange Rates*

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.

### *Uninsured and Underinsured Losses*

Gold bullion owned by Gold-Trust is stored, on a segregated basis, in the treasury vaults of the Bank in segregated safekeeping and, as such, will be insured by the Bank.

## **Risks Related to the Structure of Gold-Trust and this Offering**

### *Market Price of Units*

Gold-Trust cannot predict whether Units will trade above, at or below the NAV of Gold-Trust.

### *Nature of Units*

As holders of units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in Gold-Trust. Gold-Trust's primary asset is gold bullion.

### *Potential Unitholder Liability*

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with (i) ownership and use of Gold-Trust's assets; (ii) the obligations, liabilities, activities or affairs of Gold-Trust; (iii) any actual or alleged act or omission of the Trustees or by any other person in respect of the activities or affairs of Gold-Trust; (iv) any act or omission of the Trustees or any other person in the performance or

exercise, or purported or attempted performance or exercise, of any obligation, power, discretion or authority conferred upon the Trustees or such other person in respect of the activities or affairs of Gold-Trust; (v) any transaction entered into by the Trustees or by any other person in respect of the activities or affairs of Gold-Trust; or (vi) any taxes, levies, imposts or charges or fines, penalties or interest in respect thereof payable by Gold-Trust or by the Trustees or by any other person (except the Unitholder or beneficial Unitholder to the extent required by applicable tax laws) on behalf of or in connection with the activities or affairs of Gold-Trust (collectively, "Trust Liabilities"). However, because Gold-Trust is a unit trust and, as such, Unitholders do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations, there is no guarantee that Unitholders could not be made party to legal action in connection with Gold-Trust. Notwithstanding the foregoing, the Government of Ontario introduced the *Trust Beneficiaries' Liability Act, 2004*, which received first reading in the provincial legislature on June 21, 2004. Once enacted, this statute would, in effect, provide investors in unit trusts with the same type of limited liability that is currently enjoyed by shareholders of corporations.

It is intended that the affairs of Gold-Trust will be conducted to seek to minimize such risk wherever possible and no Unitholder or beneficial Unitholder in its capacity as such shall be liable to indemnify the Trustees or any other person with respect to any Trust Liabilities. Further, the Declaration of Trust provides that to the extent that any Unitholder may be determined by a judgment of a court of competent jurisdiction to be subject to or liable in respect of any Trust Liabilities, such judgment and any writ of execution shall be enforceable only against, and shall be satisfied only out of the Units held by such Unitholder. If any Unitholder or beneficial Unitholder shall be held personally liable as such to any other person in respect of any Trust Liabilities, such Unitholder shall be entitled to indemnity and reimbursement out of Gold-Trust assets to the full extent of such liability and for all costs of any litigation or other proceedings in which such liability shall have been determined, including, without limitation, all fees and disbursements of counsel. However, the Trustees shall have no liability to reimburse Unitholders for taxes assessed against them by reason of their ownership of Units.

As a result of the foregoing, it is considered that the risk of any personal liability of Unitholders is minimal in view of the nature of Gold-Trust's activities.

#### *Reliance on Trustees, Administrator and SAM*

Gold-Trust is a self-governing unit trust that is governed by the Trustees appointed and elected by the Unitholders. Gold-Trust is, therefore, dependent on the services of its Trustees and the Administrator for administrative services, including retention by the Administrator of SAM, to provide advisory services to Gold-Trust. The Administrator depends to a great extent on the services of Messrs. J. C. Stefan Spicer and Philip M. Spicer and SAM depends to a great extent on the services of Messrs. John P. Embry and Eric Sprott. The loss of the services of any of such individuals for any reason may have an adverse effect on Gold-Trust.

#### *Conflict of Interest*

Trustees and officers of Gold-Trust, and the Administrator and SAM and their respective affiliates, directors and officers may provide investment, advisory and other services to other entities and parties. The Trustees and officers of Gold-Trust, and the directors and officers of the Administrator and SAM have undertaken to devote such reasonable time as is required to properly fulfil their responsibilities in respect to the business and affairs of Gold-Trust, as they arise from time to time.

#### *Regulatory Change*

Gold-Trust may be affected by changes in regulatory requirements, customs duties and other taxes. Such changes could, depending on their nature, benefit or adversely affect Gold-Trust.

#### *Investment Eligibility*

The Trustees intend that the Units will continue to be qualified investments under the Tax Act for Plans and that the Units will not constitute foreign property for purposes of computing the tax imposed under Part XI of the Tax Act.

However, there can be no assurance that Units will continue to be qualified investments for Plans or that the Units will not constitute foreign property. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments and foreign property.

#### *Income Tax Matters*

There can be no assurance that Canadian federal income tax laws and the administrative and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. If Gold-Trust ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations described above under the heading “Certain Canadian Federal Income Tax Considerations” would be materially different in certain respects.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Gold-Trust and the Administrator entered into the Administrative Services Agreement on April 28, 2003. Pursuant to the Administrative Services Agreement, the Administrator will administer the activities of Gold-Trust. J.C. Stefan Spicer, the President of Gold-Trust, and one or more of his associates are directors, officers and/or trustees or beneficiaries of the sole shareholder of the Administrator. See “Administration of Gold-Trust – Administrative Services Agreement”.

SAM entered into the Advisory Services Agreement with the Administrator on March 14, 2003. Pursuant to the Advisory Services Agreement, SAM provides advisory services to Gold-Trust. John P. Embry, Co-Chairman and Trustee of Gold-Trust, is Chief Investment Strategist of SAM. Eric S. Sprott, a Trustee of Gold-Trust, is a director, officer and shareholder of SAM. As of October 29, 2004, SAM owned 8.69% of the outstanding Units. See “Administration of Gold-Trust – Advisory Services Agreement”.

### **MATERIAL CONTRACTS**

The only material contracts entered into by Gold-Trust to which it is or will become a party on or prior to the closing of this Offering are as follows:

1. the Declaration of Trust referred to under “Description of Gold-Trust”;
2. the Administrative Services Agreement referred to under “Administration of Gold-Trust – Administrative Services Agreement”;
3. the Storage and Safekeeping Agreement referred to under “Purpose of Gold-Trust – Investment Objective and Strategy”; and
4. the Agency Agreement referred to under “Plan of Distribution”.

Copies of the foregoing documents may be examined by prospective purchasers during normal business hours at the offices of Fraser Milner Casgrain LLP, legal counsel to Gold-Trust, 42<sup>nd</sup> Floor, 1 First Canadian Place, Toronto, Ontario, Canada M5X 1B2 during the period of distribution of the securities offered hereby.

### **LEGAL MATTERS**

Certain legal matters relating to the issue and sale of Units offered hereby will be passed upon on behalf of Gold-Trust by Fraser Milner Casgrain LLP and on behalf of the Agents by Cassels Brock & Blackwell LLP. John S. Elder, Q.C., a partner of Fraser Milner Casgrain LLP, is an officer of Gold-Trust.

As of the date hereof, the partners and associates of each of the firms mentioned above, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Units.

## **LEGAL PROCEEDINGS**

Management of Gold-Trust is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against Gold-Trust or relating to the business which would be material to a purchaser of Units.

## **PROMOTER**

The Administrator may be considered to be the promoter of Gold-Trust within the meaning of the securities regulations of certain provinces of Canada. The Administrator will not receive any direct or indirect benefits as a result of its relationship to Gold-Trust other than those described above under “Administration of Gold-Trust” and “Interest of Management and Others in Material Transactions”.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of Gold-Trust are Ernst & Young LLP, Ernst & Young Tower, P.O. Box 251, 21<sup>st</sup> Floor, Toronto-Dominion Centre, Toronto, Ontario, Canada M5K 1J7.

The transfer agent and registrar for the Units is CIBC Mellon Trust Company at its principal transfer office in Toronto.

## **PURCHASERS’ STATUTORY RIGHTS**

Securities legislation in certain provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal advisor.

## AUDITORS' CONSENT

We have read the prospectus of Central Gold-Trust dated November 12, 2004 relating to the distribution of 850,000 Units of Central Gold-Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Trustees of Central Gold-Trust on 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. Our report is dated February 20, 2004 (except as to note 7 which is as of November 12, 2004).

Toronto, Canada  
November 12, 2004

(Signed) ERNST & YOUNG LLP  
Chartered Accountants

## AUDITORS' REPORT

### To the Trustees of Central Gold-Trust

We have audited the statement of net assets of Central Gold-Trust as at December 31, 2003 and the statements 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  
(except as to note 7 which is  
as of November 12, 2004)

(Signed) ERNST & YOUNG LLP  
Chartered Accountants

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

Net Assets	June 30, 2004 (unaudited)	December 31, 2003
Gold at market (cost \$30,203,760) (note 3)	\$34,513,760	\$36,297,000
Interest-bearing cash deposits	1,010,458	1,208,448
Interest receivable & prepaid expenses	6,107	2,464
	<u>35,530,325</u>	<u>37,507,912</u>
Accrued liabilities	(56,635)	(45,603)
Net assets representing Unitholders' equity	<u>\$35,473,690</u>	<u>\$37,462,309</u>
Represented by		
Capital (note 5)		
2,300,000 units issued and outstanding	\$31,508,019	\$31,508,019
Retained earnings (inclusive of unrealized appreciation of investments)	3,965,671	5,954,290
	<u>\$35,473,690</u>	<u>\$37,462,309</u>
<b>Net asset value per unit (expressed in U.S. dollars):</b>	<b>\$ 15.42</b>	<b>\$ 16.29</b>
<b>Net asset value per unit (expressed in Canadian dollars):</b>	<b>\$ 20.67</b>	<b>\$ 21.05</b>
<b>Exchange rate at end of period: U.S.\$1.00 = Cdn.</b>	<b>\$ 1.3404</b>	<b>\$ 1.2924</b>

See accompanying notes to financial statements

On behalf of the Board of Trustees:

“John P. Embry”  
 Co-Chairman and Trustee

“Douglas E. Heagle”  
 Trustee

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

	Six month period ended June 30, 2004 (unaudited)	Period from establishment April 28, 2003 to December 31, 2003
<b>Income (Loss):</b>		
Interest	\$ 10,359	\$ 10,714
Unrealized appreciation (depreciation) of investments (notes 3, 4(a) & 4(b))	(1,827,066)	6,075,834
	(1,816,707)	6,086,548
<b>Expenses:</b>		
Administration fee (note 6)	\$ 57,641	\$ 54,065
Trustee fees and expenses (note 6)	19,735	20,813
Safekeeping, insurance and bank charges	16,537	13,677
Unitholder information	24,403	12,802
Audit fees	17,898	12,000
Legal fees	28,088	10,500
Registrar and transfer agent fees	8,156	5,239
Miscellaneous	229	132
Foreign currency exchange loss (gain)	(775)	3,030
Total operating expenses	171,912	132,258
<b>Net income (loss) inclusive of unrealized appreciation (depreciation) of investments</b>	<b>(1,988,619)</b>	<b>5,954,290</b>
<b>Net income (loss) per unit inclusive of unrealized appreciation (depreciation) of investments</b>	<b>\$ (0.86)</b>	<b>\$ 2.59</b>

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

	Six month period ended June 30, 2004 (unaudited)	Period from establishment, April 28, 2003 to December 31, 2003
Net assets at beginning of period	\$37,462,309	\$ Nil
Net proceeds from issuance of units	—	31,508,019
Net income (loss) inclusive of unrealized appreciation (depreciation) of investments	(1,988,619)	5,954,290
Increase (decrease) in net assets during the period	(1,988,619)	37,462,309
<b>Net assets at end of period</b>	<b>\$35,473,690</b>	<b>\$37,462,309</b>

## NOTES TO FINANCIAL STATEMENTS

1. Central Gold-Trust ("Gold-Trust") is a self-governing limited purpose trust established under the laws of Ontario on April 28, 2003.
2. The financial information for the six month period ended June 30, 2004 has not been audited. The accounting policies used for the period conform with those described in note 4.
3. Details of gold bullion holdings at June 30, 2004 and December 31, 2003, are as follows:

Gold Holdings	at June 30, 2004 (unaudited)	at December 31, 2003
Gold Bullion in fine ounces	82,619	82,619
Gold certificates in fine ounces	4,581	4,581
<b>Total fine ounces of gold</b>	<b>87,200</b>	<b>87,200</b>
<b>Cost</b>	<b>\$30,203,760</b>	<b>\$30,203,760</b>
Market Value:		
Per fine ounce	\$395.80	\$416.25
<b>Total</b>	<b>\$34,513,760</b>	<b>\$36,297,000</b>

4. 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 (loss) 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 transaction occur. For the period ended June 30, 2004 there was an unrealized gain.
  - (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 (loss) 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.
5. 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.

6. 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 of 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 ended December 31, 2003 or for the period ended June 30, 2004.

7. Gold-Trust filed a prospectus dated November 12, 2004 relating to a new issue of 850,000 units of Gold-Trust to be issued at 21.60 per unit.

**CERTIFICATE OF GOLD-TRUST AND THE PROMOTER**

Dated: November 12, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut), and the respective regulations thereunder.

On behalf of Gold-Trust

(Signed) J.C. STEFAN SPICER  
President and Chief Executive Officer

(Signed) WILLIAM L. TRENCH  
Chief Financial Officer

On behalf of the Trustees

(Signed) ERIC S. SPROTT  
Trustee

(Signed) PHILIP M. SPICER  
Trustee

On behalf of the Promoter

(Signed) J.C. STEFAN SPICER  
President

(Signed) ALEXANDER J. GRIEVE  
Secretary

## CERTIFICATE OF THE AGENTS

Dated: November 12, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Securities Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder.

CIBC WORLD MARKETS INC.

By: (Signed) DAVID A. SCOTT

RBC DOMINION SECURITIES INC.

By: (Signed) GARY A. SUGAR

SCOTIA CAPITAL INC.

By: (Signed) J. PAUL ROLLINSON

NATIONAL BANK FINANCIAL INC.

By: (Signed) MICHAEL D. SHUH

TD SECURITIES INC.

By: (Signed) J. DAVID BEATTIE

CANACCORD CAPITAL  
CORPORATION

By: (Signed) JENS J.  
MAYER

DUNDEE SECURITIES  
CORPORATION

By: (Signed) DAVID P.  
STYLES

RAYMOND JAMES  
LTD.

By: (Signed) SARA  
MINATEL

SPROTT SECURITIES  
INC.

By: (Signed) JEFF  
KENNEDY