

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

Initial Public Offering

June 25, 2003



CENTRAL GOLD-TRUST

Minimum \$25,000,000 (1,250,000 Units)

Maximum \$150,000,000 (7,500,000 Units)

This prospectus qualifies the distribution (the "Offering") of a minimum of 1,250,000 units and a maximum of 7,500,000 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". Sprott Asset Management Inc. ("SAM") has been retained to act as an Advisor and has agreed to purchase, under the Offering, a minimum of 250,000 Units (\$5,000,000) provided that such purchase does not constitute more than 9.99% of the Offering at closing, in which case, SAM has agreed to purchase a minimum of 9.99% of the Offering at closing. See "Administration of Gold-Trust – Advisory Services Agreement".

There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. 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".

The Toronto Stock Exchange ("TSX") has conditionally approved the listing of the Units under the symbol "GTU.UN". Listing is subject to Gold-Trust fulfilling all of the requirements of the TSX on or before September 2, 2003, including the distribution of the Units to a minimum number of public Unitholders.

PRICE \$20 PER UNIT

| | Price to the Public ⁽¹⁾ | Agents' Fee | Net Proceeds to Gold-Trust ⁽²⁾ |
|---|---|--------------------|--|
| Per Unit | \$20 | \$1.10 | \$18.90 |
| Total Minimum Offering ⁽³⁾ | \$25,000,000 | \$1,375,000 | \$23,625,000 |
| Total Maximum Offering ⁽⁴⁾ | \$150,000,000 | \$8,250,000 | \$141,750,000 |

Notes:

- (1) The price of the Units has been determined by negotiation between Gold-Trust and the Agents (as hereinafter defined).
- (2) Before deducting expenses of the Offering, estimated at \$650,000, which, together with the Agents' fee, will be paid by Gold-Trust out of the proceeds of the Offering.
- (3) The Offering will not be completed unless a minimum of 1,250,000 Units are sold. If subscriptions for a minimum of 1,250,000 Units have not been received within 90 days following the date of issuance of a final receipt for the prospectus, the Offering may not continue without the consent of those who have subscribed on or before such date.
- (4) Gold-Trust has granted an over-allotment option (the "Over-Allotment Option") to the Agents, exercisable within 14 days from the closing of the Offering, to purchase a maximum of 15% of the aggregate number of 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 \$172,500,000, \$9,487,500 and \$163,012,500, 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., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Pollitt & Co. Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, First Associates Investments Inc., Haywood Securities Inc., HSBC Securities (Canada) Inc., 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 July 8, 2003, or such other date as Gold-Trust and the Agents may agree, but in any event no later than September 2, 2003. 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.

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

In the opinion of Fraser Milner Casgrain LLP, counsel for Gold-Trust, and Cassels Brock & Blackwell LLP, counsel for the Agents, the Units 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, 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 registered education savings plans), 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.

The contents of Gold-Trust’s web site are expressly not incorporated by reference in this prospectus.

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 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. It has been 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

| | |
|------------------|---|
| Offering: | Units of Gold-Trust ("Units" each a "Unit") |
| Amount: | Minimum: \$25,000,000 (1,250,000 Units) Maximum: \$150,000,000 (7,500,000 Units) |
| Price: | \$20 per Unit payable on closing of the Offering. |
| Units: | 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 minimum Offering, after deducting fees payable to the Agents and the estimated expenses of the Offering, will be \$22,975,000. 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 14 days from the closing of the Offering, to purchase a maximum of 15% of the aggregate number of 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”. Unitholders who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of net 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”.
- Listing:** The TSX has conditionally approved the listing of the Units under the symbol “GTU.UN”. Listing is subject to Gold-Trust fulfilling all of the requirements of the TSX on or before September 2, 2003, including the distribution of the Units to a minimum number of public Unitholders.
- 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. 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 the Advisory Services Agreement, SAM will provide 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 will be 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. See “Administration of Gold-Trust – Advisory Services Agreement”.

**Coincident Purchase by
Advisor:**

SAM has agreed to purchase, under the Offering, a minimum of 250,000 Units (\$5,000,000) provided that such purchase does not constitute more than 9.99% of the Offering at closing, in which case, SAM has agreed to purchase a minimum of 9.99% of the Offering at closing.

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) gold price volatility; (ii) foreign exchange rates; (iii) uninsured and underinsured losses; (iv) absence of prior public market; (v) trading discount; (vi) nature of units; (vii) potential Unitholder liability; (viii) reliance on Trustees, Administrator and SAM; (ix) potential conflicts of interest; (x) regulatory change; (xi) investment eligibility; and (xii) income tax matters. See “Risk Factors”.

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 will be 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 an allocated and 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 will be 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 will provide 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 will trade, initially, at the Offering price of \$20 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 will be qualified investments for trusts governed by RRSPs, RRIFFs and other Plans which would not be the case were investors to 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 will be 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 a recent high of U.S.\$390 per ounce.

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 will have an effect of increasing what are already high deficit levels. The U.S. current account deficit is approaching U.S.\$500 billion or nearly 5% of 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 trustee who is similarly independent is expected to be added by the existing Trustees as a Trustee prior to the 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.

| <u>Name and Municipality of Residence</u> | <u>Position with Gold-Trust</u> | <u>Principal Occupation</u> |
|---|--|--|
| JOHN P. EMBRY ^(E) Toronto, Ontario | Co-Chairman and Trustee | President of Sprott Asset Management Inc. |
| PHILIP M. SPICER ^{(*) (E)} Ancaster, Ontario | Co-Chairman and Trustee | Chairman of Central Fund of Canada Limited (gold and silver bullion investment company) |
| J.C. STEFAN SPICER ^{(*) (E)} Copetown, Ontario | President and Trustee | President and Chief Executive Officer of Central Fund of Canada Limited (gold and silver bullion investment company) and Chairman and Chief Investment Officer of All-Canadian Management Inc. (mutual fund manager) |
| BRIAN E. FELSKE ^(A) Markdale, Ontario | Trustee | President of Brian E. Felske & Associates, Ltd. (mining consultants) |
| DOUGLAS E. HEAGLE ^{(A), (CG)} 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 ^(CG) Toronto, Ontario | Trustee | Corporate Director and President of Deliberations Research Inc. (economic consultants) |
| ROBERT R. SALE ^{(A), (CG)} Tortola, British Virgin Islands | Trustee | Corporate Director |
| ERIC S. SPROTT ^(E) Oakville, Ontario | Trustee | Chief Executive Officer 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 and 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 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. He is also Chairman and Chief Investment Officer of All-Canadian Management Inc. (a mutual fund manager).

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.

Audit, Corporate Governance and Nominating and Executive Committees

The Trustees have established an Audit Committee comprised of three independent Trustees. This Committee will be responsible for such matters as the review of financial statements and related press releases, monitoring Gold-Trust’s financial reporting, accounting systems and internal controls and for the review of the independence and selection of, and liaising with, external auditors.

The Corporate Governance and Nominating Committee, which is comprised of three independent Trustees, will be responsible for developing Gold-Trust’s approach to corporate governance issues, advising the Trustees in filling vacancies and, periodically, reviewing the composition and effectiveness of the Trustees and the contribution of individual Trustees.

The Executive Committee will be responsible for providing guidance and advice between Trustees’ meetings to Gold-Trust’s management in respect of issues of strategic importance to Gold-Trust.

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. 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 will be 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 shall pay 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 shall be payable on or before the 10th day following the end of each such month. For such purposes, "total assets" shall mean 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.

Advisory Services Agreement

The Administrator and SAM entered into an advisory services agreement (the "Advisory Services Agreement") on March 14, 2003. The 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;
- (ii) assist Gold-Trust in the structuring of this Offering and related due diligence matters; and
- (iii) 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.

SAM has agreed to purchase, under the Offering, a minimum of 250,000 Units (\$5,000,000) provided that such purchase does not constitute more than 9.99% of the Offering at closing, in which case, SAM has agreed to purchase a minimum of 9.99% of the Offering at closing.

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 party if the gross proceeds of the Offering are less than U.S.\$50,000,000 (this right of termination was waived by SAM on June 23, 2003); or
- (iii) 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
- (iv) by either party if the Administrator ceases to be the administrator of Gold-Trust; or
- (v) by SAM if Eric S. Sprott 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
- (vi) 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. Sprott 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. 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:

| <u>Name and Municipality of Residence</u> | <u>Position with the Administrator</u> | <u>Principal Occupation</u> |
|--|--|--|
| J.C. Stefan Spicer ⁽¹⁾ Copetown, Ontario | President and Director | President and Chief Executive Officer of Central Fund of Canada Limited (gold and silver bullion investment company) and Chairman and Chief Investment Officer of All-Canadian Management Inc. (mutual fund manager) |
| 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 the Spicer Family Trust, the trustees of which are Joanne Spicer, Alexander M. Tod and Gordon M. Wright, C.A., and the beneficiaries of which are Joanne Spicer and her issue. Joanne Spicer is 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:

| <u>Name and Municipality of Residence</u> | <u>Principal Occupation</u> |
|---|---|
| Eric S. Sprott Oakville, Ontario | Chief Executive Officer, Chairman, Director and Portfolio Manager |
| John P. Embry Toronto, Ontario | President |
| 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 minimum Offering, after deducting fees payable to the Agents and the estimated expenses of the Offering, will be \$22,975,000. 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".

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. It is intended that Gold-Trust will qualify 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.

Establishment of Trust

The Administrator paid \$20 to the Trustees to establish Gold-Trust and to acquire an initial unit. Immediately following the closing of the Offering, the Trust will acquire such Unit at its original purchase price and the Unit will be cancelled.

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 shall 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 will 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 initial Trustees of Gold-Trust will be 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.

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 will be 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 will be 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 will furnish, 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 shall be 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 will be 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 June 25, 2003 among Gold-Trust and CIBC World Markets Inc., RBC Dominion Securities Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Pollitt & Co. Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, First Associates Investments Inc., Haywood Securities Inc., HSBC Securities (Canada) Inc., Raymond James Ltd. and Sprott Securities Inc. (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. The Agents will receive a fee of \$1.10 per Unit upon closing and any reimbursement for out-of-pocket expenses incurred will be paid 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 14 days from the closing of the Offering, to purchase a maximum of 15% of the aggregate number of 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 \$172,500,000, \$9,487,500 and \$163,012,500, 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.

If subscriptions for a minimum of 1,250,000 Units have not been received within 90 days following the date of issuance of a final receipt for the prospectus, the Offering may not continue without the consent of those who have subscribed on or before such date. 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 minimum offering is not achieved and the necessary consents are not obtained or 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 July 8, 2003 or such later date that is on or before September 2, 2003 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 under the symbol "GTU.UN". Listing is subject to Gold-Trust fulfilling all of the requirements of the TSX on or before September 2, 2003, including the distribution of the Units to a minimum number of public Unitholders.

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 April 28, 2003, both before and on a pro forma basis after giving effect to this Offering.

| <u>Designation</u> | <u>Authorized</u> | <u>As at April 28, 2003</u> | <u>After giving effect to</u> | |
|----------------------------|-------------------|---------------------------------|-----------------------------------|------------------------------------|
| | | | <u>Minimum Offering</u> | <u>Maximum Offering</u> |
| Units ⁽¹⁾ | Unlimited | \$20 (1 Unit) | \$25,000,000 (1,250,000 Units) | \$150,000,000 (7,500,000 Units) |

Notes:

(1) Gold-Trust was initially settled on April 28, 2003 with \$20.

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 one of the Agents, on behalf of all of 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 Customs and Revenue Agency (the "CCRA"). 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

This summary assumes that Gold-Trust will also qualify as a “mutual fund trust” as defined in the Tax Act on completion of the Offering, and will thereafter 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”) 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 it must not be established or maintained primarily for the benefit of non-residents unless throughout the period after the day of Gold-Trust's creation, all or substantially all of its property consisted of property other than property that would be taxable Canadian property if the definition “taxable Canadian property” in subsection 248(1) of the Tax Act were read without reference to paragraph (b) of that definition. 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 satisfy the minimum distribution requirement on completion of the Offering, it will elect to be deemed to be a mutual fund trust under the Tax Act from the date it was established, and that it will continuously satisfy the minimum distribution requirement thereafter. In addition, this summary assumes that at all times since the date of creation of Gold-Trust, all or substantially all of its property consisted of cash or gold bullion located in Canada, so that all or substantially all of its property consisted of property other than property that would be taxable Canadian property if the definition “taxable Canadian property” in subsection 248(1) of the Tax Act were read without reference to paragraph (b) of that definition.

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 will be 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 will be stored, on an allocated 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

Absence of Prior Public Market

Prior to the Offering there has been no public market for the Units. The initial public offering price has been determined by negotiation among Gold-Trust and the Agents based on several factors, and may bear no relationship to the price at which the Units will trade in the public market subsequent to the Offering. See “Plan of Distribution”.

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 will 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 assets will be 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, on May 22, 2003, the Government of Ontario introduced the *Trust Beneficiaries’ Liability Act, 2003* into the provincial legislature. 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 will, therefore, be 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 will depend to a great extent on the services of Messrs. J. C. Stefan Spicer and Philip M. Spicer and SAM will depend 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 be qualified investments under the Tax Act for Plans and that the Units will not constitute foreign property for purposes of 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 Canada Customs and Revenue Agency 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 will provide advisory services to Gold-Trust. SAM has also agreed to purchase, under the Offering, a minimum of 250,000 Units (\$5,000,000) provided that such purchase does not constitute more than 9.99% of the Offering at closing, in which case, SAM has agreed to purchase a minimum of 9.99% of the Offering at closing. John P. Embry, Co-Chairman and Trustee of Gold-Trust, is an officer of SAM. Eric S. Sprott, a Trustee of Gold-Trust, is a director, officer and shareholder of SAM. 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, 42nd 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.

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 regulation of certain provinces of Canada. The Administrator is the holder of the initial Unit of Gold-Trust, which will be redeemed by Gold-Trust at its issue price of \$20 following the closing of this Offering. The Administrator will not receive any additional 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, 21st 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.

FINANCIAL STATEMENTS

Auditors' Report

To the Trustees of
Central Gold-Trust:

We have audited the balance sheet of Central Gold-Trust ("Gold-Trust") as at April 29, 2003. This balance sheet is the responsibility of Gold-Trust's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, this balance sheet presents fairly, in all material respects, the financial position of Gold-Trust as at April 29, 2003 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
June 23, 2003, except as to
Note 4 which is as of June 25, 2003.

(signed) ERNST & YOUNG LLP
Chartered Accountants

Compilation Report

To the Trustees of
Central Gold-Trust:

We have reviewed, as to compilation only, the accompanying pro forma balance sheet of Central Gold-Trust as at April 29, 2003, which has been prepared for inclusion in the prospectus relating to the issue and sale of units of Central Gold-Trust. In our opinion, this pro forma balance sheet has been properly compiled to give effect to the proposed transactions and assumptions described in the notes thereto.

Toronto, Canada
June 25, 2003

(signed) ERNST & YOUNG LLP
Chartered Accountants

CENTRAL GOLD-TRUST

Balance Sheet
In United States dollars

As at April 29, 2003

| | <u>Actual</u> | <u>Pro Forma</u> (unaudited) (Notes 5 and 6(i)(ii)(iii)) |
|---------------------------------------|---------------|---|
| Assets | | |
| Cash | \$14 | \$ 845,042 |
| Investment in gold certificates | - | 845,042 |
| Investment in gold bullion | - | <u>15,210,755</u> |
| | <u>\$14</u> | <u>\$16,900,839</u> |
| Unitholders' Equity | | |
| Unitholders' equity | <u>\$14</u> | <u>\$16,900,839</u> |

On behalf of the Trustees:

(Signed) JOHN P. EMBRY
Trustee

(Signed) J.C. STEFAN SPICER
Trustee

The accompanying notes are an integral part of this financial statement.

CENTRAL GOLD-TRUST

Notes to Balance Sheet

In United States dollars, except as noted otherwise

April 29, 2003

(Information with respect to the pro forma balance sheet is unaudited.)

1. Central Gold-Trust

Central Gold-Trust (“Gold-Trust”) is a limited purpose trust formed under the laws of the Province of Ontario by a declaration of trust (the “Declaration”) dated April 28, 2003.

2. Financial reporting currency

The functional and reporting currency of Gold-Trust is the United States dollar. Substantially all of its assets, liabilities, revenues and expenses will be denominated in United States dollars. Assets and liabilities denominated in foreign currencies, predominately the Canadian dollar, will be translated into United States dollars primarily at exchange rates prevailing at the period end. Revenues and expenses will be translated at the average exchange rates for the period.

3. Terms of Trust Units

The Declaration provides that an unlimited number of units of Gold-Trust (“Units”, each a “Unit”) may be issued. 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.

4. Subsequent Event

On June 25, 2003, Gold-Trust filed a final prospectus to qualify for distribution a minimum of 1,250,000 units for net proceeds of \$16,900,839 [Cdn.\$22,975,000] to a maximum of 7,500,000 units for net proceeds of \$103,795,792 [Cdn.\$141,100,000].

5. Pro Forma Balance Sheet - Basis of Presentation (Unaudited)

The accompanying pro forma balance sheet for Gold-Trust has been prepared by management, in accordance with Canadian generally accepted accounting principles and has been approved by the Trustees of Gold-Trust. The pro forma balance sheet has been prepared from information derived from the audited balance sheet of Gold-Trust as at April 29, 2003 and the assumptions outlined in Note 6 below.

6. Pro Forma Balance Sheet Adjustments and Assumptions (Unaudited)

Gold-Trust will issue a minimum of 1,250,000 units for net proceeds of \$16,900,839 [Cdn.\$22,975,000] after deducting estimated expenses and underwriters’ fees in the aggregate of \$1,489,628 [Cdn.\$2,025,000] to a maximum of 7,500,000 units for net proceeds of \$103,795,792 [Cdn.\$141,100,000], as described in a prospectus dated June 25, 2003.

The pro forma balance sheet gives effect as at June 25, 2003 to the following proposed transactions:

- (i) the issue by Gold-Trust of a minimum of 1,250,000 Units for total gross proceeds of approximately \$18,390,467 [Cdn.\$25,000,000], and the redemption of the initial unit issued by Gold-Trust;

- (ii) the payment of estimated costs relating to this Offering of \$1,489,628 [Cdn.\$2,025,000], which amount is comprised of the fee payable to the Agents in this Offering of \$1,011,476 [Cdn.\$1,375,000] and issue costs of \$478,152 [Cdn.\$650,000]; and
- (iii) the completion of the purchase of gold certificates at an estimated cost of \$845,042 [Cdn.\$1,148,750] and gold bullion at an estimated cost of \$15,210,755 [Cdn.\$20,677,500] as prescribed by the investment policy of Gold-Trust.

CERTIFICATE OF GOLD-TRUST AND THE PROMOTER

Dated: June 25, 2003

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 *Security Frauds Prevention 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), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut), and the respective regulations thereunder. This prospectus does not contain any misrepresentation that is likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the 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) JOHN P. EMBRY
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: June 25, 2003

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 *Security Frauds Prevention 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), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation that is likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

CIBC WORLD MARKETS INC.

RBC DOMINION SECURITIES INC.

By: (Signed) DAVID A. SCOTT

By: (Signed) GARY A. SUGAR

NATIONAL BANK FINANCIAL
INC.

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: (Signed) WILLIAM A.
WASHINGTON

By: (Signed) J. PAUL
ROLLINSON

By: (Signed) J. DAVID BEATTIE

POLLITT & CO. INC.

By: (Signed) MURRAY POLLITT

CANACCORD CAPITAL
CORPORATION

DESJARDINS
SECURITIES INC.

DUNDEE SECURITIES
CORPORATION

FIRST ASSOCIATES
INVESTMENTS INC.

By: (Signed) DOUGLAS
A. DOIRON

By: (Signed) JEAN-
PIERRE COLIN

By: (Signed) RICHARD
M. COHEN

By: (Signed) PATRICK
S. LEUNG

HAYWOOD
SECURITIES INC.

HSBC SECURITIES
(CANADA) INC.

RAYMOND JAMES
LTD.

SPROTT SECURITIES
INC.

By: (Signed) JOHN D.
WILLETT

By: (Signed) DEBORAH
J. SIMKINS

By: (Signed) SARA
MINATEL

By: (Signed) JEFF
KENNEDY