

## **Sprott Files Court Application Proposing a Plan of Arrangement involving Central Fund of Canada**

- Proposed arrangement would, effectively, involve the exchange of Central Fund of Canada Limited's Class A shares for trust units of a newly-formed Sprott Physical Gold and Silver Trust
- Sprott Physical Gold and Silver Trust would be substantially similar to the existing Sprott Physical Gold Trust and Sprott Physical Silver Trust
- CFCL's Class A shares were trading at a 9% discount to NAV as of March 7, 2017
- Based on the relative trading value to NAV of CFCL's Class A shares, the proposed arrangement is anticipated to unlock US\$304 million in shareholder value<sup>1</sup>
- The aggregate value of the proposed arrangement is approximately US\$3.1 billion and the resulting Sprott Physical Gold and Silver Trust would be a highly-liquid, best-in-class bullion vehicle managed by a firm with a globally-recognized precious metals franchise
- Sprott Physical Gold and Silver Trust would include Sprott's industry-leading physical bullion redemption feature
- Substantially similar transaction in 2016 at CFCL's sister fund, Central GoldTrust, was supported by more than 96% of all votes cast

*All figures are in United States dollars unless otherwise stated.*

**TORONTO, March 8, 2017** -- Sprott Asset Management LP ("Sprott"), a wholly owned subsidiary of Sprott Inc. (TSX:SII), today announced that it has filed an application (the "Application") with the Court of Queen's Bench of Alberta (the "Court") to formally commence proceedings which, if successful, would result in the Class A shareholders of Central Fund of Canada Limited ("CFCL") (NYSEMKT:CEF) (TSX:CEF.A), effectively, exchanging their Class A shares for trust units of a newly-formed Sprott Physical Gold and Silver Trust (the "New Sprott Trust") on a net asset value ("NAV") for NAV basis pursuant to a plan of arrangement (the "Arrangement"). The aggregate value of the proposed Arrangement is approximately US\$3.1 billion and stands to unlock \$304 million<sup>1</sup> in shareholder value as a result of CFCL's persistent discount to NAV.

The New Sprott Trust would be managed by Sprott and be substantially similar to the existing Sprott Physical Gold Trust (NYSE Arca: PHYS)(TSX: PHY.U) and Sprott Physical Silver Trust (NYSE Arca: PSLV)(TSX: PHS.U) and would include Sprott's best-in-class physical bullion redemption feature.

John Ciampaglia, Sprott Asset Management's Executive Vice President and Head of ETFs, said, "CFCL continues to significantly underperform the precious metals markets and is currently trading at a 9.0% discount to NAV. This underperformance has been consistent with CFCL failing to trade at or above NAV

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<sup>1</sup> Based on the published NAV (\$13.40) and closing price on the NYSE MKT (\$12.20) for CFCL's Class A Shares on March 7, 2017, the last trading day prior to the date of this press release, and an indicative discount to NAV of 9.0%, being based on the published NAV (\$9.99) and closing price on the NYSE Arca (\$9.96) for the units of Sprott Physical Gold Trust on March 7, 2017.

at any point over the past three years. During 2016, CFCL failed to eliminate its discount to NAV despite gold and silver prices rising by 8% and 15%, respectively, during the year. CFCL has had numerous opportunities to effect change for the benefit of all shareholders, particularly in considering the overwhelming success of the Central GoldTrust merger with Sprott Physical Gold Trust. However, the Spicer family seems to be comfortable with the numerous conflicts of interest that exist within their operations and is unwilling or unable to solve the persistent discount to NAV.”

Added Ciampaglia, “Many large investors have expressed to us, a fellow CFCL shareholder, that there is a real need for change and that they support the effort we are initiating today. Shareholders deserve an opportunity to choose how their assets are held and managed. They should not be impeded from that choice by an antiquated and punitive dual class share structure where all voting power is concentrated in the hands of those owning a very small percentage of CFCL’s equity.”

Concluded Ciampaglia, “By supporting Sprott’s proposed Arrangement and moving their assets into a Sprott managed vehicle, we believe CFCL shareholders will see a meaningful reduction in the persistent NAV discounts that have negatively impacted their investments. CFCL shareholders will also benefit from ownership of a product with best-in-class physical redemption features, high-visibility in the marketplace, and a team dedicated to ensuring that their investment accurately reflects the value of the gold and silver that underlies it.”

The Application seeks an interim order of the Court providing for the calling and holding of a special meeting of CFCL shareholders to consider and vote upon a statutory plan of arrangement under the *Business Corporations Act* (Alberta), i.e. the Arrangement, pursuant to which all or substantially all of the assets and liabilities of CFCL (other than its administration agreement with the Spicer family-controlled administrator, The Central Group Alberta Ltd. (the “Administrator”)) would be transferred to the New Sprott Trust and CFCL’s Class A shareholders would receive units of the New Sprott Trust in exchange for their Class A shares on a one-for-one basis. CFCL’s common shareholders would also have the ability to participate in the Arrangement on a substantially similar basis. The Application was filed without the consent of CFCL.

### **The Potential to Unlock Value at CFCL**

Based on the closing price of the Class A shares on the NYSE MKT on March 7, 2017 CFCL’s Class A shares were trading at a 9% discount to NAV. This significant discount has been relatively consistent over a prolonged period of time. Over the last three years, the Class A Shares have traded at as much as a 13% discount to NAV (and have never traded at a premium to NAV). Over the same period, Sprott’s physical bullion vehicles Sprott Physical Gold Trust and Sprott Physical Silver Trust have traded near or above NAV, including periods during 2016 where they traded at premiums to NAV of over 2% and 6%, respectively.

### **Sprott’s Impact on Central GoldTrust**

Sprott is an experienced manager of physical bullion and has been involved in transactions similar to the proposed Arrangement. In 2015 and early 2016, an affiliate of Sprott, Sprott Asset Management Gold Bid LP, and Sprott Physical Gold Trust, an industry leading physical gold bullion vehicle managed by Sprott, effected an unsolicited exchange offer and merger with Central GoldTrust, a vehicle that, at the time, was administered by an entity that is controlled by the Spicer family (the “Central GoldTrust Transaction”).

Central GoldTrust unitholders, when, as part of the Central GoldTrust Transaction, provided with an opportunity to express their preference between physical bullion vehicles managed by Sprott or by entities controlled by the Spicer family, overwhelmingly (in excess of 96% of the units voted in person or by proxy) chose to exchange their Central GoldTrust units for units of Sprott Physical Gold Trust.

Following the completion of the Central GoldTrust Transaction, gold and silver prices fluctuated, including a bull market for gold and silver during the middle of 2016. During this bull market, gold and silver reached prices of US\$1,366/oz and US\$20.62/oz, respectively and Sprott Physical Gold Trust (which had merged with Central GoldTrust resulting in the formerly captive unitholders of Central GoldTrust benefiting from Sprott management) and Sprott Physical Silver Trust generally traded at a premium to NAV. Also during this time period, the Spicer family administered CFCL consistently traded at a discount to NAV (and never traded at or a premium to NAV).

Central GoldTrust unitholders greatly benefited from joining the Sprott platform, and Sprott would like to offer CFCL shareholders the same opportunity.

### **A Unique Opportunity to Exit CFCL, an Underperforming and Conflicted Vehicle**

As was publicly revealed by Sprott in connection with its CFCL meeting requisition in 2015 and the successful Central GoldTrust transaction, the current and former directors and officers of CFCL and its Spicer family-controlled Administrator have significant conflicts of interest that appear to have resulted in significant underperformance by CFCL, gross mismanagement at the Administrator and questionable side payments to various current and former directors and officers of CFCL and other friends of the Spicer family. Various current and former directors and officers of CFCL are interconnected with the Spicer family, which has been the architect of a system of vague and/or undisclosed consulting contracts, payments and fees to these very same directors and officers that are supposed to act in the best interest of CFCL Shareholders and free from conflict.

Through the Arrangement, CFCL shareholders would have a unique opportunity to exit underperforming securities that consistently fail to track the value of the underlying bullion investors have purchased. CFCL shareholders should consider the following:

- CFCL's expenses are grossly disproportionate to the work of the Administrator and the CFCL Board. In fact, the Administrator does not reinvest fees in the promotion or management of CFCL, and has no responsibilities related to the redemption of physical bullion. Simply put, the Administrator, i.e., the Spicer family, appears to have retained all the fees paid by CFCL shareholders and done absolutely nothing effective to support the investment of CFCL shareholders.
- Despite their persistent underperformance, the Spicer family (in connection with the Central GoldTrust transaction) engaged in wrongful conduct adjudged to be "defensive tactics" by the Ontario Superior Court, including forcing securityholders of Central GoldTrust to pay millions in costs incurred through wasteful litigation initiated by the Spicer family and various current members of the CFCL Board in a transparent attempt to protect Spicer family profits.
- Sprott, on the other hand, reinvests fees collected from Sprott Physical Gold Trust and Sprott Physical Silver Trust into marketing those funds, creating buying demand that supports the price

of Sprott Physical Gold Trust and Sprott Physical Silver Trust units, enhances liquidity, and leads to asset growth. Sprott will similarly manage the proposed Trust.

- The Spicer family made payments worth millions of dollars in the aggregate to “independent” CFCL Board members and awarded consulting contracts to their families, the details and extent of which had never been publicly disclosed.
- CFCL Board members do not possess the expertise or infrastructure to address the persistent discount to NAV at CFCL and seem content to assist the Spicer family collect fees, whatever the cost to CFCL Shareholders.
- The New Sprott Trust is offering CFCL shareholders an ability to exchange their CFCL shares with the assurance of management by a regulated entity that is committed to their best interests.

**Benefits of Sprott Relative to Central Fund of Canada**

Sprott is a globally recognized leader in precious metals investing. Its bullion products offer physical redemption features, the security of the Royal Canadian Mint and ongoing marketing support from Sprott to ensure the products accurately track the price of gold and silver.

	The New Sprott Trust	CFCL
Global Brand Recognition	✓	✗
Physical Redemption Feature	✓	✗
Custodied by the Royal Canadian Mint	✓	✗
Ongoing Marketing Support	✓	✗

**Sprott’s Best-in-Class Platform and Commitment to Product Marketing**

Sprott believes that investors in physical bullion vehicles want a secure and convenient alternative to actually holding physical gold and silver that has reasonable redemption features, trades at or around the market value of the bullion it holds, and is appropriately marketed to generate buying interest and enhanced trading liquidity.

CFCL’s Class A shares persistently trade at a discount to NAV because CFCL’s management does not reinvest the fees it collects to support the product. Additionally, CFCL features a punitive redemption feature that forces the Class A shareholders to redeem their Class A shares for less than market value. Unlike the proposed New Sprott Trust, CFCL does not allow its Class A shareholders to redeem for physical bullion.

Sprott has a proven track record and best-in-class platform which it believes can assist in addressing the persistent trading discounts suffered by CFCL’s Class A shareholders. Sprott intends to actively market the proposed New Sprott Trust to retail and institutional investors. Sprott believes that this commitment to marketing will create buying demand that will support the price of the units of the proposed New Sprott

Trust. These efforts will be further supported by Sprott's industry-leading physical bullion redemption feature.

### **Gold and Silver Custodied by the Royal Canadian Mint**

Unlike CFCL, which stores its gold and silver in a commercial bank vault, the gold and silver held by the proposed New Sprott Trust will be stored more securely outside of the banking system, at the Royal Canadian Mint, under the guarantee and protection of the Government of Canada. All of the gold and silver held by the proposed Trust will be fully allocated and unencumbered. In contrast, CFCL holds precious metals certificates which are promissory in nature and backed by unallocated gold.

### ***Timing, Approvals and Other Considerations***

Upon receipt of an interim order from the Court, Sprott intends to call and hold a special meeting of CFCL shareholders to consider and vote upon the Arrangement. It is proposed that the Arrangement will be subject to the approval of at least two-thirds of the votes cast by CFCL Class A shareholders and common shareholders voting as a single class. CFCL's common shareholders would also vote separately as a class on a resolution with respect to the participation of the common shareholders in the Arrangement, however completion of the Arrangement would not be conditional upon the approval of such resolution by common shareholders. If the separate resolution of CFCL's common shareholders is not approved, the Arrangement would exclude the common shares (including a proportionate amount of the assets and liabilities of CFCL). Completion of the Arrangement will also be subject to the final approval of the Court and certain other customary stock exchange and regulatory approvals.

CFCL shareholders who have questions regarding the Application are encouraged to contact Glen Williams, Head of Investor Relations at Sprott Group, at 1-416-943-4394 or by e-mail at [gwilliams@sprott.com](mailto:gwilliams@sprott.com).

For more information, including copies of the Application to the Court, please also visit [www.sprottadvantage.com](http://www.sprottadvantage.com).

### **About Sprott Asset Management LP**

Sprott Asset Management LP is a leading independent asset management company headquartered in Toronto, Canada. The company manages the Sprott family of mutual funds, hedge funds, physical bullion funds and specialty products and is dedicated to achieving superior returns for its investors over the long term. The company also manages discretionary managed accounts. Please visit us at [www.sprott.com](http://www.sprott.com) to learn more about our investment professionals and their market insights.

### **Additional Information**

The information contained in this press release does not and is not meant to constitute a solicitation of a proxy within the meaning of applicable securities and corporate laws. Although Sprott has submitted the Application for the purposes of calling and holding a special meeting of CFCL shareholders, the interim order of the Court has not yet been granted, there is currently no record date or meeting date set for such meeting and CFCL shareholders are not being asked to execute a proxy in favour of the matters set forth in this press release at this time. Subject to receipt of the interim order of the Court, Sprott intends to file an information circular in due course in compliance with applicable law.

Notwithstanding the foregoing, Sprott is voluntarily providing the disclosure required under section 9.2(4) of National Instrument 51-102 – *Continuous Disclosure Obligations* in accordance with securities laws applicable to public broadcast solicitations.

This press release and any solicitation made by Sprott in advance of any CFCL shareholder meeting will be made by Sprott and not by or on behalf of the management or the directors of CFCL. Sprott may engage a solicitation agent to make any such solicitations. All costs incurred for any solicitation will be borne by Sprott, provided that, subject to applicable law, Sprott may seek reimbursement from CFCL of Sprott's out-of-pocket expenses, including proxy solicitation expenses and legal fees, incurred in connection with a successful result at any meeting of shareholders of CFCL.

As noted above, Sprott is not hereby soliciting proxies in connection with any CFCL shareholder meeting and shareholders are not being asked at this time to execute proxies in favour of the matters set forth in this press release. Any proxies solicited by Sprott will be solicited in accordance with applicable laws, including pursuant to an information circular sent to CFCL shareholders after which solicitation may be made by or on behalf of Sprott, by mail, telephone, fax, email or other electronic means, by public announcement and in person by representatives of Sprott or proxy advisors retained by Sprott. Any proxies solicited by Sprott in connection with any CFCL shareholder meeting may be revoked by instrument in writing by the shareholder giving the proxy or by its duly authorized officer or attorney, or in any other manner permitted by law as may be provided in the interim order of the Court.

None of Sprott or, to its knowledge, any of its associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter proposed to be acted on at a meeting of CFCL shareholders other than as set forth herein.

CFCL's registered office address is 3300, 421 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada T2P 4K9.

### **Forward-Looking Information**

Certain statements and other information included in this press release constitute "forward-looking information" or "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable Canadian and United States securities legislation. Forward-looking information includes information that relates to, among other things, the intentions of Sprott and future financial and operating performance and prospects, statements with respect to the anticipated timing of any meeting of the shareholders of CFCL, the terms, the mechanics and completion of the Arrangement, the value of the units of the New Sprott Trust received as consideration under the Arrangement, reasons to vote in favour of the Arrangement, the purposes of the Application and the Arrangement, Sprott's ability to complete the transactions contemplated by the Arrangement, and Sprott's objectives, strategies, intentions, expectations and guidance and future financial and operating performance including with respect to the proposed New Sprott Trust. Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, are inherently subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that Sprott identified and applied in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to, the execution of business and growth strategies, including the success of investments and initiatives; no significant and continuing adverse

changes in general economic conditions or conditions in the financial markets; the acquisition of substantially all of the assets and liabilities of CFCL; that all required Court, regulatory and stock exchange approvals for the CFCL shareholder meeting and the Arrangement will be obtained and all other conditions to completion of the Arrangement will be satisfied or waived. The risks, uncertainties, contingencies and other factors that may cause actual results to differ materially from those expressed or implied by the forward-looking information may include, but are not limited to general global economic, market and business conditions; and Court, regulatory and stock exchange requirements. Should one or more risk, uncertainty, contingency or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information. Accordingly, the reader should not place undue reliance on forward-looking information. Sprott does not assume any obligation to update or revise any forward-looking information after the date of this news release or to explain any material difference between subsequent actual events and any forward-looking information, except as required by applicable law.

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