Crystallex International Corporation

Consolidated Financial Statements

As Restated

December 31, 2006 and 2005

(Expressed in United States Dollars)

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Shareholders of
Crystallex International Corporation

We have audited the consolidated balance sheets of Crystallex International Corporation as at December 31, 2006 and 2005 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Crystallex International Corporation as at December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

We have withdrawn our audit report dated March 27, 2007, except as to Note 17, which is as at March 29, 2007, as Note 19 to the consolidated financial statements has been restated. Note 19 contains the reconciliation of the consolidated financial statements from Canadian generally accepted accounting principles to accounting principles generally accepted in the United States and contains additional information on the restatement.

The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion.

"Deloitte & Touche LLP"

Independent Registered Chartered Accountants
Toronto, Ontario

March 27, 2007, except as to Note 17, which is as at March 29, 2007, and October 22, 2007 as to the effects of the restatement described in Note 19

Crystallex International Corporation

Table of Contents

December 31, 2006, 2005 and 2004

	Page
Consolidated Balance Sheets	1
Consolidated Statements of Operations	2
Consolidated Statements of Cash Flows	3
Consolidated Statements of Shareholders' Equity	4
Notes to the Consolidated Financial Statements	5 - 43

Crystallex International Corporation

Consolidated Balance Sheets

As at December 31, 2006 and 2005

(Expressed in United States dollars)

	2006	2005
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 28,573,142**	$ 4,070,019
Restricted cash and cash equivalents (Note 3)	**-**	9,241,851
Accounts receivable	**490,090**	1,395,394
Production inventories (Note 4)	**4,867,577**	2,566,821
Prepaid expenses and other	**4,760,999**	2,787,495
	38,691,808	20,061,580
RESTRICTED CASH AND CASH EQUIVALENTS (Note 3)	**-**	12,081,312
PROPERTY, PLANT AND EQUIPMENT (Note 5)	**256,455,027**	215,260,043
DEFERRED FINANCING FEES (Note 6)	**2,595,627**	3,237,263
TOTAL ASSETS	**$ 297,742,462**	$ 250,640,198
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 12,791,456**	$ 20,145,034
Current portion of debt (Note 7)	**3,172,559**	2,442,350
Current portion of asset retirement obligations (Note 8)	**239,408**	126,092
	16,203,423	22,713,476
DEBT (Note 7)	**84,524,929**	94,495,582
ASSET RETIREMENT OBLIGATIONS (Note 8)	**971,167**	1,394,646
	101,699,519	118,603,704
COMMITMENTS AND CONTINGENCIES (Notes 1 & 16)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)	**448,100,697**	336,491,624
CONTRIBUTED SURPLUS	**23,135,187**	32,489,216
EQUITY COMPONENT OF EXCHANGEABLE BANK LOAN (Note 7)	**-**	2,564,366
CUMULATIVE TRANSLATION ADJUSTMENT	**11,958,981**	11,958,981
DEFICIT	**(287,151,922)**	(251,467,693)
	196,042,943	132,036,494
	$ 297,742,462	$ 250,640,198

(Signed) "Gordon Thompson", Director **(Signed) "Johan van't Hof", Director**

The accompanying notes are an integral part of the consolidated financial statements.

Crystallex International Corporation

Consolidated Statements of Operations

Years ended December 31, 2006, 2005, 2004
(Expressed in United States dollars)

	2006	2005	2004
MINING REVENUE	**$ 28,087,764**	$ 24,989,681	$ 20,245,690
OPERATING EXPENSES			
Operations	**27,099,113**	22,754,642	18,037,768
Amortization	**949,996**	2,366,312	1,161,042
Depletion	**833,427**	330,472	4,869,005
	28,882,536	25,451,426	24,067,815
OPERATING LOSS	**(794,772)**	(461,745)	(3,822,125)
OTHER EXPENSES			
General and administrative	**20,397,226**	19,460,501	18,223,193
Interest on debt	**12,945,985**	11,809,087	548,131
Stock based compensation (Note 9)	**2,463,691**	3,665,894	5,296,977
Amortization	**701,875**	1,048,296	158,969
	36,508,777	35,983,778	24,227,270
COMMODITY CONTRACT LOSS	**-**	(3,770,835)	(963,717)
LOSS BEFORE OTHER ITEMS	**(37,303,549)**	(40,216,358)	(29,013,112)
OTHER ITEMS			
Interest and other income	**1,159,586**	1,926,425	697,638
Foreign exchange (loss) gain	**459,734**	(1,192,593)	397,313
Write-down of property, plant & equipment (Note 5)	**-**	-	(32,003,253)
Gain on settlement of debt (Note 7)	**-**	875,610	-
Investment in subsidiaries (Note 10)	**-**	(6,600,000)	(493,702)
	1,619,320	(4,990,558)	(31,402,004)
LOSS FROM CONTINUING OPERATIONS BEFORE NON-CONTROLLING INTEREST	**(35,684,229)**	(45,206,916)	(60,415,116)
NON-CONTROLLING INTEREST	**-**	-	111,053
LOSS FROM CONTINUING OPERATIONS	**(35,684,229)**	(45,206,916)	(60,304,063)
LOSS FROM DISCONTINUED OPERATIONS (Note 15)	**-**	-	(350,000)
NET LOSS FOR THE YEAR	**$ (35,684,229)**	$ (45,206,916)	$ (60,654,063)
NET LOSS PER SHARE - basic and diluted			
Continuing operations	**$ (0.15)**	$ (0.23)	$ (0.35)
Discontinued operations	**-**	-	-
	$ (0.15)	$ (0.23)	$ (0.35)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - basic and diluted	**230,229,162**	194,729,931	172,234,551

The accompanying notes are an integral part of the consolidated financial statements.

Crystallex International Corporation

Consolidated Statements of Cash Flows

Years ended December 31,2006, 2005 and 2004

(Expressed in United States dollars)

	2006	2005	2004
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES			
Loss for the year - continuing operations	**$ (35,684,229)**	$ (45,206,916)	$ (60,304,063)
Adjustments to reconcile loss to net cash used in operating activities:			
Amortization and depletion	**2,485,298**	4,495,523	6,189,016
Interest accretion on debt	**2,960,413**	2,672,895	79,249
Stock based compensation	**2,463,691**	3,665,894	5,296,977
Warrants issued for professional fees	**1,365,839**	-	-
Accretion expense on asset retirement obligations	**288,376**	345,460	-
Reductions in asset retirement obligations	**(598,539)**	(1,095,903)	-
Director's fees paid in shares	**60,000**	190,000	100,000
Investment in subsidiaries	**-**	6,600,000	493,702
Gain on settlement of debt	**-**	(875,610)	-
Write-down of mineral properties	**-**	-	32,003,253
Extension of warrants	**-**	-	225,178
Non controlling interest in loss of subsidiary	**-**	-	(111,053)
Unrealized foreign exchange gain	**-**	-	(71,279)
Unrealized commodity contract gain	**-**	(8,265,111)	(18,127,999)
Changes in other operating assets and liabilities (net of effects from purchase of subsidiaries):			
Decrease (increase) in accounts receivable	**905,304**	(865,487)	330,994
Increase in production inventories	**(2,300,756)**	(782,033)	(33,085)
Increase in prepaid expenses and other	**(1,973,504)**	(2,231)	(1,752,719)
(Decrease) increase in accounts payable and accrued liabilities	**(2,024,678)**	6,409,112	(323,269)
	(32,052,785)	(32,714,407)	(36,005,098)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in property, plant and equipment	**(48,410,744)**	(94,369,873)	(50,900,524)
Decrease (increase) in restricted cash and cash equivalents	**21,323,163**	76,682,473	(98,005,636)
Decrease (increase) in short-term investments	**-**	30,277,280	(30,277,280)
	(27,087,581)	12,589,880	(179,183,440)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common shares for cash	**82,951,451**	15,892,242	115,113,111
Debt borrowings	**-**	7,673,793	78,550,000
Debt repayments	**(5,202,552)**	(4,512,500)	(1,029,530)
Deferred financing fees	**(77,479)**	(898,657)	(3,489,122)
Issuance of warrants	**5,972,069**	272,926	-
Proceeds from orderly disposition of shares	-	-	3,957,285
	83,643,489	18,427,804	193,101,744
CASH FLOWS FROM CONTINUING OPERATIONS	**24,503,123**	(1,696,723)	(22,086,794)
CASH FLOWS FROM DISCONTINUED OPERATIONS	**-**	-	1,650,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**24,503,123**	(1,696,723)	(20,436,794)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**4,070,019**	5,766,742	26,203,536
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 28,573,142**	$ 4,070,019	$ 5,766,742

Supplemental disclosure with respect to cash flows (Note 13)

The accompanying notes are an integral part of the consolidated financial statements.

Crystallex International Corporation

Consolidated Statements of Shareholders' Equity

Years ended December 31, 2006, 2005 and 2004

(Expressed in United States dollars)

	Number of Common Shares	Amount	Number of Special Warrants	Amount	Number of Warrants	Contributed Surplus	Equity component Notes/Exchangeable Debt	Cumulative Translation Adjustment	Deficit	Total
Balance at December 31, 2003	135,403,523	$ 171,994,591	12,800,000	$ 11,886,581	20,042,772	$ 25,808,171	-	$ 11,958,981	$ (142,650,559)	$ 78,997,765
Adjustment for change in policy re stock-based compensation	-	-	-	-	-	2,956,155	-	-	(2,956,155)	$ -
Shares issued: Public equity offering	28,750,000	81,935,995	-	-	-	-	-	-	-	$ 81,935,995
Unit offering	6,500,000	20,484,750	-	-	-	-	-	-	-	$ 20,484,750
Exercise of options	1,251,000	1,581,512	-	-	-	(172,624)	-	-	-	$ 1,408,888
Conversion of warrants	4,908,046	13,573,007	-	-	(4,908,046)	(2,289,529)	-	-	-	$ 11,283,478
Directors' fees	40,976	100,000			-	-	-	-	-	$ 100,000
Finders fee	19,232	50,000			-	-	-	-	-	$ 50,000
Conversion of special warrants	12,800,000	11,886,581	(12,800,000)	(11,886,581)	-	-	-	-	-	$ -
Share exchange - El Callao	163,958	468,062	-	-	-	-	-	-	-	$ 468,062
Proceeds from orderly disposition of shares	-	3,957,285	-	-	-	-	-	-	-	$ 3,957,285
Options issued	-	-	-	-	-	5,296,977	-	-	-	$ 5,296,977
Warrants expired during the year	-	-	-	-	(2,126,491)	-	-	-	-	$ -
Extension of warrants	-	-	-	-	-	225,178	-	-	-	$ 225,178
Net loss for the year	-	-	-	-	-	-	-	-	(60,654,063)	$ (60,654,063)
Balance at December 31, 2004	189,836,735	306,031,783	-	-	13,008,235	31,824,328	-	11,958,981	(206,260,777)	143,554,315
Shares issued: Unit offering	200,000	466,549	-	-	450,000	272,926	-	-	-	$ 739,475
Exercise of options	775,000	1,196,957	-	-	-	(143,934)	-	-	-	$ 1,053,023
Issuance of shares under equity drawn down facility	12,273,236	17,394,493	-	-	-	-	-	-	-	$ 17,394,493
Acquisition of non-controlling interest	1,467,136	3,000,000	-	-	-	-	-	-	-	$ 3,000,000
Conversion of warrants	3,418,500	8,210,355	-	-	(3,418,500)	(3,129,998)	-	-	-	$ 5,080,357
Directors' fees	65,186	190,000	-	-	-	-	-	-	-	$ 190,000
Share exchange - El Callao	523	1,487	-	-	-	-	-	-	-	$ 1,487
Exchangeable debt	-	-	-	-	-	-	2,564,366	-	-	$ 2,564,366
Options issued to employees	-	-	-	-	-	3,665,894	-	-	-	$ 3,665,894
Warrants expired during the year	-	-	-	-	(1,042,008)	-	-	-	-	$ -
Net loss for the year	-	-	-	-	-	-	-	-	(45,206,916)	$ (45,206,916)
Balance at December 31, 2005	208,036,316	336,491,624	-	-	8,997,727	32,489,216	2,564,366	11,958,981	(251,467,693)	132,036,494
Shares issued: Unit offerings	20,924,000	51,208,985	-	-	17,312,500	5,972,069	-	-	-	$ 57,181,054
Exercise of options	1,641,800	5,490,735	-	-	-	(1,838,981)	-	-	-	$ 3,651,754
Issuance of shares under equity drawn down facility	1,661,130	4,317,661	-	-	-	-	-	-	-	$ 4,317,661
Settlement of promissory note	611,300	1,800,000	-	-		-	-	-	-	$ 1,800,000
Settlement of bank loan	3,765,841	7,641,266	-	-		-	(2,564,366)	-	-	$ 5,076,900
Conversion of warrants	8,764,682	41,089,701	-	-	(8,764,682)	(17,316,647)	-	-	-	$ 23,773,054
Directors' fees	19,170	60,000	-	-	-	-	-	-	-	$ 60,000
Share exchange - El Callao	255	725	-	-	-	-	-	-	-	$ 725
Options issued to employees	-	-	-	-	-	2,463,691	-	-	-	$ 2,463,691
Warrants issued for professional fees	-	-	-	-	500,000	1,365,839	-	-	-	$ 1,365,839
Warrants issued in exchange for early exercise of warrants	-	-	-	-	875,000	-	-	-	-	$ -
Warrants expired during the year	-	-	-	-	(233,045)	-	-	-	-	$ -
Net loss for the year	-	-	-	-	-	-	-	-	(35,684,229)	$ (35,684,229)
Balance at December 31, 2006	245,424,494	$ 448,100,697	-	-	18,687,500	$ 23,135,187	$ -	$ 11,958,981	$ (287,151,922)	$ 196,042,943

1. NATURE OF OPERATIONS AND CONTINUATION OF BUSINESS

Crystallex International Corporation ("Crystallex" or the "Company") is engaged in the production of gold and related activities including exploration, development, mining and processing in Venezuela. As reflected in these financial statements, the Company has not generated sustainable operating capital from its business activities and has relied on debt, equity and other forms of financing to meet its obligations. Management is of the opinion that additional financing is available to continue its planned activities in the normal course upon completion of the permitting process (refer below); however, while the Company has been successful in the past, there can be no assurance it will be able to raise sufficient funds in the future.

The Company's principal asset is the Las Cristinas project, currently under development in Venezuela. Continued development and the ultimate commencement of commercial production are dependent upon receipt of the permit to Impact Natural Resources (the "Permit") which will allow management to proceed to put in place financing to fund construction. These financial statements have been prepared on a going concern basis which assumes that the Company will be successful in obtaining the Permit and will be able to obtain the necessary financing to complete the Las Cristinas project through project debt, other forms of public market debt, or equity financing; thereby fulfilling its commitment under its Mine Operating Agreement. The Company continues to believe that it will be successful in obtaining the Permit and any other government approvals that are necessary to complete the mine development and commence commercial production, since it received official notice in March 2006 from the Venezuelan Ministry of Basic Industries and Mines ("MIBAM") advising that MIBAM formally approved the technical, economic and financial Feasibility Study for the Las Cristinas project.

The carrying value of the Las Cristinas assets could be subject to material adjustment in the event that this Permit or any other permits are not received or that financing efforts are not successful, and, in addition, other adjustments to amounts and classification of assets and liabilities may be necessary to these consolidated financial statements should such circumstances impair the Company's ability, in future, to continue as a going concern as contemplated under accounting principles generally accepted in Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Company, which have been consistently applied in the preparation of these consolidated financial statements, are summarized as follows. These policies are consistent with accounting principles generally accepted in the United States in all material respects except as outlined in Note 19.

Basis of presentation of consolidated financial statements

The consolidated financial statements of Crystallex are prepared by management in accordance with accounting principles generally accepted in Canada.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries, all of which are controlled through the ownership of a majority voting interest. All inter-company balances and transactions have been eliminated.

Translation of foreign currency subsidiaries and foreign currency balances

The accounts of subsidiaries, all of which are considered to be integrated foreign operations, are translated from the local currency into U.S. dollars using the temporal method. Under this method, monetary assets and liabilities are translated into U.S. dollars at the year end exchange rates, and non-monetary assets and liabilities are translated into U.S. dollars using historical rates of exchange. Revenues and expenses are translated into U.S. dollars at average rates for the year. Exchange gains and losses on translation are included in the Statement of Operations.

The Company translates monetary assets and liabilities that are denominated in foreign currencies at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities at historical exchange rates. Revenues and expenses are translated at average rates in the month except for depreciation and amortization, which are translated using the same rates as the related assets. Foreign exchange gains and losses on monetary items are recorded on the statement of operations as they occur.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Short-term investments

Short-term investments include highly liquid investments with original maturities greater than three months and less than one year.

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts on a specific account basis. No allowance for doubtful accounts was recorded by the Company as at December 31, 2006 and December 31, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization of plant and equipment used directly in the mining and production of gold is included in operating costs. Amortization is being provided for using the straight-line method over the following periods, not to exceed the mine's estimated life:

Buildings	5 years
Field vehicles	5 years
Furniture and equipment	5 years
Mill and plant	20 years
Mining equipment	10 years

Mineral properties and deferred exploration and development expenditures

Mineral exploration costs such as topographical, geochemical and geophysical studies are capitalized and carried at cost until the properties to which they relate are placed into production, sold or where management has determined there to be a permanent impairment in value. Development costs incurred to access ore bodies identified in the current mining plan are expensed as incurred after production has commenced. Development costs necessary to extend a mine beyond those areas identified in the current mining plan and which are incurred to access additional reserves are deferred until the incremental reserves are mined. Mineral properties and development costs, including the mineral acquisition and direct mineral exploration costs relating to the current mining plan, are depleted and amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves.

Asset retirement obligations

The Company records a liability for its long-term asset retirement obligations, equal to the fair value of the obligation for asset retirement, and records a corresponding increase to the carrying amount of the related asset. The asset is amortized and charged to amortization expense over the life of the associated asset. The obligation is accreted over the period of expected cash flows with a corresponding charge to operating expenses. The fair value of the obligation for asset retirement is re-assessed annually.

Impairment of long lived assets

The Company reviews and evaluates the recoverability of the carrying amounts of all its producing properties and related plant and equipment annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable. Estimated future net cash flows, on an undiscounted basis, are calculated using estimated recoverable ounces of gold (considering current proven and probable mineral reserves and the value beyond proven and probable which includes those mineral resources expected to be converted into mineral reserves), estimated future commodity price realization (considering historical and current prices, price trends and related factors) and operating costs, future capital expenditures, project financing costs and reclamation costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long lived assets (continued)

The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value, which is measured using discounted cash flows.

Non-producing mineral properties are evaluated for impairment based on management's intentions and are written down when the long-term expectation is that the net carrying amount will not be recovered.

Production inventories

Gold in doré, gold in process and stockpiled ore are stated at the lower of average production cost which includes all direct and indirect costs, including amortization of equipment and facilities, and net realizable value.

Consumables and spare parts inventory are valued at the lower of average and replacement cost.

Income taxes

The Company uses the liability method of accounting for income taxes whereby future income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of certain assets and liabilities. The Company provides a valuation allowance against the recorded future income tax asset when it appears more likely than not that some or all of the future income tax assets will not be realized.

Revenue recognition

Revenue from mining operations are recognized upon shipment of gold, when title has passed to the customer, when persuasive evidence of an arrangement exists, and collection of the sale is reasonably assured.

Deferred financing fees

Costs related to the Company's debt financings are deferred and amortized over the term of the related financing.

Loss per share

Loss per share is calculated using the weighted-average number of common shares outstanding during the year plus outstanding warrants that are unconditionally convertible into common shares. Diluted per share amounts are calculated using the treasury stock method. In 2006, 2005 and 2004, the potential effect of the outstanding convertible notes, stock options and warrants were anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Commodity derivative contracts

The Company has in the past entered into commodity derivative contracts, principally fixed forward contracts and written call options, to economically hedge exposure to fluctuations in the market price of gold. These instruments were not designated as hedges for accounting purposes and were carried on the balance sheets, under the caption commodity contract obligations, at estimated current fair market value.

Premiums received at the inception of written call options were initially recognized on the balance sheet as a liability. Unrealized gains and losses arising from changes in the fair value of the commodity contract obligations and realized gains/losses on the commodity contract obligations were recognized in the Statement of Operations in the year of the change or settlement as a commodity contract gain (loss).

Stock-based compensation plans

The Company has stock-based compensation plans which are described in Note 9. The Company accounts for stock options using the fair value method, whereby compensation expense for stock options is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognized over the vesting period of the options granted.

Measurement uncertainty

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Significant estimates used include those relating to the timing and receipt of the Permit, gold prices, recoverable proven and probable reserves, available resources, fair values of commodity derivative contracts (principally fixed forward contracts and written call options), available operating capital, income taxes and required asset retirement obligations. These estimates each affect management's evaluation of asset impairment and the recorded balances of inventories, site closure and asset retirement obligations. It is reasonably possible that actual results could differ in the near term from those and other estimates used in preparing these financial statements and such differences could be material.

Fair value of financial instruments

The balance sheet carrying amounts for cash and cash equivalents, restricted cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair value due to their short-term nature. The fair value of debt is disclosed in Note 7.

Fair values of certain financial instruments, including fixed forward contracts and written call options are determined based on estimates using net present value, Black-Scholes and other valuation techniques. The estimates are significantly affected by the assumptions used including current market and contractual prices of the underlying instruments, as well

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments (continued)

as time value, and by yield curve and volatility factors underlying the positions. The estimated fair values attributed to these contracts are carried on the balance sheet under the caption commodity contract obligations. As at December 31, 2006 and 2005 the Company had no obligations outstanding under fixed forward contracts and written call options.

3. RESTRICTED CASH AND CASH EQUIVALENTS

As at December 31, 2006 the Company no longer had any restricted cash and cash equivalents (December 31, 2005 - $21,323,163). Prior to December 31, 2006, this balance was comprised principally of treasury bills with original maturities of three months or less. These funds were held in escrow under terms of an Escrow Agreement whereby funds were restricted for use towards approved capital budget expenditures for Las Cristinas and interest expense on Notes payable (Note 7).

4. PRODUCTION INVENTORIES

	2006	2005
Gold in doré	**$ 524,360**	$ 406,435
Gold in process	**563,746**	732,074
Stockpiled ore	**958,271**	28,484
Consumables and spare parts	**2,821,200**	1,399,828
	$ 4,867,577	$ 2,566,821

5. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment at December 31 are as follows:

	2006		
	Cost, Net of Write-downs	**Accumulated Amortization and Depletion**	**Net Book Value**
Plant and equipment	**$ 113,865,685**	**$ 9,003,122**	**$ 104,862,563**
Mineral properties	**159,499,041**	**7,906,577**	**151,592,464**
Deferred exploration and development expenditures	**3,658,007**	**3,658,007**	**-**
	$ 277,022,733	**$ 20,567,706**	**$ 256,455,027**

	2005		
	Cost, Net of Write-downs	Accumulated Amortization and Depletion	Net Book Value
Plant and equipment	$ 99,939,283	$ 7,783,659	$ 92,155,624
Mineral properties	130,177,569	7,877,218	122,300,351
Deferred exploration and development expenditures	3,658,007	2,853,939	804,068
	$ 233,774,859	$ 18,514,816	$ 215,260,043

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book values of property, plant and equipment by location are as follows:

	2006			
	Plant and Equipment	**Mineral properties**	**Deferred exploration and development expenditures**	**Total**
Las Cristinas	**$ 104,691,650**	**$ 151,592,464**	**$ -**	**$ 256,284,114**
Corporate	**170,913**	**-**	**-**	**170,913**
Total	**$ 104,862,563**	**$ 151,592,464**	**$ -**	**$ 256,455,027**

	2005			
	Plant and Equipment	Mineral properties	Deferred exploration and development expenditures	Total
Las Cristinas	$ 90,930,549	$ 122,270,993	$ -	$ 213,201,542
Tomi Concession	-	29,358	804,068	833,426
Revemin mill	957,455	-	-	957,455
Corporate	267,620	-	-	267,620
Total	$ 92,155,624	$ 122,300,351	$ 804,068	$ 215,260,043

Deferred exploration and development expenditures are not re-classified as costs of mineral properties once production has commenced.

The Company reviews annually the carrying amounts of all of its producing and non-producing properties and their related plant and equipment. Write downs to the estimated fair market value amounting to $ Nil (2005 - $Nil; 2004 - $32,003,253) were included within the Statements of Operations.

Property, plant and equipment summarized by property is as follows:

Las Cristinas

On September 17, 2002, the Company entered into a non-assignable mining agreement (the “Agreement”) with the Corporación Venezolana de Guayana (“CVG”), acting under the authority of the Ministry of Energy and Mines of Venezuela (“MEM”), pursuant to Venezuelan mining law, under which the Company was granted the exclusive right to explore, develop and exploit the Las Cristinas 4, 5, 6 and 7 properties including the processing of gold for its subsequent commercialization and sale (Note 16). As a result of entering into the Agreement, the Company has discontinued previous legal proceedings to confirm its title rights to the Las Cristinas 4 and 6 concessions.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The aggregate cost incurred by the Company to December 31, 2006 to obtain the right to exploit the area is $256,284,114, represented by $239,359,968 of payments in cash and $16,924,146 made through the issuance of common shares of the Company. Costs are comprised of property payment and finders' fees of $36,170,393 ($24,978,317 in cash; and $11,192,076 through shares); professional fees and related expenses of $115,422,074 ($109,690,004 in cash; and $5,732,070 through shares); and equipment purchases ($104,691,647 in cash). Share issuances are valued at the prior 5 day weighted average trading price for the common shares on the American Stock Exchange. The preceding amounts include payments relating to travel and administrative costs of $793,557 during the year ended December 31, 2006 (2005 -$370,579 ; 2004 - $634,679).

Bolivar Goldfields Properties

The Company owns all of the outstanding share capital of Bolivar Goldfields A.V.V. This ownership includes the Tomi concession, Revemin mill and related exploration lands in Venezuela.

Albino 1 Concession

The Company, through its subsidiaries, owns a 100% interest in the Albino 1 concession in Bolivar State, Venezuela. On February 25, 2005, the MEM notified the Company that it had terminated the Company's Albino concession rights. The Company wrote down the carrying value of its investment in the Albino concession to $ Nil as at December 31, 2004.

6. DEFERRED FINANCING FEES

Deferred financing fees of $2,595,627, net of accumulated amortization of $1,215,618 (December 31, 2005 - $3,237,263, net of accumulated amortization of $617,908), relate to costs incurred in the issuance of unit offerings and debt borrowings.

7. DEBT

	2006	2005
Bank loan	**$ 3,163,011**	$ 12,840,234
Exchangeable promissory notes	**1,800,000**	3,600,000
Notes payable	**82,734,477**	80,497,698
	87,697,488	96,937,932
Less: Current portion of debt	**(3,172,559)**	(2,442,350)
	$ 84,524,929	$ 94,495,582

7. DEBT (continued)

Bank loan

On December 23, 2005 the Company and its subsidiaries restructured their outstanding obligations to Standard Bank Plc ("SB") to close out all outstanding gold forward sales and call option transactions and to amend its existing credit agreement.

Pursuant to the restructuring, (1) the gold forward sales and call options transactions were closed out and the resulting liability of approximately $14,315,000 was converted into a fully drawn term loan facility, which is being amortized over the next two years and matures on December 31, 2008 and (2) the payment obligation under the existing credit agreement due in January 2006 was restructured and coordinated with the payment terms of the new term loan facility. The Company's guarantee will continue to apply to its subsidiaries' obligations under the new term loan facility and the restructured credit agreement. The obligations under the restructured credit agreement continue to be secured by charges against certain mining properties (other than the Las Cristinas Project and the Lo Increible operations) and a pledge of shares of certain Crystallex subsidiaries.

The principal amounts outstanding under the new term loan facility and the restructured credit agreement bear interest at a rate per annum equal to LIBOR plus 2.5%. The Company is required to make a single aggregate payment of $150,000 per month on account of interest and principal under the term loan facility and the restructured credit agreement. The Company is also required to make additional principal repayments under the new term loan facility and the restructured credit agreement in certain circumstances, including the issuance of equity or convertible or exchangeable debt securities other than issuances pursuant to existing credit arrangements. Accordingly, upon completion of the private placement unit offerings in February 2006 and August 2006 (Note 9), the Company repaid $2,123,800 and $1,889,324, respectively, of principal due to SB.

Of the principal amount outstanding under the new term loan facility, $7,500,000 was exchangeable at the option of SB for Crystallex common shares at a price per common share equal to the lesser of the average market price of Crystallex common shares on the Toronto Stock Exchange ("TSX") for the five trading days preceding December 23, 2005 and the average market price of Crystallex common shares on the TSX for the five trading days preceding the exchange date. The exchange price per common share may not be less than C$2.00. Crystallex may require SB to exercise its exchange right if the average market price of Crystallex common shares on the TSX for any five trading days after April 24, 2006 exceeds C$4.40. If SB does not exercise all of its exchange rights in these circumstances, the remainder of the exchangeable portion of the debt under the new term loan facility becomes non-exchangeable. The exchangeable portion of the debt under the new term loan facility ranks subordinate by its terms to the senior unsecured notes of the Company due December 2011.

Of the $7,500,000 exchangeable portion of the debt, $4,935,634 and $2,564,366 respectively, was allocated between the liability and equity components of the debt. The liability component represents the present value of the exchangeable portion discounted using the interest rate that would have been applicable to the non-exchangeable debt. The equity component represents the present value of the interest payments which the Company could settle through the issuance of shares or by cash, discounted at the same rate as the liability component (the interest component) and the right of SB to convert the

7. DEBT (continued)

Bank loan (continued)

principal of the debt into common shares, determined as the residual amount at the date of the new term loan facility.

As a result of restructuring the $2,054,000 principal payment due in January 2006 under the previous credit agreement with SB, the Company recorded a gain of $875,610 in December 2005.

In May 2006, SB elected to convert into common shares $7,500,000 principal amount of the loan in accordance with the terms of the credit agreement. As a result of the conversion, Crystallex issued 3,765,841 common shares to SB as settlement of the $7,500,000 face value amount of the loan as well as including the accrued interest, accretion and deferred financing fees all of which resulted in a value of $7,641,266 being assigned to the shares issued.

Exchangeable promissory note

On December 31, 2005 in connection with the acquisition of the non-controlling interest described in Note 10, the Company, through ECM (Venco) Ltd, ("ECM"), an indirect wholly-owned subsidiary, issued to Corporacion Vengroup, S.A. ("Vengroup") a $3,600,000 exchangeable promissory note of ECM.

The exchangeable promissory note is non-interest bearing and is payable in four equal semi-annual instalments commencing the earlier of the delivery of a notice or on June 29, 2006. Vengroup may elect to exchange the instalment payments for, and ECM may elect to satisfy its obligations to make instalment payments by delivery of Crystallex common shares. The number of Crystallex common shares to be delivered to Vengroup will be based upon the weighted average trading price of the Crystallex common shares on the TSX during the five trading days immediately preceding the delivery of an exchange notice by Vengroup or ECM.

In March 2006 Vengroup exercised its right to exchange the June 29, 2006 principal instalment payment of $900,000 for common shares of Crystallex. The Company issued 307,213 common shares as settlement of this principal instalment payment. In July 2006 Vengroup exercised its right to exchange the December 29, 2006 principal instalment payment of $900,000 for common shares of Crystallex. The Company issued 304,087 common shares as settlement of this principal instalment payment.

Where the Company elects to satisfy its obligations to make instalment payments on the due date by delivery of Crystallex common shares, the Company has agreed with Vengroup that Vengroup will dispose of these shares in an orderly fashion. The Company has agreed to indemnify Vengroup for any net cumulative loss on the sale of these shares for a six month period, up to the next instalment payment due date. At December 31, 2006 the Company had not delivered any common shares to Vengroup under this arrangement.

7. DEBT (continued)

Notes payable

In conjunction with a Unit offering (Note 9) on December 23, 2004, the Company issued $100,000,000 principal amount senior unsecured notes (the "Notes") with a coupon rate of 9.375%, due on December 30, 2011 for net proceeds of $75,015,250, after expenses and equity allocation. Interest is payable on a semi-annual basis on January 15 and July 15 of each year, beginning July 15, 2005. The Company may redeem the Notes, in whole or in part, at any time after December 31, 2008 at a redemption price of between 100% and 102% of the principal amounts of the Notes, depending on the redemption date, plus accrued and unpaid interest and additional interest, if any, to the date of the redemption. In addition, the Company may be required to redeem the Notes for cash under certain circumstances, such as a change in control in the Company or where the Company ceases to beneficially own, directly or indirectly, at least a majority interest in the Las Cristinas Project; or the Company may redeem the Notes, in whole but not in part, for cash at its option under certain circumstances, such as a change in the applicable Canadian withholding tax legislation.

The Notes were derived from a financial instrument that contained both a liability and equity component. As a result, the equity component was allocated based on the fair value of the shares issued with the Unit offering, calculated at $21,450,000, with $78,550,000 being the discounted fair value of the Notes. The discounted fair value of the Notes is accreted to the face value of the Notes using the effective interest rate method over its seven year term, with the resulting charge recorded to interest expense.

Interest accretion

Interest accretion on the Notes payable and bank loan of $2,960,413 was expensed during the year ended December 31, 2006 (2005 – $2,672,895) as a component of interest expense.

Principal payments

Principal payments of debt are due as follows:

	Bank loan	Exchangeable promissory notes	Notes payable	Total
2007	$ 1,593,705	$ 1,800,000	$ -	$ 3,393,705
2008	1,983,952	-	-	1,983,952
2011	-	-	100,000,000	100,000,000
	3,577,657	1,800,000	100,000,000	105,377,657
Less: discount	(414,646)	-	(17,265,523)	(17,680,169)
	$ 3,163,011	$ 1,800,000	$ 82,734,477	$ 87,697,488

7. DEBT (continued)

As at December 31, 2006 the fair value of the Company's debt was $84,878,219 (2005 - $71,880,208).

8. ASSET RETIREMENT OBLIGATIONS

The key assumptions on which the fair value of the asset retirement obligations is based include the estimated future cash flows, the timing of those cash flows, and the credit-adjusted risk-free rate or rates at which the estimated cash flows have been discounted. The Company used discount rates of 15% to 25%. As of December 31, 2006, undiscounted cash outflows approximating $1.69 million (2005 - $3.78 million) are expected to occur over a five year period. The significant decrease in the estimated cash flows is due to a reduction in the estimate of costs associated with the retirement of the Revemin mill.

In view of the uncertainties concerning future asset retirement and progressive reclamation costs, the ultimate costs to the Company could differ materially from the amounts estimated. The estimate for the future liability is subject to change based on possible amendments to applicable laws and legislation, the nature of ongoing operations and technological innovations. Future changes, if any, due to their nature and unpredictability, could have a significant impact and would be reflected prospectively, as a change in an accounting estimate.

The following table explains the change in the asset retirement obligations:

As at December 31	**2006**	2005
Asset retirement obligations, beginning of year	**$ 1,520,738**	$ 2,301,181
Liabilities settled	**-**	(30,000)
Accretion expense	**288,376**	345,460
Revisions in estimated cash flows	**(598,539)**	(1,095,903)
	$ 1,210,575	$ 1,520,738
Less : Current portion	**(239,408)**	(126,092)
Asset retirement obligations, end of year	**$ 971,167**	$ 1,394,646

9. SHARE CAPITAL

	2006	2005
Authorized		
Unlimited common shares, without par value		
Unlimited Class "A" preference shares, no par value		
Unlimited Class "B" preference shares, no par value		
Issued		
245,424,494 Common Shares (2005 - 208,036,316)	**$ 448,100,697**	$ 336,491,624

9. SHARE CAPITAL (continued)

Warrants

As at December 31, 2006 common share purchase warrants were outstanding enabling the holders to acquire common shares as follows:

Exercise Price	Number of Shares		Weighted Average Remaining Contractual Life (Years)
$1.75	500,000		0.27
$3.65 ($4.25 CAD)	5,062,500		1.12
$4.00	875,000		1.54
$4.25	12,250,000	*	
	18,687,500		

* These warrants become exercisable for an 18 month period commencing on a date which is 45 days following the receipt of the Permit for the Company's Las Cristinas project. (See Financing Transactions – Fiscal 2006 Activities).

Stock options

The Company has a stock option plan that provides for the granting of options to executive officers, directors, employees and service providers of the Company. Under the stock option plan, the exercise price of each option equals the closing price of the Company's stock on the trading day immediately preceding the date of the grant. Stock options granted to service providers and employees, executive officers, and directors have a life of two, five and ten years, respectively. Stock options may vest immediately, or over a one year or three year period.

As at December 31, 2006 stock options were outstanding enabling the holders to acquire common shares as follows:

Range of Exercise Price - Cdn. $	Number of Shares	Contractual Life (Years)	Exercise Price - Cdn$
$1.00 to $1.50	1,352,500	1.07	1.29
$1.75 to $2.60	3,714,935	4.27	2.22
$2.65 to $3.60	3,924,750	5.20	3.08
$4.00 to $4.65	2,401,900	4.87	4.21
	11,394,085	4.33	2.80

9. SHARE CAPITAL (continued)

A summary of the status of the stock option plan as at December 31, and changes during each year ended on those dates is as follows:

	2006		2005		2004	
	Number of Shares	**Weighted Average Exercise Price - Cdn$**	Number of Shares	Weighted Average Exercise Price - Cdn$	Number of Shares	Weighted Average Exercise Price - Cdn$
Outstanding, beginning of year	**11,327,394**	**$ 2.63**	10,950,250	$ 2.46	8,966,000	$ 1.97
Granted	**1,773,400**	**3.73**	1,407,644	3.28	3,285,250	3.37
Exercised	**(1,641,800)**	**2.31**	(775,000)	(1.66)	(1,251,000)	1.44
Expired	**(64,909)**	**2.51**	(255,500)	(2.02)	(50,000)	1.50
Outstanding, end of year	**11,394,085**	**$ 2.80**	11,327,394	$ 2.63	10,950,250	$ 2.46
Weighted average fair value of options granted during the year - Cdn $		**$ 2.63**		$ 2.75		$ 2.23

As at December 31, 2006, there were 868,833 options outstanding, with a weighted average exercise price of C$4.02 that were not fully vested (2005 – 139,429 options; $3.19 weighted average exercise price).

Supplemental information for stock-based compensation

The Company determines the fair value of the employee stock options using the Black-Scholes option pricing model. In determining the fair value of these employee stock options, the following assumptions were used:

	2006	2005	2004
Risk free interest rate	**4.13%**	3.61%	4.38%
Expected life (years)	**3.70**	3.97	5.98
Expected volatility	**119%**	105%	75%
Expected dividends	**-**	-	-

9. SHARE CAPITAL (continued)

Financing Transactions

Fiscal 2006 Activities

During January 2006, the Company issued 1,661,130 common shares for net proceeds of $4,317,661 under the terms of its equity draw down facility.

During February 2006, the Company completed a private placement of 10,799,000 units. Each unit was comprised of one common share and 1.1344 common share purchase warrants. Each whole warrant entitles the holder to purchase one common share at a price of US$4.25. The warrants are non-transferable and are exercisable for an 18 month period commencing 45 days following receipt of the Permit for the Company's Las Cristinas project in Venezuela. Certain events, including change in control of the Company or in the Company's interest in the Las Cristinas project, make the warrants immediately exercisable. The net proceeds received by the Company, after considering issuance costs of $991,972, was $30,325,130. The issuance costs were allocated proportionately to the amounts recorded as share capital of $28,233,742 and contributed surplus of $2,091,388.

During March 2006, under the terms of the exchangeable promissory notes between Vengroup and ECM (Note 7), the Company issued 307,213 common shares to Vengroup as payment of $900,000 due to Vengroup on June 29, 2006.

During May 2006, upon SB's exercise of its exchange rights, the Company issued 3,765,841 common shares to SB as settlement of the $7.5 million exchangeable portion of the bank loan (Note 7)

During July 2006, under the terms of the exchangeable promissory notes between Vengroup and ECM (Note 7), the Company issued 304,087 common shares to Vengroup as payment of $900,000 due to Vengroup on December 29, 2006

During July 2006, the Company agreed to amend the terms of 2,197,727 unlisted common share purchase warrants (the "Warrants"). Each Warrant entitled the holder to acquire one common share of the Company at an exercise price of US$2.75 per share until September 15, 2006. Pursuant to the terms of the amendment to the Warrants and their subsequent exercise, the Company issued approximately 0.398 new common share purchase warrants (the "New Warrants") in exchange for each Warrant exercised, for an aggregate of 875,000 New Warrants. Each New Warrant issued entitles the holder to acquire one common share in the capital of the Company at an exercise price of US$4.00 per share until July 14, 2008.

The Company agreed to amend the terms of warrants granted to its project finance advisor ("Advisor"). The Company previously issued 500,000 common share purchase warrants to its Advisor in April 2003 that would only become exercisable to the Advisor should the Advisor secure financing for the Las Cristinas project ("the Financing Condition"). In July 2006 the Company agreed to remove the Financing Condition from these warrants and, accordingly, recorded professional fees of $1,365,839.

During August 2006, the Company completed a public offering of 10,125,000 units. Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price

9. SHARE CAPITAL (continued)

Financing Transactions (continued)

of C$4.25. The warrants are exercisable on or before February 10, 2008. The net proceeds received by the Company, after considering issuance costs of C$2,309,331 (US$2,061,078), was C$30,090,669 (US$26,855,922). The issuance costs were allocated proportionately to the amounts recorded as share capital of C$25,742,567 (US$22,975,241) and contributed surplus of $4,348,102 (US$3,880,681).

Fiscal 2005 Activities

On July 29, 2005, the Company filed a preliminary short form base shelf prospectus with the Ontario Securities Commission and a corresponding registration statement with the United States Securities and Exchange Commission pursuant to the multijurisdictional disclosure system. On August 23, 2005 the preliminary short form base shelf prospectus and registration statement became effective. This prospectus enables the Company to offer at its option, over a 25-month period, up to an aggregate of C$75 million of senior unsecured notes, common shares, warrants and units in one or more offerings.

On September 14, 2005 the Company established, as covered under the short form base shelf prospectus, a C$60 million equity draw down facility with a counterparty and also issued and sold to them for gross proceeds of C$10 million (received on closing), units comprising C$10,000,000 principal amount of 5% Series 2 Notes due March 13, 2006, 200,000 common shares, and warrants to acquire 450,000 common shares exercisable on or before September 13, 2006 at a price of C$3.19 per share. The securities comprising the units separated immediately upon issue (Note 7). During the period October 5, 2005 through to December 16, 2005 the Company issued 12,272,236 common shares for net proceeds of $17.8 million under its equity draw down facility. In accordance with the terms of the draw down facility a portion of the proceeds were used to repay the outstanding Series 2 Notes.

On December 30, 2005, the Company acquired the non-controlling shareholder interests in the holding companies which own or control the interests in certain of Lo Incréible mining properties located in Bolivar State, Venezuela (including the La Victoria deposit). Under the terms of the transaction ECM purchased the 49% outstanding interest in Osmin Holdings Limited (“Osmin”) and the 30% outstanding interest in Tamanaco Holdings Limited (“Tamanaco”) owned by Vengroup and a related company, for consideration consisting of $6,600,000 payable as follows:

- $3,000,000 by the issuance and delivery to Vengroup of 1,467,136 Crystallex common shares;
- $3,600,000 by the issuance and delivery to Vengroup of a $3,600,000 exchangeable promissory note of ECM (Note 7).

9. SHARE CAPITAL (continued)

Financing Transactions (continued)

Fiscal 2005 Activities (continued)

In addition, the arbitration proceedings between Crystallex and Vengroup were terminated and the parties delivered mutual releases with respect to the subject matter of the arbitration proceedings. As a result of the transaction, the joint venture arrangements between ECM and Vengroup have been terminated and the Company, through its subsidiaries, now owns 100% of Osmin and Tamanaco. ECM's obligations under the exchangeable promissory note are guaranteed by a subsidiary of ECM and secured by a pledge of the shares of ECM's Venezuelan subsidiary that directly holds the interest in the Lo Increible properties.

As part of the transaction, Crystallex also entered into a consulting agreement with the principals of Vengroup pursuant to which Crystallex has agreed to pay aggregate consulting fees of $600,000. These amounts were expensed during 2005 and included in general and administrative expenses in the consolidated statement of operations.

Fiscal 2004 Activities

On April 5, 2004, the Company completed a C$100 million public equity offering whereby 25,000,000 common shares were issued at C$4.00 per common share. The net proceeds received by the Company, after considering the underwriters' fee, amounted to $71,694,731. On April 28, 2004, the over-allotment option granted to the underwriters in connection with this public equity offering was fully exercised and an additional 3,750,000 common shares were issued at C$4.00 per common share. The net proceeds received by the Company, after considering the underwriters' fee, amounted to $10,475,873. Other expenditures related to this public equity offering and over-allotment amounted to $234,609.

On December 23, 2004, the Company completed a $100 million offering whereby 100,000 Units of the Company were issued at a price of $1,000 per Unit. Each Unit was comprised of $1,000 principal amount of senior unsecured notes and 65 common shares of the Company. The net proceeds received by the Company, after considering the underwriters' fee of $4,000,000 and other expenditures of $500,000, amounted to $95,500,000. The equity component of this offering was allocated based on the fair value of the shares issued, calculated at $21,450,000, with $78,550,000 being the discounted fair value of the notes (Refer to Note 7).

The net proceeds of the offering (the "Escrowed Funds") were deposited with CIBC Mellon Trust Company (the "Escrow Agent") under the terms of an escrow agreement (the "Escrow Agreement") dated December 23, 2004 between the Company and the Escrow Agent. The Escrowed Funds were divided into two pools: one pool equal to the aggregate amount of the interest payable on the first three interest payments dates (the "Interest Pool"); and, the other pool equal to the balance of the Escrowed Funds (the "Project Pool").

9. SHARE CAPITAL (continued)

Financing Transactions (continued)

Fiscal 2004 Activities (continued)

Under the terms of the Escrow Agreement, the Escrow Agent will release an amount equal to the interest payment from the Interest Pool, when the Company makes each of the first three interest payments to the Trustee.

Under the terms of the Escrow Agreement, the Escrow Agent will release funds from the Project Pool to pay Approved Capital Budget Expenditures. Approved Capital Budget Expenditures are defined in the Escrow Agreement to include capital expenditures that are specifically contemplated by the feasibility studies or the project control budget relating to the Las Cristinas Project and are permitted under Venezuelan law as evidenced by an opinion of Venezuelan counsel to the Company.

Shareholder Rights Plan

On October 30, 2006 the shareholders of the Company voted to ratify, confirm and approve a new shareholder Rights Plan (the “Rights plan”) which was originally approved by the Board of Directors of the Company on June 22, 2006. The rights issued under the Rights plan are subject to reconfirmation at every third annual meeting of shareholders and will expire at the close of the Company’s annual meeting in 2016 (the “Expiration Time”) .

Pursuant to the Rights plan, the Board of Directors declared a distribution of one right (a “Right”) for each outstanding Common Share of the Company to shareholders of record at the close of business on the Record Date and authorized the issuance of one Right for each Common Share issued after the Record Date and prior to the Separation Time (described below) and the Expiration Time. The Rights will separate from the Common Shares at the time (the “Separation Time”) which is the close of business on the eighth trading day (or such later day as determined by the Board of Directors) after the public announcement of the acquisition of, or intention to acquire, beneficial ownership of 20% of the Common Shares of the Company by any person other than in accordance with the terms of the Rights plan.

In order to constitute a “Permitted Bid”, an offer must be made in compliance with the Rights plan and must be made to all shareholders (other than the offeror), must be open for at least 60 days and be accepted by shareholders holding more than 50% of the outstanding voting shares and, if so accepted, must be extended for a further 10 business day period.

10. INVESTMENT IN SUBSIDIARIES

In November 2004, Vengroup delivered a notice of arbitration to the Company and ECM. On December 29, 2005 the Company and ECM reached a settlement with Vengroup. As part of this settlement ECM acquired the non-controlling shareholder interests in the holding companies which own or control the mining rights to certain of its Lo Increible mining properties for consideration of $6.6 million. As part of the transaction to acquire the non-controlling shareholder interests, the Company also entered into a two-year consulting agreement for total fees of $600,000. This investment in ECM and its subsidiaries was

10. INVESTMENT IN SUBSIDIARIES (continued)

subsequently written down to $ Nil in 2005, as the Company had previously written off its controlling interest in the related underlying mining assets.

Effective August 19, 2004, the Company acquired, under a plan of arrangement, all of the outstanding shares of El Callao Mining Corporation ("El Callao") not previously owned. As a result of this transaction 0702259 B.C. Ltd., a successor company to El Callao under the plan of arrangement and a subsequent amalgamation, is now a wholly-owned subsidiary of Crystallex. As consideration, shareholders of El Callao (other than Crystallex) received 0.01818 of a Crystallex common share for each of their El Callao shares representing a total obligation to issue 172,975 Crystallex common shares. The value associated with acquiring these shares was $493,702. This investment was subsequently written down to $ Nil in 2004. As at December 31, 2006, the Company had issued 164,736 common shares against this obligation.

11. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with related parties:

a) Paid or accrued consulting and underwriting fees of $2,947,156 (2005 - $120,900; 2004 - $2,843,447) to a company which retains the Chairman of the Company as an employee.

b) Paid or accrued legal fees of $ Nil (2005- $729,901; 2004 - $1,232,816) to a law firm, while a partner of whom was a director of the Company.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

12. INCOME TAXES

The Company did not record a provision or benefit for income taxes for the years ended December 31, 2006, 2005 and 2004, due to the recurrence of operating losses and the Company's determination that it is not more likely than not that future income tax assets will be realized.

12. INCOME TAXES (continued)

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	2006	2005	2004
Statutory tax rate	**35.88%**	36.12%	36.12%
Loss before income tax provision	**$ (35,684,229)**	$ (45,206,916)	$ (60,654,063)
Expected income taxes recoverable	**$ (12,803,501)**	$ (16,328,738)	$ (21,908,248)
Change in valuation allowance	**7,769,253**	7,268,282	21,090,347
Change in enacted tax rates	**2,772,385**	-	-
Permanent differences	**1,946,169**	2,289,571	-
Reduction in loss carry forwards	**284,071**	6,484,430	-
Difference in foreign tax rates	**31,623**	286,455	817,901
Actual income tax provision	**$ -**	$ -	$ -

The tax effects of temporary differences that would give rise to significant portions of the future tax assets and future tax liabilities at December 31, are as follows:

	2006	2005
Future income tax assets:		
Loss carry forwards and deferred financing fees	**$ 75,807,550**	$ 62,664,077
Less: valuation allowance	**(64,394,004)**	(56,624,751)
Net future income tax asset	**11,413,546**	6,039,326
Future income tax liabilities:		
Property, plant and equipment	**(11,413,546)**	(6,039,326)
Net future income taxes	**$ -**	$ -

Future income tax assets are recognized to the extent that realization is considered more likely than not. Since the Company has determined that it is more likely than not that the future income tax assets are not recoverable, the net future income tax assets have been fully offset by a valuation allowance. The prior years' presentation has been amended to conform to the current years' presentation.

12. INCOME TAXES (continued)

At December 31, 2006 the Company has the following unused tax losses available for tax purposes:

Year of Expiry	Country: Canada	Country: Venezuela
2007	$ -	$ 38,230,247
2008	$ 1,589,061	$ 13,512,021
2009	$ 38,974,834	$ 1,682,068
2010	$ 33,036,515	$ -
2014	$ 14,982,866	$ -
2015	$ 31,502,426	$ -
2026	$ 49,851,765	$ -

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2006	2005	2004
Cash paid during the year for interest	**$ 9,985,572**	$ 5,239,726	$ 251,617
Cash paid during the year for income taxes	**$ -**	$ -	$ -

	2006	2005
Cash and cash equivalents comprises:		
Cash	**$ 28,573,142**	$ 3,870,573
Cash equivalents	**-**	199,446
Cash and cash equivalents balance	**$ 28,573,142**	$ 4,070,019

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (continued)

Investment in property, plant and equipment for the year ended December 31

	2006	2005	2004
Net book value of property, plant and equipment January 1	**$ 215,260,043**	$ 117,329,337	$ 102,274,263
Net book value of property, plant and equipment December 31	**256,455,027**	215,260,043	117,329,337
Net additions to property , plant and equipment (after amortization and depletion) during the year ended December 31	**41,194,984**	97,930,706	15,055,074
Amortization and depletion expenses for the year ended December 31	**1,887,587**	2,636,655	35,845,450
Net additions to property , plant and equipment during the year ended December 31	**43,082,571**	100,567,361	50,900,524
Reduction (increase) to accruals related to property, plant and equipment acquisitions of prior periods	**5,328,173**	(6,197,488)	-
Cash investment in property,plant and equipment during the year ended December 31	**$ 48,410,744**	$ 94,369,873	$ 50,900,524

Issuance of common shares for the year ended December 31

	2006	2005	2004
Cash received on :			
Unit offerings	**$ 51,208,985**	$ 466,549	$ 81,935,995
Conversion of warrants	**23,773,051**	5,080,357	11,283,478
Issuance of shares under equity draw down facility	**4,317,661**	9,292,313	20,484,750
Exercise of options	**3,651,754**	1,053,023	1,408,888
Issuance of common shares for cash during the year ended December 31	**$ 82,951,451**	$ 15,892,242	$ 115,113,111

Directors' fees for the year ended December 31

	2006	2005	2004
Issuance of common shares for directors' fees - 19,170 shares (2005 - 65,186 shares ; 2004 - 40,976 shares)	**$ 60,000**	$ 190,000	$ 100,000

14. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector. Due to geographic and political diversity, the Company's mining operations are decentralized, whereby mine general managers are responsible for business results and regional corporate offices provide support to the mines in addressing local and regional issues. The Company's operations are therefore segmented on a district basis. The Company's only product is gold, produced from mines located in Venezuela.

The 2005 and 2004 comparative tables have been restated to confirm to the segment disclosure adopted for 2006. The Company's Venezuelan Operations segment combines the Revemin mill and Tomi mine, and the La Victoria mine. These were previously presented as two separate business segments. The mill and both mines are under the responsibility of the same segment manager and the business results are now assessed as if they are integrated operations.

The segments' accounting policies are the same as those described in the summary of significant accounting policies except that other expenses, the commodity contract gain/loss and other items are not allocated to the individual operating segments when determining profit or loss, but rather are attributed to the corporate office.

Geographic information:

Substantially all revenues generated and capital assets held by the Company are in Venezuela, except for long-lead time capital assets required for the development of Las Cristinas, which are located temporarily in Houston, Texas and Antwerp, Belgium.

14. SEGMENTED INFORMATION (continued)

	Corporate	Venezuelan Operations	Las Cristinas Development	Discontinued Operations	Total
2006					
Mining revenue	$ -	$ 28,087,764	$ -	$ -	$ 28,087,764
Operating costs	$ -	$ (27,099,113)	$ -	$ -	$ (27,099,113)
Interest and other income	$ 1,159,586	$ -	$ -	$ -	$ 1,159,586
Interest expense	$ (12,389,335)	$ (556,650)	$ -	$ -	$ (12,945,985)
Depletion and amortization	$ (701,875)	$ (1,783,423)	$ -	$ -	$ (2,485,298)
Segment (loss)	$ (34,096,015)	$ (1,588,214)	$ -	$ -	$ (35,684,229)
Segment assets	$ 31,536,272	$ 9,922,076	$ 256,284,114	$ -	$ 297,742,462
Capital expenditures	$ -	$ -	$ 48,410,744	$ -	$ 48,410,744
2005					
Mining revenue	$ -	$ 24,989,681	$ -	$ -	$ 24,989,681
Operating costs	$ -	$ (22,754,642)	$ -	$ -	$ (22,754,642)
Interest and other income	$ 1,926,425	$ -	$ -	$ -	$ 1,926,425
Interest expense	$ (11,532,146)	$ (276,941)	$ -	$ -	$ (11,809,087)
Depletion and amortization	$ (1,048,296)	$ (2,696,784)	$ -	$ -	$ (3,745,080)
Segment (loss)	$ (44,468,230)	$ (738,686)	$ -	$ -	$ (45,206,916)
Segment assets	$ 29,543,350	$ 7,895,306	$ 213,201,542	$ -	$ 250,640,198
Capital expenditures	$ 54,571	$ 855,961	$ 93,459,341	$ -	$ 94,369,873
2004					
Mining revenue	$ -	$ 20,245,690	$ -	$ -	$ 20,245,690
Operating costs	$ -	$ (18,037,768)	$ -	$ -	$ (18,037,768)
Interest and other income	$ 697,638	$ -	$ -	$ -	$ 697,638
Interest expense	$ (321,706)	$ (226,425)	$ -	$ -	$ (548,131)
Depletion and amortization	$ (158,969)	$ (6,030,047)	$ -	$ -	$ (6,189,016)
Write-down of mineral properties	$ -	$ (32,003,253)	$ -	$ -	$ (32,003,253)
Segment (loss)	$ (22,073,816)	$ (38,230,247)	$ -	$ (350,000)	$ (60,654,063)
Segment assets	$ 139,289,973	$ 7,376,922	$ 113,451,761	$ -	$ 260,118,656
Capital expenditures	$ 289,312	$ 9,939,717	$ 40,671,495	$ -	$ 50,900,524

15. DISCONTINUED OPERATION

On October 27, 2003, the Company finalized a purchase and sale agreement with Uruguayan Mineral Explorations Inc. for the sale of the Company's Uruguayan mining operations. The Company received $1,650,000 as cash consideration for this sale.

16. COMMITMENTS AND CONTINGENCIES

Lease agreements

The Company has entered into various operating lease agreements which expire over the next three years. Total rent expense charged to operations under these agreements was $181,686 (2005 - $178,135; 2004 - $176,181).

Minimum lease payments under operating leases in effect through 2009 are as follows:

2007	173,426
2008	171,665
2009	42,176
	$ 387,267

Las Cristinas

The rights of Crystallex to develop the Las Cristinas deposits are derived from the Agreement between the Company and the CVG (Note 5). The Agreement does not transfer to Crystallex any property ownership rights or title rights to the gold produced and the right to develop the deposits is contingent upon the Company continuing to meet its ongoing obligations under the Agreement; principally, the Company is to:

a. make all investment and complete all works necessary to exploit the mineral resources,

b. present to the CVG for approval by September 17, 2003 a feasibility study, together with an investment and financing plan to support the feasibility study,

c. present to the CVG for approval, life of mine, annual production plans and annual production commitments,

d. commence production of the mining project by May 2004; such start may be extended in the event permitting delays are encountered,

e. pay a royalty and exploitation tax, as set out in the Agreement, based on the value of gross monthly gold production,

f. provide for certain social programs and for the employment, training and technical assistance to small miners,

g. supply performance bonds related to the development and environmental obligations,

h. bear all costs relating to a technical liaison office to be created by the CVG.

16. COMMITMENTS AND CONTINGENCIES (continued)

The Company submitted the feasibility study inclusive of an investment and financing plan, referred to in (b) above, within the prescribed timeframe and the CVG approved the feasibility study in March 2006. The Company is awaiting the receipt of the Permit from MARN.

The Agreement allows for delays which may be outside the control of the CVG and the Company. The Company has met all of its obligations under the Agreement to the extent possible prior to receipt of the Permit.

Although the Agreement grants certain rights to the Company to develop the deposits, the ultimate development will require significant financial resources, requiring the Company to raise project financing, debt and equity. There is no assurance that sufficient additional financing will be available to Crystallex and failure to obtain such financing could result in delays or indefinite postponement, which could lead to a default under the agreement.

The Company has made certain commitments to date approximating $123 million (December 31, 2005 - $179 million), of which approximately $121 million (December 31, 2005 - $89 million) has been paid, and will be required to make additional commitments approximating $170 million, in order to complete construction of the Las Cristinas project. Management remains confident that it will be able to obtain the necessary financing through project debt, other forms of public market debt, or equity financing. In the event that such efforts are not successful, the carrying value of Las Cristinas could be subject to material adjustment.

Other

On May 23, 2006 the Company and certain directors and officers were served with a Statement of Claim by an individual alleging misrepresentation, conspiracy and breach of contract, and claiming damages of approximately Cdn$1,750,000. The Company has filed its Statement of Defense and believes that there is little likelihood of any ultimate liability. However, as the outcome of this matter cannot be determined at this time, the Company has made no provision for this contingency as at December 31, 2006.

In the normal course of business, the Company may enter into contracts that contain commitments to pay amounts dependent upon future events. Such amounts, if any, are not determinable as yet; consequently, no amounts have been accrued in the financial statements with respect to these commitments.

17. SUBSEQUENT EVENTS

In January 2007 Vengroup exercised its right to exchange the June 29, 2007 principal instalment payment of $900,000 for common shares of Crystallex. The Company issued 245,710 common shares as settlement of this principal instalment payment.

On March 29, 2007 the Company announced that it had entered into a bought deal agreement with a syndicate of underwriters to purchase 12,500,000 Common Shares of the Company at a price of CDN$4.25 per Common Share for gross proceeds of $45.9 million

17. SUBSEQUENT EVENTS (continued)

(CDN$53.1 million). The Company has also agreed to grant the underwriters an over-allotment option, to purchase an additional 1,875,000 Common Shares for gross proceeds of $6.9 million (CDN$8.0 million). The Company expects to file a Preliminary Short Form Prospectus with the applicable securities regulatory authorities to qualify the Common Shares for distribution.

18. RISK

Title risk

Title to mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. Although the Company has investigated title to all of its mineral properties for which it holds concessions or other mineral leases or licenses, Crystallex cannot give any assurance that title to such properties will not be challenged or impugned and cannot be certain that it will have valid title to its mining properties. The Company relies on title opinions by legal counsel who base such opinions on the laws of countries in which the Company operates.

The Company's principal mineral properties and mining rights are located in Venezuela. In 2005 the Government of Venezuela announced that it would be changing the mining title regime from a system where title was granted in the form of either concessions or operating contracts to a system where all new titles would be granted in the form of operating contracts. In order to effect this change, the Government advised that it would need to create a national mining company which would be the nation's contracting party covering the entire country of Venezuela. The Government also indicated that, given this change in title regime, it would also be appropriate to review all existing mining companies in a single comprehensive exercise to ensure that only companies found to be in compliance with their existing title terms and conditions would qualify for the new title. The Government's public references to the type of operating contract that it intends to implement for the mining industry are comparable to the Mine Operation Agreement the Company currently holds for the Las Cristinas Project.

Country Risk

The Company's mineral exploration and exploitation activities may be adversely affected by political instability and legal and economic uncertainty in the countries where the Company has operations. The risks associated with the Company's foreign operations may include political unrest, labour disputes, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in laws, regulation and policies, taxation, price controls, exchange controls, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. These risks may limit or disrupt the Company's projects or operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation. The Company's principal mineral

18. RISK (continued)

Country Risk (continued)

properties and mining rights are located in Venezuela and as such the Company may be affected by political or economic instabilities.

Currency risk

The Company is exposed to currency risk as certain of its purchases are denominated in foreign currencies. Unfavourable changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gains or losses. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company's Venezuelan operations are currently subject to currency and exchange controls. These government imposed controls may adversely affect the Company as such controls restrict the Company's ability to flow U.S. dollars, generated from the sale of its gold production, out of the country.

Credit and market risk

The Company has in the past entered into financial agreements (financial instruments) with major international banks and other international financial institutions in order to manage underlying revenue and future cash flow exposures arising from commodity prices. Financial instruments, which subjected the Company to market risk and concentrations of credit risk, consisted primarily of cash and accounts receivable.

Market risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates or currency exchange rates. The Company manages the market risk associated with commodity prices by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Credit risk is the risk that a counterparty might fail to fulfill its performance obligations under the terms of a contract. The Company limits the amount of credit exposure in cash and securities by placing these financial instruments in high quality securities issued by government agencies, financial institutions and major corporations and by diversifying its holdings. The Company also has concentrations of credit risk with respect to accounts receivable as the accounts receivable are due from one customer, the Venezuelan Central Bank.

The Company is exposed to credit risk in the event of non-performance by counterparties in connection with metal forward and option contracts. The Company does not obtain any security to support financial instruments subject to credit risk but mitigates this risk by dealing only with a diverse group of financially sound counterparties and, accordingly, does not anticipate loss for non-performance. Further, the Company minimizes its credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit ratings are high and by monitoring the financial condition of its counterparties. The Company continually monitors the market risk of its activities.

19. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (AS RESTATED)

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") which differ from those principles that the Company would have followed had its consolidated financial statements been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The following adjustments would be required in order to present the financial statements in accordance with U.S. GAAP.

The Company is amending and restating its US GAAP note disclosure in its financial statements for the years 2006 and 2005. During 2007, the Company reviewed its accounting policy relating to the capitalization of interest costs incurred during the period of development on qualifying mineral properties. As a result of this review, the Company has determined that certain interest costs should be capitalized under U.S. GAAP during the period of construction and development on its Las Cristinas project. Under Canadian GAAP these costs will continue to be expensed as incurred. Accordingly, this note to the consolidated financial statements has been restated to give effect to the capitalization of interest to the qualifying Las Cristinas project in the amount of $9,591,736 and $5,025,761 in 2006 and 2005, respectively (see 19(a)).

Balance Sheets

The impact of differences between Canadian GAAP and U.S. GAAP on the consolidated balance sheets is as follows:

	2006					
	Canadian GAAP	Adjustments	U.S. GAAP (As Originally Reported)	Interest Adjustment	(a)	U.S. GAAP (As Restated)
Current assets	$ 38,691,808	$ -	$ 38,691,808	$ -		$ 38,691,808
Property, plant and equipment	256,455,027	(75,725,819) (a)	180,729,208	14,617,497		195,346,705
Deferred financing fees	2,595,627	-	2,595,627	-		2,595,627
	$ 297,742,462	$ (75,725,819)	$ 222,016,643	$ 14,617,497		$ 236,634,140
Current liabilities	$ 16,203,423	$ -	$ 16,203,423	$ -		$ 16,203,423
Asset retirement obligations	971,167	-	971,167	-		971,167
Long-term debt	84,524,929	-	84,524,929	-		84,524,929
Shareholders' equity	196,042,943	(75,725,819)	120,317,124	14,617,497		134,934,621
	$ 297,742,462	$ (75,725,819)	$ 222,016,643	$ 14,617,497		$ 236,634,140

19. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (AS RESTATED) (continued)

Balance Sheets (continued)

	2005						
	Canadian GAAP	Adjustments		U.S. GAAP (As Originally Reported)	Interest Adjustment	(a)	U.S. GAAP (As Restated)
Current assets	$ 20,061,580	$ -		$ 20,061,580	$ -		$ 20,061,580
Restricted cash	12,081,312	-		12,081,312	-		12,081,312
Property, plant and equipment	215,260,043	(75,725,819)	(a)	139,534,224	5,025,761		144,559,985
Deferred financing fees	3,237,263	-		3,237,263	-		3,237,263
	$ 250,640,198	$ (75,725,819)		$ 174,914,379	$ 5,025,761		$ 179,940,140
Current liabilities	$ 22,713,476	$ -		$ 22,713,476	$ -		$ 22,713,476
Asset retirement obligations	1,394,646	-		1,394,646	-		1,394,646
Long-term debt	94,495,582	2,564,366	(b)	97,059,948	-		97,059,948
Shareholders' equity	132,036,494	(78,290,185)		53,746,309	5,025,761		58,772,070
	$ 250,640,198	$ (75,725,819)		$ 174,914,379	$ 5,025,761		$ 179,940,140

For the purposes of reporting in accordance with U.S. GAAP, amounts referred to as contributed surplus under Canadian GAAP are referred to as additional paid in capital.

Statements of Operations

The impact of the differences between Canadian GAAP and U.S. GAAP on the loss for the year would be as follows:

		2006 (Restated)	2005 (Restated)	2004
Net loss for the year per Canadian GAAP		**$ (35,684,229)**	$ (45,206,916)	$ (60,654,063)
Adjustments to mineral properties	(a)	**-**	(235,900)	5,172,791
Changes in fair value of exchangeable portion of bank loan	(b)	**(8,638,661)**	-	-
Accretion of interest on bank loan	(b)	**(54,064)**	-	-
Unamortized deferred financing costs on exchangeable portion of bank loan	(b)	**(121,405)**	-	-
Beneficial conversion interest	(c)	-	(598,000)	-
Adjustment to amortization of Series 2 Notes discount	(c)	**-**	(539,125)	-
Unamortized deferred financing costs of Series 2 Notes	(c)	**-**	(356,820)	-
Net loss for the year per U.S. GAAP, as originally reported		**(44,498,359)**	(46,936,761)	(55,481,272)
Adjustments to interest on debt	(a)	**9,591,736**	5,025,761	-
Net loss for the year per U.S. GAAP, as restated		**$ (34,906,623)**	$ (41,911,000)	$ (55,481,272)
Net loss per share - basic and diluted		**$ (0.15)**	$ (0.22)	$ (0.32)

19. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (AS RESTATED) (continued)

Statement of Operations Presentation

The following table reconciles "Net loss for the year per U.S. GAAP" to "Loss from operations for U.S. GAAP".

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	2006 (Restated)	2005 (Restated)	2004
Net loss for the year per U.S. GAAP, as restated	**$ (34,906,623)**	$ (41,911,000)	$ (55,481,272)
Non-operating loss components			
Under Canadian GAAP:			
Interest on long-term debt	**$ 12,945,985**	$ 11,809,087	$ 548,131
Commodity contract loss	**-**	3,770,835	963,717
Foreign exchange (gain) loss	**(459,734)**	1,192,593	(397,313)
Gain on settlement of debt	**-**	(875,610)	-
Interest and other income	**(1,159,586)**	(1,926,425)	(697,638)
Investment in subsidiaries	**-**	6,600,000	493,702
Write-down of marketable securities	**-**	-	-
Non controlling interest	**-**	-	(111,053)
U.S. GAAP reconciling items:			
Changes in fair value of exchangeable portion of bank loan	**8,638,661**	-	-
Accretion of interest	**54,064**	-	-
Unamortized deferred financing costs on exchangeable portion of bank loan	**121,405**	-	-
Beneficial conversion interest	**-**	598,000	-
Adjustment to amortisation of Series 2 Notes discount	**-**	539,125	-
Unamortized deferred financing costs of Series 2 Notes	**-**	356,820	-
Non-operating loss per U.S. GAAP, as originally reported	**20,140,795**	22,064,425	799,546
Loss from operations per U.S. GAAP, before capitalized interest adjustment	**(14,765,828)**	(19,846,575)	(54,681,726)
Capitalized interest adjustment (a)	**(9,591,736)**	(5,025,761)	-
Loss from operations per U.S. GAAP, as originally stated and as restated	**$ (24,357,564)**	$ (24,872,336)	$ (54,681,726)

19. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (AS RESTATED) (continued)

Statements of Cash Flows

The impact of the above differences between Canadian GAAP and U.S. GAAP on the combined statements of cash flows would be as follows:

	2006 (Restated)	2005 (Restated)	2004
Cash flows used in operating activities, Canadian GAAP	**$ (32,052,785)**	$ (32,714,407)	$ (36,005,098)
Adjustment for net loss from discontinued operations	**-**	-	(350,000)
Adjustments to mineral properties	**-**	(235,900)	(2,709,655)
Adjustment to working capital relating to discontinued operations	**-**	-	350,000
Cash flows used in operating activities, U.S. GAAP, as originally reported	**(32,052,785)**	(32,950,307)	(38,714,753)
Adjustments to interest (a)	**9,591,736**	5,025,761	-
Cash flows used in operating activities, U.S. GAAP, as restated	**(22,461,049)**	(27,924,546)	(38,714,753)
Cash flows provided by (used in) investing activities, Canadian GAAP	**(27,087,581)**	12,589,880	(179,183,440)
Cash flows provided by discontinued operations, Canadian and U.S. GAAP	**-**	-	1,650,000
Adjustments to mineral properties	**-**	235,900	2,709,655
Cash flows provided by (used in) investing activities, U.S. GAAP, as originally reported	**(27,087,581)**	12,825,780	(174,823,785)
Adjustments to interest (a)	**(9,591,736)**	(5,025,761)	-
Cash flows provided by (used in) investing activities, U.S. GAAP, as restated	**(36,679,317)**	7,800,019	(174,823,785)
Cash flows provided by financing activities, Canadian and U.S. GAAP	**83,643,489**	18,427,804	193,101,744
Net increase (decrease) in cash and cash equivalents during the year	**24,503,123**	(1,696,723)	(20,436,794)
Cash and cash equivalents, beginning of year	**4,070,019**	5,766,742	26,203,536
Cash and cash equivalents, end of year	**$ 28,573,142**	$ 4,070,019	$ 5,766,742

For U.S. GAAP, the statement of cash flows is required to be reconciled to the net loss for the year rather than to the loss from continuing operations. The above table reflects this change and in addition reflects the cash flows from the discontinued operations as a component of operating, investing, and financing activities, respectively.

19. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (AS RESTATED) (continued)

(a) Mineral Properties and Exploration and Development Costs

Under Canadian GAAP, mineral properties, including exploration, development and acquisition costs, are carried at cost until the properties to which they relate are placed into production, sold or where management has determined there to be a permanent impairment in value.

Under U.S. GAAP, mineral property expenditures are expensed as incurred. Once a final feasibility study has been completed however, additional costs incurred to bring the mine into production are capitalized as development costs. Costs incurred to access ore bodies identified in the current mining plan after production has commenced are considered production costs and are expensed as incurred.

Under Canadian GAAP, interest costs incurred during the period of development on qualifying mineral properties are expensed. Under U.S. GAAP, interest costs of $9,591,736 and $5,025,761 associated with capitalized mineral properties have been capitalized in 2006 and 2005, respectively.

Under Canadian GAAP, travel costs directly related to the acquisition and development of mineral properties are capitalized as a part of the underlying asset. Under U.S. GAAP, included in the mineral property adjustments for the years ended December 31, 2006, 2005, and 2004 are expenses of $Nil, $235,900 and $251,324 respectively, related thereto.

Property, Plant and Equipment

	2006 (Restated)	2005 (Restated)
Net book value under Canadian GAAP	**$ 256,455,027**	$ 215,260,043
Adjustments to Las Cristinas capitalized costs	**(75,725,819)**	(75,725,819)
Net book value under U.S. GAAP, as originally reported	**180,729,208**	139,534,224
Interest adjustment	**14,617,497**	5,025,761
Net book value under U.S. GAAP, as restated	**$ 195,346,705**	$ 144,559,985

19. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (AS RESTATED) (continued)

(b) Bank Loan - Exchangeable Portion

In accordance with Canadian GAAP, upon the issuance on December 23, 2005 of the exchangeable portion of the bank loan, the exchangeable portion was bifurcated between its liability and equity components. The liability portion of the debt was measured by determining the carrying amount of the notes by discounting the stream of future payments of principal and interest at the prevailing market rate for a similar liability that does not have an associated equity component.

Under US GAAP, on issuance, the conversion option contained in the exchangeable portion of the bank loan is considered to be an embedded derivative that is required to be bifurcated and accounted for as a free standing derivative financial liability separate from the debt instrument. The Company is required to re-measure the fair value of the derivative financial liability at each reporting date with changes in fair value recorded in earnings. The difference between the value of the free standing derivative and the face value of the debt will be accreted over the term of the debt.

On May 5, 2006, the holder exercised their conversion option and the full value of the debt was settled for shares.

Accordingly, for US GAAP purposes, for the year ended December 31, 2006 an expense of $8,638,661 has been recorded with respect to the changes in fair value of the embedded derivative, an expense of $54,606 to reflect the additional accretion expense, and an expense of $121,405 to reflect the unamortized deferred financing costs.

(c) Series 2 Notes

Under Canadian and US GAAP, upon issuance of the C$10.0 million Units, the net proceeds received were allocated between the liability and equity components of the notes by measuring the relative fair value of each component. The equity components were measured at the fair value of the 200,000 common shares and the 450,000 warrants using the current market price of the Company's common shares and the value obtained using the black-sholes option pricing model, respectively. The liability portion of the notes was measured by determining the carrying amount of the notes by discounting the stream of future payments of principal and interest at the prevailing market rate for a similar liability that does not have an associated equity component.

Under Canadian GAAP, this discount on the liability is then accreted to its principal value over the original contractual term of the notes.

19. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (AS RESTATED) (continued)

(c) Series 2 Notes (continued)

Under US GAAP, the discount on the liability is accreted to its principal value and deferred financing costs are amortized over the term of the notes, or, in the event of an equity draw down, over the minimum period from the date of the draw down notice to the date at which common shares are issued to settle the liability. As at December 31, 2006 there were no Series 2 Notes outstanding. As a result, an adjustment to amortization expense of $ Nil (2005 - $539,125; 2004 – $ Nil) is required under US GAAP so that the unamortized discount is fully accreted upon final conversion by the holder. In addition, under US GAAP an adjustment of $ Nil (2005 - $356,820; 2004 - $ Nil) was required in order to expense the remaining unamortized deferred financing costs and a further adjustment of $ Nil (2005 - $598,000; 2004 - $Nil) was required in order to reflect the beneficial conversion feature that was deemed to exist as the common shares that were issued in settlement of the obligation were at a discount to the prevailing market price.

(d) Comprehensive Income (loss)

SFAS No. 130 “Reporting Comprehensive Income” establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. SFAS 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income (loss) be reported in the financial statements. For the Company, the only components of comprehensive loss are the net loss for the period and the change in cumulative translation adjustment. This information is presented on the following page.

19. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (AS RESTATED) (continued)

(d) Comprehensive Income (loss) (continued)

For U.S. GAAP, the accumulated other comprehensive loss would be calculated as follows:

	2006	2005	2004
Accumulated other comprehensive loss			
Accumulated other comprehensive loss, beginning and end of year	**$ (695,329)**	$ (695,329)	$ (695,329)

Accumulated other comprehensive loss, end of year, is comprised entirely of the cumulative translation adjustment.

Comprehensive Loss

For U.S. GAAP, the comprehensive loss would be calculated as follows:

	2006 (Restated)	2005 (Restated)	2004
Comprehensive loss comprises			
Net loss for the year	**$ (34,906,623)**	$ (41,911,000)	$ (55,481,272)

(e) Recent Accounting Pronouncements

Accounting Policies Adopted during the year

Effective 2006, we adopted SFAS No. 151, “Inventory costs, an amendment of ARB No. 43 chapter 4,” for US GAAP. This standard clarified that abnormal amounts of idle facility expense, freight, handling costs and wasted materials should be recognized as current period charges. The standard also required an allocation of fixed production overhead based on normal production capacities. The adoption of this standard did not have a material impact on our US GAAP results.

In February 2006, the Financial Accounting Standards Board (“FASB”) issued FAS 155 Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and 140. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, “Application of Statement 133 to Beneficial Interests in Securitized Financial Assets.” This Statement: • Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation • Clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133 • Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation • Clarifies that concentrations of credit risk in the form of subordination are not

19. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (AS RESTATED) (continued)

(e) Recent Accounting Pronouncements (continued)

embedded derivatives • Amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. Management does not expect the adoption of this Statement to have a material effect on the Company's consolidated financial position and results of operations. This standard will be applicable to the Company during the period ended 2007.

In May 2005, FASB issued SFAS No. 154, 'Accounting changes and error corrections,' replacing APB Opinion No. 20 and SFAS No. 3, which applies to all voluntary changes in accounting principles and changes required by new accounting standards where specific transition provisions are not included. SFAS No. 154 require retrospective application to prior periods' financial statements for changes in accounting principles. This standard also redefines restatement as the revising of previously issued financial statements to reflect the correct of an error. The standard was effective for 2006. The adoption of this standard did not have a material impact on our US GAAP results.

In June 2005, the Emerging Issues Committee issued EITF 04-6, Accounting for Stripping Costs Incurred during the Production in the Mining Industry, which states that costs incurred during production from the removal of overburden and waste material should be considered variable production costs included in the costs of the inventory produced during the period that the stripping costs are incurred. Once production has commenced from a mine, production-related stripping costs will be accounted for as a cost of current production and, therefore as a component of the cost of any inventory extracted from the mine and held at period end. The consensus was effective for the first reporting period in fiscal years beginning after December 15, 2005. The adoption of this standard did not have a material impact on our US GAAP results.

Accounting Policies yet to be adopted

In July 2006, FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 provides guidance for recognizing and measuring uncertain tax positions, as defined in SAS 109, Accounting for Taxes. FIN 48 prescribes a threshold condition that a tax position must meet for any of the benefit of the uncertain tax position to be recognized in the financial statements. Guidance is also provided regarding de-recognition, classification and disclosure of these uncertain tax positions. FIN 48 is effective for fiscals years beginning after December 15, 2006. The Company has currently not recorded any tax amount, due to more likely than not and does not anticipate any changes to the financial position, operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, 'Fair Value Measurements' ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value under GAAP and to expand disclosures about fair value measurements. The statement is effective for fair value measures already required or permitted by other standards for financial statements issued for fiscal years beginning after November 15, 2007 and interim

19. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (AS RESTATED) (continued)

(e) Recent Accounting Pronouncements (continued)

periods within those fiscal years. The Company has not yet determined the impact of the financial position, results of operations or cash flows from SFAS 157.

CICA Handbook Section 1530 : Comprehensive Income, effective for fiscal years beginning on or after October 1, 2006, establishes standards for reporting comprehensive income, defined as a change in value of net assets that is not due to owner activities, by introducing a new requirement to temporarily present certain gains and losses outside of net income.

CICA Handbook Section 3251: Equity, effective for fiscal years beginning on or after October 1, 2006, establishes standards for the presentation of equity and changes in equity during the reporting period.

CICA Handbook Section 3855: Financial Instruments – Recognition and Measurement, effective for fiscal years beginning on or after October 1, 2006, establishes standards for the recognition, classification and measurement of financial instruments including the presentation of any resulting gains and losses. Assets classified as available-for-sale securities will have revaluation gains and losses included in other comprehensive income (and not included in the income statement) until such time as the asset is disposed of or incurs a decline in fair value that is other than temporary. At such time, any gains or losses will then be realized and reclassified to the income statement. At December 31, 2006, the Company had certain long-term investments that would be classified as available-for-sale securities under this new standard, and any unrealized gains and losses would be included in comprehensive income.

CICA Handbook Section 1506: Accounting Changes ("CICA 1506") effective for fiscal years beginning on or after January 1, 2007 establishes standards and new disclosure requirements for the reporting of changes in accounting policies and estimates and the reporting of error corrections. CICA 1506 clarifies that a change in accounting policy can be made only if it is a requirement under Canadian GAAP or if it provides reliable and more relevant financial statement information. Voluntary changes in accounting policies require retrospective application of prior period financial statements, unless the retrospective effects of the changes are impracticable to determine, in which case the retrospective application may be limited to the assets and liabilities of the earliest period practicable with a corresponding adjustment made to opening retained earnings.

The Company will be required to adopt the above new accounting pronouncements for its fiscal period beginning January 1, 2007.

The Financial Accounting Standards Board has recently indicated an intention to issue interpretive guidance clarifying the appropriate accounting for freestanding and embedded derivatives which are linked to an entity's own equity but are denominated in a currency other than the issuer's functional currency. It is expected that the guidance will indicate that such derivatives, including free standing warrants, should be classified as liabilities and carried at fair value; however, it is expected that this guidance will have some transitional relief. The Company will analyze this guidance when it becomes available and will determine the impact, if any, on its current and prior period financial statements.