



**Management's Discussion and Analysis
For the Nine Month Period Ended September 30, 2010**

Management's Discussion and Analysis

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Special Note Regarding Forward Looking Statements

Certain statements included or incorporated by reference in this MD&A, including information as to the future financial or operating performance of the Company, its subsidiaries and its projects, constitute forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements include, among other things, statements regarding targets, estimates and assumptions in respect of gold production and prices, operating costs, results and capital expenditures, mineral reserves and mineral resources and anticipated grades and recovery rates. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Such factors include, among others, risks relating to additional funding requirements, reserve and resource estimates, gold prices, exploration, development and operating risks, illegal miners, political and foreign risk, uninsurable risks, competition, limited mining operations, production risks, environmental regulation and liability, government regulation, currency fluctuations, recent losses and writedowns and dependence on key employees. See "Risk Factors" section of this MD&A. Due to risks and uncertainties, including the risks and uncertainties identified above, actual events may differ materially from current expectations. Investors are cautioned that forward-looking statements are not guarantees of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Forward-looking statements are made as of the date of this MD&A and the Company disclaims any intent or obligation to update publicly such forward-looking statements, whether as a result of new information, future events or results or otherwise.

Cautionary Note to U.S. Investors

The terms "proven mineral reserve" and "probable mineral reserve" used in this report are Canadian mining terms as defined in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council on August 20, 2000 as may be amended from time to time by the CIM. These definitions differ from the definitions in the SEC's Industry Guide 7. The terms, "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" used in this report are Canadian mining terms as defined in accordance with National Instrument 43-101. While the terms "measured mineral resource", "indicated mineral resource", and "inferred mineral resource" are recognized and required by Canadian regulations, they are not defined terms under Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. As such, information contained in this report concerning descriptions of resources under Canadian standards may not be comparable to similar information made public by U.S. companies in SEC filings. With respect to "indicated mineral resource" and "inferred mineral resource" there is a great amount of uncertainty as to their existence and a great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "indicated mineral resource" or "inferred mineral resource" will ever be upgraded to a higher category. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.

General

This Management's Discussion and Analysis ("MD&A") of Crystallex International Corporation ("Crystallex" or the "Company") provides an analysis of the Company's unaudited interim consolidated financial statements and the related notes as at and for the nine months ended September 30, 2010. This MD&A should be read in conjunction with those unaudited interim consolidated financial statements as well as the annual audited consolidated financial statements of the Company and the related annual MD&A for the year ended December 31, 2009.

The Company prepares its consolidated financial statements in United States ("U.S.") dollars and in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All monetary figures in this MD&A are expressed in U.S. dollars unless otherwise specified.

This MD&A was prepared on November 12, 2010. The Company's public filings, including its most recent Financial Statements and Annual Information Form, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company's website at www.crystallex.com.

Overview

Crystallex is a Canadian-based company which has been granted the Mine Operating Contract (the "MOC") to develop and operate the Las Cristinas gold properties ("Las Cristinas Project" or "Las Cristinas") located in Bolivar State, Venezuela. Its common shares are traded on both the Toronto Stock Exchange (symbol: KRY) and the NYSE Amex Exchange (symbol: KRY).

Las Cristinas

- The Company's principal asset is its interest in the Las Cristinas gold project located in Bolivar State, Venezuela. The Company's interest in the Las Cristinas concessions is derived from the MOC with the Corporacion Venezolana de Guayana (the "CVG") which grants Crystallex exclusive rights to develop and mine the gold deposits on the Las Cristinas Project.
- The Company has not received a response from the Minister of Environment and Natural Resources ("MinAmb") to its June 16, 2008 appeal of the Director General of the Administrative Office of Permits at MinAmb denying its request for the Authorization to Affect Natural resources (the "Permit") for the Las Cristinas Project.
- The Company is in continuing discussions with China Railway Resources Group Co. Ltd. ("CRRC") to create a strategic partnership for the development of Las Cristinas ("Las Cristinas Joint Venture"). The closing of the proposed transaction is subject to the execution of definitive agreements, receipt of applicable regulatory, shareholder and government approvals (including Venezuelan governmental approvals), and satisfaction or waiver of all conditions contained in the definitive agreements.
- Despite continued efforts to secure the Permit and pursue transactions in respect of the Las Cristinas Project, the Company recorded a non-cash writedown of \$3.2 million and \$10.8 million for the three months and nine months ended September 30, 2010, respectively (accumulated non-cash writedown of \$307.9 million), to the carrying value of the Company's interest in Las Cristinas as required under Canadian GAAP based on certain impairment indicators including, but not limited to, the permitting delays. The non-cash impairment charge has been taken to comply with accounting requirements and is thus without prejudice to the legal qualification that the Venezuelan measures may be given under Venezuelan or international law.
- The Company will consider its options under International Financial Reporting Standards ("IFRS"), when adopted in 2011, to reverse the impairment charge and restore the carrying value of the Company's interest in Las Cristinas to its original amount, if receipt of the Permit or other circumstances warrants a reversal of this impairment charge at a future date under IFRS. Meanwhile the Company continues to maintain compliance with its obligations under the MOC while pursuing the development of Las Cristinas.

Liquidity and Capital Resources

- Cash at September 30, 2010 was \$21.5 million.

Financial Results

- Losses from continuing operations were \$8.4 million (\$(0.02) per share) and \$30.3 million (\$(0.09) per share) for the three months and nine months ended September 30, 2010, respectively.
- Losses from discontinued operations at El Callao were \$0.9 million and \$1.6 million for the three months and nine months ended September 30, 2010, respectively.
- The resulting losses from continuing and discontinued operations were \$9.3 million (\$(0.03) per share) and \$31.9 million (\$(0.10) per share) for the three months and nine months ended September 30, 2010, respectively.

Legal Matters

- On December 16, 2009, the Ontario Superior Court dismissed all of the claims by certain holders (the "Noteholders") of the Company's 9.375% aggregate principal amount of \$100 million notes (the "Notes") against Crystallex and ordered the Noteholders to pay Crystallex costs. In detailed reasons the court held that Crystallex and its Board acted reasonably and in accordance with its obligations to all stakeholders including the Noteholders. The Noteholders appealed this decision which was heard in late April 2010. In May 2010, the Court of Appeal for Ontario dismissed the Noteholders' appeal and the Noteholders paid costs of \$0.8 million. The Noteholders also signed a release against the Company and its directors at the same time.
- The Company and certain officers and/or directors have been named as defendants in a proposed class action lawsuit commenced in the United States District Court of the Southern District of New York. Crystallex believes that the complaint is without merit and will vigorously defend itself against this action. Crystallex has filed a motion to dismiss the class action complaint. The motion to dismiss remains pending before the court.

Strategic Partnership Discussions

On June 7, 2010 Crystallex announced a proposed transaction with China Railway Resources Group Co. Limited ("CRRC") to create a strategic partnership to develop Las Cristinas ("Las Cristinas Joint Venture"). CRRC is the resource subsidiary of China Railway Engineering Corporation ("CREC") which is the world's largest contracting and engineering company and one of China's largest state-owned companies with its majority shareholder being the People's Republic of China. Under the terms of the proposed transaction, subject to the issuance of the Permit to develop Las Cristinas, CRRC would provide the necessary project capital to develop the project to commercial production at an optimized mining level. The closing of the proposed transaction is subject to the execution of definitive agreements, receipt of applicable regulatory, shareholder and government approvals (including Venezuelan governmental approvals), and satisfaction or waiver of all conditions contained in the definitive agreements. The Company is in continuing discussions with CRRC on this proposed transaction.

In the event that the proposed transaction were completed, it is contemplated that Crystallex would hold a one third fully carried interest in the proposed Las Cristinas Joint Venture and CRRC would have a two thirds interest. CRRC would provide the necessary construction and operating capital to fund project development, optimized expansion and operation and would be responsible for construction of the project. Crystallex would repay its one third portion of the capital costs advanced by CRRC from Crystallex's share of future cash flows from the project. In addition, CRRC would assist Crystallex to retire the outstanding noteholders' obligations (the "Noteholders" and "Notes") described in Note 10 to the consolidated financial statements; would provide a construction guarantee; and make an equity investment in Crystallex following closing of the proposed transaction, at a share price based on the then prevailing market price of the common shares of Crystallex. Further, CRRC would enter into a voting agreement whereby it will agree to vote its common shares as directed by management of the Company for a period of three years.

CRRC previously loaned Crystallex \$2.5 million, which is repayable on demand until closing of the proposed transaction. Subject to requisite regulatory and shareholder approvals, it is contemplated that, upon closing, the loan will be convertible, at the option of CRRC, into common shares of Crystallex at a price of Cdn\$0.40 per common share of Crystallex. The loan bears interest at 6% and ranks subordinate to the Notes described in Note 10 to the financial statements. Upon the later of (i) receipt of all necessary permits to develop Las Cristinas, and (ii) the closing of the proposed transaction, Crystallex would have the right to cause conversion of this loan into common shares of Crystallex on 30 days' written notice to CRRC. In the event that the loan is not converted, principal and accrued interest on the advance will be repaid in cash.

CRRC would also have a onetime option to convert a portion of funds advanced to Crystallex to satisfy its obligation to the Noteholders into common shares of Crystallex at a price of Cdn\$0.40 per common share for a period of five years from the date of funding, provided that CRRC and its affiliates would beneficially own not more than 19.9% of the outstanding common shares of Crystallex after giving effect to such conversion. CRRC would have the right to maintain its pro rata equity interest in Crystallex to a maximum of 19.9% of the outstanding shares.

Las Cristinas Permit

On September 17, 2002, Crystallex entered into the non-assignable MOC with the CVG, acting under the authority of the Ministry of Energy and Mines of Venezuela, under which Crystallex was granted the exclusive right to explore, develop and exploit the Las Cristinas 4, 5, 6 and 7 concessions including the processing of gold for its subsequent commercialization and sale.

In May 2007, the CVG was formally notified by MinAmb that all requirements had been fulfilled for the issuance of the Permit which is required to commence construction of the mine; however, the Permit was not issued. In April, 2008, the Director General of the Administrative Office of Permits at MinAmb issued a letter to the CVG denying its request for the Permit for the Las Cristinas Project. In May 2008, the Company filed a challenge to this denial. This challenge was denied by the Director General on May 30, 2008 and the Company was advised by the Director General to appeal directly to the Minister of MinAmb.

On June 16, 2008, the Company filed an appeal (the "Appeal") with the Minister of MinAmb. The Company has not received a response to this Appeal. The Minister of MinAmb is obligated to issue a decision on this Appeal; however, if no decision is issued within 90 business days of submitting the Appeal (by October 30, 2008), Venezuelan law allows the Company to elect to deem the Appeal as being denied in order to avail itself of additional legal avenues in Venezuela. Although the deadline for the Minister's response has passed, the Company has yet not invoked this right. However, on April 21, 2009, the Workers Union of Crystallex de Venezuela C.A., as an interested party, filed before the Political Administrative Chamber of the Supreme Tribunal of Justice an action for annulment (recurso de nulidad) against MinAmb in view of the lack of response within the prescribed period provided in the Organic Law of Administrative Proceedings (LOPA).

In August 2008, the Company, at the request of the Vice-Minister of MinAmb, filed a report that dealt with modifications to the project, which were accepted by the Vice-Minister. The Vice-Minister of MinAmb issued an official letter which indicated that the modifications complied with government guidelines on environmental and social matters and were technically viable. The letter further noted that the foregoing was relevant in the context of the decision to be made by the Ministry of MinAmb with respect to the Permit.

The Company is taking the necessary steps to protect its shareholder and stakeholder rights, including preserving its rights to pursue legal avenues both inside and outside of Venezuela. In November 2008, the Company delivered a letter to the Government of the Republic of Venezuela notifying it of the existence of a dispute between the Company and the Bolivarian Republic of Venezuela under the Agreement between the Government of Canada and the Government of Venezuela for the Promotion and Protection of Investments (the "Treaty"). Following delivery of the notification letter, the Treaty allows for a six month amicable period to settle disputes prior to submitting a dispute to arbitration. This six month amicable period elapsed at the end of May 2009; accordingly, the Company now has the option of submitting its dispute to international arbitration under the terms of the Treaty.

Reference is made to the writedown of the carrying value of the Company's interest in Las Cristinas and the related future income tax recovery under "Results of Operations".

Noteholders' Appeal Dismissed with Cost

In December 2008, the Company was served with a notice of application (the "Application") by the trustee for the Noteholders. The trustee, on behalf of certain Noteholders sought, among other things, a declaration from the court that there has been a project change of control (a "Project Change of Control") event, as defined in the First Supplemental Indenture made as of December 23, 2004, thereby requiring Crystallex to accelerate payment and purchase all of the Notes of each Noteholder who has so requested at a price equal to 102% of the principal amount of the Notes, together with accrued and unpaid interest to the date of purchase.

A Project Change of Control is defined as the occurrence of any transaction as a result of which Crystallex ceases to beneficially own, directly or indirectly, at least a majority interest in the Las Cristinas Project.

On December 16, 2009, the Ontario Superior Court of Justice dismissed all of the Noteholders' claims against Crystallex and ordered the Noteholders to pay Crystallex its costs incurred with respect to the Application. In detailed reasons, the court held that Crystallex and its Board acted reasonably and in accordance with its obligations to all stakeholders including the Noteholders. The Noteholders appealed this decision which was heard in late April 2010.

On May 9, 2010, the Court of Appeal for Ontario dismissed the Noteholders' appeal and awarded costs to Crystallex.

On May 11, 2010, the Company was served with a statement of claim by the trustee for the Noteholders seeking indemnification of costs.

On June 16, 2010, the Company and the trustee agreed to a cost settlement to Crystallex of \$0.8 million on account of Crystallex's costs in defending the litigation. That payment was effected by netting against the July 15, 2010 semi-annual interest payment on the Notes. The Noteholders also signed a release against the Company and its directors at the same time.

Proposed Class Action

The Company and certain officers and directors have been named as defendants (the "Defendants") in a putative securities fraud class action that commenced on December 8, 2008, in the United States District Court for the Southern District of New York. The plaintiffs in the lawsuit are described as investors who acquired the Company's common shares during the period from March 27, 2006 to April 30, 2008, inclusive (the Proposed Class Period). The complaint alleges that the Defendants made several statements during the Proposed Class Period about the Company's Las Cristinas Project, and that the issuance of the Permit in connection with that project was imminent and guaranteed to be issued to the Company. The complaint asserts that the Defendants did not have, during the Proposed Class Period, a reasonable expectation that the Company would receive the required Permit, and that on April 30, 2008, the Permit was, in fact, denied. The proposed class action seeks compensatory damages plus costs and fees, alleging violations of Section 10(b) of the United States Securities Exchange Act of 1934 as amended (the "Exchange Act") and Rule 10b-5 promulgated thereunder by each of the Defendants, and a violation of Section 20A of the Exchange Act by one of the individual Defendants.

In a court order dated April 7, 2009, the lead plaintiffs were appointed and, on June 12, 2009, they filed an amended complaint. The Defendants filed a motion to dismiss on August 14, 2009. The lead plaintiffs filed an opposition to the motion to dismiss on September 11, 2009 and the Defendants filed a reply thereto on September 29, 2009. The Defendants also informed the court of the December 16, 2009 decision of the Ontario Superior Court, which dismissed all of the Noteholders' claims against Crystallex, and of the subsequent affirmation of that decision by the Court of Appeal for Ontario. The Defendants further informed the court of a recent U.S. Supreme Court decision which bars U.S. securities fraud claims by anyone who acquired securities on a foreign exchange.

Crystallex believes that the complaint is without merit and intends to defend itself vigorously against the action. However, because the action is in its preliminary stages, the Company cannot provide assurances as to the outcome of the action, nor can the range of losses, if any, be estimated. Accordingly, no losses have been accrued.

Claim by an Individual

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\$1.75 million. The Company has filed its statement of defence 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 claim as at September 30, 2010.

Claims by Former Employees

The Company's subsidiaries in Venezuela have been served with statements of claims from several former employees for additional severance and health related issues for an aggregate claim of approximately \$1.4 million. The Company believes these claims are without merit and plans to vigorously defend against them. However, as the outcome of these claims cannot be determined at this time, the Company has made no provision for these claims as at September 30, 2010.

Summary of Quarterly Results (Unaudited)

\$,000 except per share	2010			2009
	Q3	Q2	Q1	Q4
Loss from continuing operations	(8,357)	(12,792)	(9,104)	(281,416)
Loss from discontinued operations	(941)	(379)	(293)	(407)
Net loss	(9,298)	(13,171)	(9,397)	(281,823)
Writedown of Las Cristinas	(3,150)	(4,064)	(3,610)	(297,069)
Provision for value-added taxes recoverable	(146)	(1,936)	-	-
Future income tax recovery	562	1,001	486	17,459
Unrealized gain (loss) on translation of future income taxes included in loss from continuing operations	-	(546)	40	1,659
Gain on writedown of equipment sold and held for sale included in loss from continuing operations	-	-	-	1,968
Loss per share from continuing operations – Basic and diluted	(0.02)	(0.04)	(0.03)	(0.95)
Loss per share – Basic and diluted	(0.03)	(0.04)	(0.03)	(0.96)

\$,000 except per share	2009			2008
	Q3	Q2	Q1	Q4
(Loss) income from continuing operations	(19,889)	(6,319)	(5,074)	3,158
Loss from discontinued operations	(229)	(431)	(134)	(108)
Net (loss) income	(20,118)	(6,750)	(5,208)	3,050
Unrealized gain (loss) on translation of future income taxes included in (loss) income from continuing operations	(3,298)	679	2,209	4,212
Loss on writedown of equipment sold and held for sale included in loss from continuing operations	(10,263)	-	-	-
Loss per share from continuing operations – Basic and diluted	(0.07)	(0.02)	(0.02)	(0.01)
Loss per share – Basic and diluted	(0.07)	(0.02)	(0.02)	(0.01)

- The quarterly results of operations (after adjusting for the writedown on Las Cristinas, provision for value-added taxes recoverable, the loss/gain on writedown on equipment and unrealized gain/loss on translation of future income tax liability) reflect a general decline in losses as a result of rationalization of operations.
- The El Callao mining activities ceased as at September 30, 2008. The Company continues to incur expenditures for maintaining a very small office at El Callao to oversee the closure plans for past mining activities. The Company has transferred the Tomi and La Victoria mining concessions to Minerven, a Venezuelan state controlled mining company, and is currently evaluating its reclamation obligations. The Company incurs expenses related to maintaining a small team to oversee the transfer of concessions and remediation of previous mining activities.

Results of Continuing Operations

The Company recorded losses from continuing operations for the nine months and three months ended September 30, 2010 of \$30.3 million (\$(0.09) per share) and \$8.4 million (\$(0.02) per share), respectively, compared to losses of \$31.3 million (\$(0.11) per share) and \$19.9 million (\$(0.07) per share) for the comparable periods in 2009. The decreased loss of \$1.0 million for the nine months of 2010 compared to 2009 is mainly due to decreased litigation expenses of \$3.0 million, reduction in foreign exchange loss of \$0.5 million, loss on sale of equipment of \$0.3 million in 2009 compared to \$nil in 2010 and future income tax recoveries of \$2.0 million in 2010 compared to \$nil in 2009 offset by increased administration expenses of \$1.4 million, increased interest expense \$0.7 million, writedown of property, plant and equipment of \$0.8 million, and provision for value-added taxes recoverable of \$2.1 million.

General and administrative expenses

General and administrative expenses increased by \$1.4 million to \$9.4 million (2009 - \$8.0 million) for the nine months ended September 30, 2010, and increased by \$1.0 million to \$2.8 million (2009 - \$1.8 million) for the three months ended September 30, 2010. The increase of \$1.4 million for the nine month period ended September 30, 2010 as compared to the nine month period ended September 30, 2009 was due to increases in legal expenses of \$0.9 million associated with pursuing the strategic partnership with CCRC of \$0.9 million, an increase in compensation of \$0.3 million and non-cash stock based compensation of \$0.4 million offset by a reduction in audit expense of \$0.2 million. The increase of \$1.0 million for the three month period ended September 30, 2010 as compared to the three month period ended September 30, 2009 was due to increases in legal expenses for work related to the proposed strategic partnership with CCRC of \$0.5 million, an increase in compensation of \$0.3 million and non-cash stock based compensation of \$0.2 million.

Litigation expenses

A net recovery of litigation expenses of \$0.3 million was recorded for the nine month period ended September 30, 2010 and an expense of \$0.1 million was recorded for the three month period ended September 30, 2010, as compared to expenses of \$2.7 million and \$0.4 million for comparable periods in 2009.

The Noteholders' litigation was concluded in the second quarter of 2010 with the Company being awarded costs of \$0.8 million which was agreed to by the Noteholders. This award was effected by the reduction of the July 15, 2010 semi-annual interest payment on the Notes.

The Company continues to incur litigation costs relating mostly to the proposed class action commenced in the United States.

Interest on notes payable

Interest on notes payable was \$10.3 million and \$3.5 million for the nine months and three months ended September 30, 2010, respectively, compared to \$9.9 million and \$3.3 million for the corresponding periods in 2009. The nine month figures include cash interest payments of \$9.4 million on the \$100 million notes which bear interest of 9.375% per annum, payable semi-annually in January and July.

Interest also includes amortization of deferred financing fees related to this debt and amounts for interest accretion totalling approximately \$1.1 per quarter (2009 - \$1.0 million per quarter) as the notes contain debt and equity components.

Interest on promissory note and convertible loan

Interest expense on the promissory note and convertible loan was \$0.3 million and \$nil for the nine months and three months ended September 30, 2010, respectively.

The promissory note provided to an auctioneer was repaid in the second quarter of 2010 from proceeds received from the auction of generic mining equipment.

Interest expense included \$0.2 million of non-cash interest accretion on the \$2.5 million convertible loan which was received in March 2010 as part of the ongoing negotiations with CRRC. The conversion feature of the loan was ascribed a fair value of \$0.2 million and recorded as contributed surplus, using the Black-Scholes pricing model. The residual liability component of the loan of \$2.3 million was accreted up to its face value using the effective interest method.

Foreign currency exchange gain

The Company recorded a foreign currency exchange gain of \$0.2 million and \$0.8 million for the nine month and three month periods ended September 30, 2010, respectively, compared to foreign exchange losses of \$0.4 million and \$4.1 million for the corresponding periods in 2009.

Foreign exchange gains of \$0.7 million were recorded on Cdn\$ items reported by the Toronto head office for both the nine and three months ended September 30, 2010, as compared to foreign exchange gains on Cdn\$ items of \$0.6 million and \$0.3 million for the comparable periods in 2009. Foreign exchange gains of \$nil and \$0.1 million were recorded on BsF items reported by the Venezuelan Branch for the nine and three months ended September 30, 2010, respectively, compared to losses of \$0.6 million and \$0.5 million for the comparable periods in 2009. In addition, the foreign exchange gain reported in the nine and three months ended September 30, 2010 includes an unrealized loss of \$0.5 million and \$nil million, respectively, as a result of translation of future income tax liabilities in the Venezuelan Branch compared to unrealized foreign exchange losses of \$0.4 million and \$3.9 million for the comparable periods in 2009. The components of the Company's future income tax balance include a future income tax estimate of 34% of the carrying value of costs incurred for the Las Cristinas asset recorded in the parent entity for accounting purposes which may not have deductibility for income tax purposes in the Venezuela Branch. It may be determined that the parent entity will be unable to utilize in Canada the benefits derived from any foreign tax credits generated in Venezuela as a result of the possible reduced Venezuelan tax base of the Las Cristinas asset. These foreign currency translation gains/losses result from the translation into U.S. dollars at the end of each reporting period of the Venezuelan-denominated future income tax liabilities that are recognized in connection with expenditures on the Las Cristinas asset.

Writedown of the carrying value of Las Cristinas and future income tax recovery

As at December 31, 2009, the Company assessed the Las Cristinas Project for impairment based on the guidance in EIC 174 "Mining Exploration Costs", AcG11 "Enterprises in the Development Stage", and CICA Handbook Section 3063, "Impairment of Long-Lived Assets" and concluded that, despite its continued efforts to secure the Permit and pursue accretive transactions in respect of the Las Cristinas Project, a non-cash writedown of the carrying value should be recorded as at December 31, 2009 based on certain impairment triggers noted including, but not limited to, the permitting delays. The Company determined that, among other things, the uncertainty regarding the Permit had a significant impact on management's ability to estimate the future net cash flows associated with the Las Cristinas Project. Accordingly, the Company recorded a non-cash writedown of \$297 million as at December 31, 2009 relating to all mineral property costs, except the carrying value of the remaining mining equipment.

The Company conducted a similar impairment assessment as at March 31, 2010, June 30, 2010 and September 30, 2010 and for similar reasons to those indicated above, the Company recorded non-cash writedowns of \$3.6 million, \$4.1 million and \$3.2 million, respectively.

These writedowns of the Las Cristinas Project are based on accounting principles only, and are thus without prejudice to the legal qualification that the Venezuelan measures may be given under Venezuelan or international law (including the Treaty).

The accumulated non-cash writedown of \$307.9 million resulted in the reversal of future income tax liabilities of \$17.5 million and \$2.0 million as at December 31, 2009 and September 30, 2010, respectively, relating to temporary differences between book and tax values previously recorded.

The aggregate expenditures incurred on mineral properties, before writedown, on the Las Cristinas Project by the Company to September 30, 2010 are summarized as follows:

(\$,000)	Cash	Non-cash	Total
Exploration, development and related expenses	\$ 225,357	\$ 5,732	\$ 231,089
Property payment and finders' fees	24,978	11,192	36,170
Future income taxes	-	38,820	38,820
Stock-based compensation	-	1,814	1,814
	\$ 250,335	\$ 57,558	\$ 307,893

Provision for value-added taxes

The Company's Venezuelan Branch has paid approximately \$2.1 million of value-added taxes ("VAT") on expenditures incurred on Las Cristinas. The Company conducted impairment assessments at the end of the second and third quarters of 2010, which resulted in a full provision for VAT of \$2.0 million and \$0.1 million, respectively.

Results of Discontinued Operations – El Callao

At the end of September 2008, the Company ceased mining operations at El Callao due to the transfer of the Revemin Mill to the State of Venezuela on October 1, 2008 by operation of contract.

The Company maintains a small team at El Callao to oversee the remediation of previous mining activities. Losses from discontinued operations were \$1.6 million and \$0.9 million for the nine months and three months ended September 30, 2010 respectively compared to losses of \$0.8 million and \$0.2 million for the corresponding periods in 2009.

The Company has \$0.9 million of accounts receivable and other assets, the majority of which consists of VAT refundable from the Venezuelan tax authorities. The Company is awaiting the results of the government assessment of this VAT refund claim.

The Company is in discussions with MinAmb regarding the extent of its reclamation activities at the Revemin mill. Reclamation studies have been undertaken for the Tomi and La Victoria concessions; however, the extent of the Company's reclamation obligations on these mining concessions and a date for commencing reclamation activities will not be determined until MIBAM and Minerven determine whether they will continue mining activities on the concessions. The Company increased its estimated liability for asset retirement obligations relating to past milling and mining at these sites by \$0.5 million to \$2.7 million during the three month period ended September 30, 2010.

Cash used in these discontinued operations was \$0.2 million and \$0.03 million for the nine months and three months ended September 30, 2010, respectively, compared to \$0.6 million and \$0.4 million for the comparable periods in 2009.

Cash

On September 30, 2010, the Company had cash of \$21.5 million compared to \$6.9 million on December 31, 2009. The change in the cash balance during the nine month period ended September 30, 2010 is reconciled as follows (\$ millions):

Cash, December 31, 2009	\$ <u>6.9</u>
Cash used in operating activities	(17.4)
Capital expenditures – Las Cristinas	(8.9)
Proceeds from sale of equipment by auctioneer	2.8
Issuance of common shares and warrants	30.6
Decrease in restricted cash to pay interest on Notes	4.7
Proceeds from issuance of convertible loan	2.5
Repayment of promissory note to auctioneer	(0.9)
Proceeds from bank loan in Venezuela	1.0
Cash used in discontinued operations at El Callao	(0.2)
Effects of foreign currency exchange rate fluctuati os on cash	0.4
	<u>14.6</u>
Cash, September 30, 2010	\$ <u>21.5</u>

Cash Used in Operating Activities

Cash used in operating activities from continuing operations reduced by 7% in the first nine months of 2010; from \$18.7 million for nine months ended September 30, 2009 to \$17.4 million for the nine months ended September 30, 2010.

Cash used in operating activities from continuing operations in the three months ended September 30, 2010 increased to \$7.6 million from \$6.3 million used in the three months ended September 30, 2009.

Cash used in the nine months ended September 30, 2010 was largely attributable to corporate general and administrative expenses (net of non-cash stock-based compensation) and litigation, aggregating \$7.7 million (2009 - \$9.7 million), and cash interest payments of \$9.4 million (2009 - \$9.4 million).

Cash used in the three months ended September 30, 2010 was largely attributable to corporate general and administrative expenses (net of non-cash stock-based compensation) and litigation aggregating \$2.8 million (2009 - \$2.2 million), and cash interest payments of \$4.7 million (2009 - \$4.7 million).

Investing Activities

Cash used for capital expenditures for the Las Cristinas Project was \$8.9 million and \$4.0 million for the nine months and three months ended September 30, 2010, respectively, compared to \$11.1 million and \$2.3 million for the corresponding periods in 2009.

The majority of the expenditures in all periods represent ongoing costs for administering, securing and maintaining control over the Las Cristinas camp, storage costs for long lead time equipment stored outside of Venezuela, and in the first quarter of 2009, construction activities related to the medical facility and sewage treatment plant as required under the MOC.

Subsequent to the sale of some mobile equipment in the second quarter of 2010, the Company has in storage mining and milling equipment, purchased originally in 2004 and 2005 at a carrying value of approximately \$40 million. This equipment which is stored outside of Venezuela is regularly inspected and maintained while in storage. All of the equipment worldwide is insured under a marine insurance policy.

Financing Activities

In January 2010, the Company used the restricted (as requested by the Noteholders) cash balance of \$4.7 million dollars, to pay its semi-annual interest liability of \$4.7 million which was due on January 15, 2010.

In March, 2010 the Company received a \$2.5 million convertible loan from CRRC.

On June 30, 2010, the Company completed a public offering of 70 million units at Cdn\$0.50 per unit for gross proceeds of Cdn\$35.0 million. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a further common share of the Company at an exercise price of Cdn\$0.70 for a period expiring on until June 30, 2011. The net proceeds received by the Company, after payment of issuance costs of \$2.4 million, was \$30.6 million, of which \$27 million was recorded as share capital and \$3.6 million was recorded as contributed surplus.

Liquidity and Capital Resources

On September 30, 2010, the Company had cash of \$21.5 million.

Crystallex's principal sources of liquidity have been equity and debt financings. The Company does not expect to generate positive cash flow after operating and corporate general and administrative expenses until the Las Cristinas Project is operating at planned full capacity of 20,000 tonnes per day.

In April 2010, the Company sold equipment for net proceeds of \$2.8 million and repaid the promissory note and related interest charges.

In June of 2010, the Company raised \$30.6 million through a public offering of 70 million units consisting of 70 million common shares and 35 million common share purchase warrants.

The Company continues with cost cutting measures instituted since December 2007 however, it may still be faced with significant legal and advisory costs relating to, the proposed class action lawsuit in the United States, and the continuing discussions with CRRC.

As at September 30, 2010, the Company had working capital of \$12.5, including cash of \$21.5. Management estimates that these funds will be sufficient to meet the Company's obligations and budgeted expenditures for the foreseeable future, but will not be sufficient to repay the \$100,000 Notes payable due on December 23, 2011.

Contractual Obligations and Commitments

The Company's significant contractual obligations and commitments, as at September 30, 2010, are tabled below:

Millions	Less than 1 month	1 - 3 months	3 months to 1 Year	1 year to 5 Years	Total
Notes payable	\$ -	\$ -	\$ -	\$ 100.0	\$ 100.0
Interest on notes payable	-	-	9.4	4.1	13.5
Asset retirement obligations at El Callao	-	-	-	2.7	2.7
Total contractual obligations	\$ -	\$ -	\$ 9.4	\$ 106.8	\$ 116.2

Under the terms of the Mine Operating Contract with the CVG, the Company has undertaken to make all investments necessary to develop and exploit the deposits at Las Cristinas. Based on a technical report completed in November 2007, the estimate of the capital cost to construct a 20,000 tonne per day operation was \$356 million. This cost estimate will be updated if and when the Company receives the Permit to commence development of the project.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements with special purpose entities.

Related Party and Other Transactions

During the nine months ended September 30, 2010, the Company paid head office rent of \$90 thousand (2009 - \$90 thousand) to a subsidiary of Kingsway International Holdings Limited, a company that retains the chairman of the Company as a director. In addition, in August 2009, another subsidiary of Kingsway International Holdings Limited entered into an agreement with the Company to provide advisory services. The advisory fee includes a work fee, and a success fee which is only payable upon the fulfilment of certain conditions. For the nine months ended September 30, 2010 the Company paid advisory fees of \$125 thousand (2009 - \$nil) under the terms of this advisory agreement.

During the nine months ended September 30, 2010, the Company paid underwriting fees of \$1.4 million (2009 - \$nil) to Macquarie Capital Markets Canada Limited, a company which retains the chairman of the Company as an employee.

These transactions were in the normal course of operations and were measured at the exchange values, which represented the amount of consideration established and agreed to by the related parties.

Venezuelan Operations

In the third quarter of 2007, Crystallex changed the rate it used to translate its Venezuelan subsidiaries' transactions and balances from the official exchange rate of 2.15 Venezuelan bolivar fuerte ("BsF") to 1 US dollar, to the parallel exchange rate. This was done due to the increasing spread between the official exchange rate and the parallel exchange rate.

The Venezuelan subsidiaries have a US dollar functional currency. As a result of the US dollar functional currency, monetary assets and liabilities denominated in BsF give rise to income or expense for changes in value associated with foreign currency exchange rate fluctuations against the US dollar.

On January 11, 2010, the Venezuelan government devalued the BsF and changed to a two-tier exchange structure. The official exchange rate moved from 2.15 BsF per US dollar to 2.60 for essential goods and 4.30 for non-essential goods and services.

On May 17, 2010, the Venezuelan government enacted reforms to its foreign currency exchange control regulations to close down the parallel exchange market. Therefore, continued use of the parallel rate for BsF denominated transactions is no longer acceptable.

On June 9, 2010, the Venezuelan government enacted additional reforms to its exchange control regulations and introduced a newly regulated foreign currency exchange system; Sistema de Transacciones con Titulos en Moneda Extranjera ("SITME"), which is controlled by the Central Bank of Venezuela ("BCV"). Foreign currency exchange transactions not conducted through SITME may not comply with the exchange control regulations, and could therefore be considered illegal. The SITME imposes volume restrictions on the conversion of BsF to US dollar (and vice versa), currently limiting such activity to a maximum equivalent of US\$350 thousand per month.

As a result of the enactment of the reforms to the exchange control regulations, the Venezuelan subsidiaries did not meet the requirements to use the SITME to convert US dollars to BsF as at June 30, 2010. Accordingly, the Company changed the rate used to re-measure BsF-denominated transactions from the parallel exchange rate to the official rate specified by the BCV, which was fixed at 4.30 BsF per US dollar on June 30, 2010.

Venezuelan subsidiaries had approximately \$2.3 million of net monetary liabilities denominated in BsF as at September 30, 2010. For every \$1 million of net monetary liabilities denominated in BsF, a 15% increase/(decrease) in the foreign currency exchange rate would increase/(decrease) the Company's loss by approximately \$0.15 million.

Critical Accounting Estimates and Uncertainties

The preparation of financial statements in conformity with Canadian GAAP 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, and the reported amounts of revenues and expenditures during the reporting period. While management believes these estimates and assumptions are reasonable, actual results could vary significantly.

The critical accounting estimates and uncertainties are as follows:

Basis of presentation of the unaudited interim financial statements

The Company's unaudited interim consolidated financial statements for the six months ended June 30, 2010, have been prepared in accordance with Canadian generally accepted accounting principles using the going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Management has considered all available information in assessing the Company's ability to continue as a going concern, which is at least, but is not limited to, 12 months from the reported balance sheet date. Management believes that it has sufficient funds.

The Company estimates that sufficient funds are available to meet the Company's obligations and budgeted expenditures for the foreseeable future, but may not be sufficient to repay the \$100,000 Notes payable due on December 23, 2011.

The strategic partnership discussions with CRRC, if consummated, would result in the extinguishment of the Notes prior to maturity. In the event that the strategic partnership is not consummated and alternate sources of cash or other consideration are not available prior to maturity of the Notes, the Company may have to negotiate a payment or other form of settlement with the Noteholders to extinguish this obligation.

There is, however, no assurance that the Company would be successful in repaying or settling the Notes prior to or at maturity and, accordingly, substantial doubt exists as to the appropriateness of the use of accounting principles applicable to a going concern. Accordingly, these unaudited interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used that could be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

Assessment of impairment of Las Cristinas mineral property and value-added taxes

The Company periodically evaluates the recoverability of the net carrying value of its long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable. This evaluation requires the comparison of the undiscounted future net cash flows derived from these assets with the carrying value of the assets. 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. When the carrying value of an asset exceeds its undiscounted cash flows, the asset is written down to its fair value, which is measured using its discounted expected future cash flows.

In addition to reserves and factors that influence reserves (including gold price, operating costs, recovery rates) management reviews other aspects of the Las Cristinas Project for indicators of impairment when preparing financial statements. The Company considered the circumstances of the denial of the Permit by the Director General of the Administrative Office of Permits of MinAmb and has appealed (the "Appeal") the denial to the Minister of MinAmb. No decision has been made yet to deny the Company's Appeal.

The Company recorded accumulated non-cash writedown of \$307.9 million as a result of impairment assessments conducted on Las Cristinas from December 31, 2009 to September 30, 2010. In addition the Company recorded a provision of \$2.1 million against Venezuelan value-added taxes receivable from cumulative expenditures incurred on Las Cristinas.

These writedowns of the Las Cristinas Project are based on accounting principles only, and are thus without prejudice to the legal qualification that the Venezuelan measures may be given under Venezuelan or international law (including the Treaty).

The Company will be reporting under International Financial Reporting Standards (“IFRS”) effective January 1, 2011. Under IFRS, an entity is required to assess at each reporting date any indication that a previously recognized impairment loss no longer exists or has decreased. If there is such an indication, the entity is required to estimate the recoverable amount and determine whether an impairment reversal is appropriate. The Company will carefully assess the alternative accounting policies available under IFRS and will consider a reversal of the writedown based on the facts and circumstances in reporting periods subsequent to January 1, 2011.

Asset retirement obligations

Mining, development and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company has recorded asset retirement obligations related to its discontinued El Callao operations.

Significant judgments and estimates have been made in determining the nature and costs associated with these obligations. Changes in the underlying assumptions used to estimate these obligations as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of these obligations.

Income taxes

In determining both the current and future components of income taxes, the Company interprets tax legislation in a variety of jurisdictions as well as makes assumptions as to the expected time of the reversal of future tax assets and liabilities. If the interpretations or assumptions differ from the tax authorities, or if the timing of the reversal is not properly anticipated, the provision for or relief of taxes could increase or decrease in future periods.

Financial instruments and fair values

At September 30, 2010, the Company’s financial instruments consisted of cash, accounts receivable, accounts payable and accrued liabilities, convertible loan payable and long term notes payable. The financial instruments that are measured at fair value and classified as Level 2 are cash; fair values of these instruments approximate their carrying values. Accounts receivable, accounts payable and accrued liabilities, and convertible loan payable are measured at amortized cost and their fair values approximate carrying values due to their short-term nature. The long term notes are classified as held-to-maturity and are measured at amortized cost. The fair value of the Notes ranges from \$78.0 million to \$81.0 million based on very limited trading activity during the three months ended September 30, 2010.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that IFRS will replace current Canadian GAAP for publicly accountable companies. The official change over date is for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. As such, the Company’s first IFRS financial statements will be for the three months ending March 31, 2011.

An update to the planning schedule now targets the fourth quarter of 2010 for consideration of IFRS Financial Statements by the Audit Committee.

The Company is utilizing a documentation template prepared by a third-party service provider as a basis for guiding its personnel through the various elements of the conversion.

Critical elements and current status

Accounting Policies – impact and options available to the Company.

The Company continues to assess the impact of policy changes and elections available under IFRS 1. In particular, the following balance sheet accounts may be materially affected:

Property, plant and equipment – accounting for plant and equipment and mineral properties differs in the area of valuation and, on an on-going basis, with the recognition of changes in any impairment to the assets; at the transition date, under IFRS 1, certain elections are available to the Company which may result in adjustments to the existing values, these elections have not yet been finalized. IFRS allows for the Company to value its fixed assets using either a cost model or a fair value or revaluation as the deemed cost of its fixed assets. A key feature of the fair value model is the obligation to regularly reassess asset values by means of a valuation. The cost model is similar to the policy currently followed by the Company. In addition, IFRS requires more detailed or additional disclosures regarding continuity of assets as well as a requirement to assess whether or not assets have been impaired. Asset impairments may be recovered in future periods should the asset in question meet tests prescribed in the accounting standard. The Company anticipates that it will select the cost model which will not result in any material changes to the previously reported values.

Financial liabilities and Equity instruments – accounting for financial instruments, including convertible debt, warrants and stock options differs under IFRS. An evaluation is being performed to determine the most appropriate accounting treatment. Changes may arise in the values allocated to share capital, contributed surplus and stock option expense. The classification of some instruments in equity under Canadian GAAP may require reclassification to liabilities under IFRS.

It has been determined that the methodology currently used in accounting for stock options is in accordance with the forthcoming accounting standard and, as such, no adjustments will be necessary. The Company is continuing to evaluate the impact on warrants and adjustments may be required.

Functional Currency – under both IFRS and Canadian GAAP, the accounting concepts used in the preparation of financial statements rely on a determination of functional currency. After analyzing IFRS, the Company has concluded that its functional currency remains the U.S. dollar.

These are the key areas identified to date; however, other differences may be identified subsequently as circumstances change.

Internal Control over Financial Reporting (“ICFR”) – consideration of the impact on financial reporting due to potential changes in accounting policies.

Financial statement disclosures are more extensive under IFRS in a number of areas including the following:

- Accrued liabilities
- Related party transactions
- Compensation
- Segmented information
- Expenses classified by function (e.g. general and administrative) and by nature (e.g. depreciation)
- Additional disclosures will be required relating to critical accounting estimates and judgments relating to the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These would include both the fair value and estimated impairment of property, plant and equipment, and estimates used in valuing short-term investments (money market funds).

The Company continues to monitor the ICFR process and procedures in place to ensure timely and accurate reporting continues under the changeover to IFRS. The changeover plan incorporates full documentation, review and approval of any adjustments required as a result of IFRS accounting and reporting.

Disclosure Controls and Procedures - assessing the impact, if any, on reporting deadlines.

This is an ongoing component of the disclosure controls approval process.

Financial Reporting Expertise – assessment of the Company’s expertise, resources and ability to manage and implement the changeover.

Finance staff has attended appropriate training programs and continues to receive IFRS-related communication from third-party service providers with expertise in IFRS activity. Training sessions directed to executive management and the Board of Directors originally planned for the third quarter of 2010 will now occur in the fourth quarter. The Company continues to monitor this area and will access outside resources on an as-needed basis.

Business Activities – broad assessment of impact on the business.

The Company continues to identify and assess the impact on the Company's operations. Areas under review include joint-venture accounting, foreign currency, derivatives and risk management.

IT systems – consideration of any changes required in systems and procedures to ensure an effective changeover. A review to date has not identified a need for significant systems changes as a consequence of the changeover. The Company continues to monitor this area to ensure that existing systems are able to provide the information required on a timely basis.

While the Company has identified certain areas that may have an impact on its financial statements on transition to IFRS and in future periods, further evaluation is ongoing. Accordingly, the Company has not determined the full impact of the transition, as adjustments required are dependent on accounting policy options to be approved by the Audit Committee. The Company plans to disclose its policy choices and IFRS 1 policy exemptions once they have been approved.

Outstanding Share Data

A summary of common shares, common share options and common share purchase warrants at November 12, 2010, are tabled below:

Common Shares Issued	364,817,719
Common Share Options	19,182,668
Warrants	<u>66,695,000</u>
Fully Diluted Common Shares	<u>450,695,387</u>

Disclosure Controls and Internal Control over Financial Reporting

Disclosure controls

Management is responsible for the information disclosed in this management's discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. For the three months ended September 30, 2010, the Chief Executive Officer and Chief Financial Officer of the Company certify that they have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company

The disclosure controls and procedures are evaluated annually through regular internal reviews which are carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company performs regular internal reviews and conducts an annual evaluation of the

effectiveness of its internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Control

There has been no change to the Company's system of internal controls during the three months ended September 30, 2010, that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Risk Factors

The business and operations of the Company and its affiliates are subject to risks. In addition to considering the other information in the Company's 2009 Annual Information Form, which is available on SEDAR at www.sedar.com, an investor should carefully consider the following factors. Any of the following risks could have a material adverse effect on the Company, its business and future prospects.

Risks Associated with the Proposed Transaction with CRRC

Failure to Complete the Proposed Transaction with CRRC

Completion of the proposed transaction with CRRC is subject to entering into definitive agreements thereunder, fulfilment of the conditions precedent and normal commercial risks that this transaction may not be completed on the terms negotiated or at all. The transaction contemplated with CRRC is subject to various conditions including, without limitation, applicable governmental and regulatory approvals, corporate and shareholder approvals, stock exchange approvals, due diligence, negotiation and conclusion of an acquisition and funding agreement and various transaction agreements, and there can be no assurance that the strategic partnership for the development of the Las Cristinas project with CRRC will be completed.

Governmental Approvals Required for the Proposed Transaction with CRRC

Completion of the proposed transaction with CRRC is contingent upon receipt of all necessary governmental approvals, consents and permits, including, without limitation, approval by the appropriate authority within the Government of Venezuela of the assignment of the MOC to a joint venture, as well as the issuance of the Permit. If the necessary approvals, consents and permits are not obtained, then there is no assurance that the proposed transaction with CRRC will be completed. Due to potential delays in obtaining the Permit, transitional arrangements may be required in order that the proposed transaction with CRRC be completed. There is no assurance that the appropriate authority within the Government of Venezuela will consider these transitional arrangements effective in order that the proposed transaction with CRRC may be completed prior to requisite permits and approvals being issued.

Risks Associated with Operating in Developing Countries

The Company's mineral properties are located in Venezuela and may be adversely affected by political instability and legal and economic uncertainty that might exist in such country. The risks associated with the Company's foreign operations may include political unrest, labour disputes, invalidation of governmental orders, permits, agreements or property rights, risk of corruption including violations under U.S. and Canadian foreign corrupt practices statutes, military repression, war, civil disturbances, criminal and terrorist actions, arbitrary changes in laws, regulations 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, high rates of inflation 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.

Risks Specific to Operations in Venezuela

Political and economic instability

The Company's mineral properties are located in Venezuela and as such the Company may be affected by political or economic instabilities there. The risks associated with carrying on business in Venezuela, in addition to those highlighted above, include, but are not limited to violent crime, which is prevalent throughout the country and includes kidnapping, smuggling and drug trafficking especially in remote areas, as well as the economic instability and confusion emanating from a dual exchange rate, and third or market rate, known as the parallel rate, all of which are materially different. In addition, changes or uncertainty in resource development or investment policies or shifts in political attitudes in Venezuela may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions in production, price controls, export controls, exchange controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, unauthorized mining activities, land claims of local people, water use and mine safety. The effect of these factors cannot be accurately predicted.

Environmental permit still required

Development of Las Cristinas and the ultimate commencement of commercial production are dependent upon receipt of the Permit, which, if issued, will allow the Company to proceed to put in place financing to fund construction. As the Las Cristinas Project is the Company's only project, the continued delay in receipt of the Permit would have a material adverse effect on the future of the Company's business, and may result in the need for additional financing. Neither the outcome of Crystallex's appeal to the Minister of MinAmb nor when, or if, the Permit will be granted can be ascertained with any certainty.

Exchange controls

Venezuela currently has exchange controls that affect the ability of companies doing business in Venezuela to convert Venezuelan source income into foreign currency and vice versa. The Central Bank of Venezuela enacted such exchange control measures in 2003 in order to protect international reserves. The two official exchange rates, originally fixed at approximately 1.6 BsF/USD, have since been adjusted twice upwards and presently stand fixed at 4.3 BsF/USD or 2.6BsF/USD for essential goods (including certain foods and medicines). It is likely that exchange controls will continue and, if they do, they will adversely affect the Company's operations, including its ability to satisfy its foreign currency obligations or to receive fair value in U.S. dollars.

Lack of ownership rights

Under the Venezuelan Mining Law of 1999 ("VML"), all mineral resources belong to the Republic of Venezuela. In accordance with the VML, the Government of Venezuela has reserved for itself the right to directly explore and exploit the Las Cristinas deposits and has elected to do so through the CVG. See "Las Cristinas Project – Mine Operating Contract" in the AIF. The MOC is an operating agreement and does not transfer any property ownership rights or title rights to the gold produced to the Company. Rather, the Company has been authorized to exploit the Las Cristinas deposits for the CVG in accordance with the MOC.

Amendments to mining laws

The Company's business may be affected by amendments or changes to mining laws, regulations and requirements in Venezuela, or public announcements of possible changes. At any time, a number of draft mining laws may be proposed. It is not possible to predict when or if a draft mining bill or any specific announcement will be enacted into law or what the final provisions of such law will be, if enacted. It is possible that the Government of Venezuela will issue further decrees or otherwise attempt to modify existing mining rights or other laws affecting the Company, its Venezuelan properties and its ability to operate in Venezuela. Any changes to or announcement of changes to current Venezuelan mining law may adversely affect the Company's ability to develop and operate the Company's Venezuelan properties.

Arbitration proceedings

The Company is a party that is interested in, but is not a party to, an ongoing arbitration. See “Legal Proceedings — Withdrawal of MINCA Litigation — Vanessa Arbitration” in the 2009 AIF, available electronically at www.sedar.com and www.sec.gov.

On November 28, 2008, the Company delivered a letter to the Government of Venezuela notifying it of the existence of a dispute between the Company and the Bolivarian Republic of Venezuela under the Treaty. It is the Company’s desire to settle the dispute amicably, however, with the expiration of the six month amicable period, which commenced with the delivery of the notification letter on November 28, 2008, the Company now has the option of submitting the dispute to international arbitration. The dispute has arisen out of various measures of Venezuela including, but not limited to, MinAmb’s decision dated April 14, 2008 to deny the Permit and Venezuela’s subsequent media statements attributed to the Minister of MIBAM on November 5, 2008 regarding the status of the Project and the MOC.

Unauthorized miners

The Company’s operations may also be affected by the presence of unauthorized miners which are not uncommon in the gold mining areas of the Guyana Shield area of northern South America, including Venezuela. The methods used by unauthorized miners to extract gold are typically harmful to the environment and may be disruptive to authorized mining operations. Although the Company, in conjunction with the local authorities, employs strategies to control the presence of unauthorized miners, the success of these strategies is not assured, and there is a risk that the Company’s operations may be adversely affected by the presence of unauthorized miners.

Imataca forest reserve

In addition to the general risks associated with environmental regulation and liability, the Las Cristinas deposits are located within the Imataca Forest Reserve (the “Forest Reserve”). On September 22, 2004, Presidential Decree 3110, which establishes an ordinance plan and regulations for the use of the Forest Reserve, permits various activities (including mining) in up to 13% of the Forest Reserve and establishes the legal framework for such activities, was issued. Presidential Decree 3110 was issued in response to previous Presidential Decree 1850 which was issued in May 1997.

Decree 1850 reserved an even larger part of the Forest Reserve for various activities and became subject to a legal challenge before the Venezuelan Supreme Court. The Venezuelan Supreme Court issued a prohibition order on November 11, 1997 prohibiting the relevant government authorities from granting concessions, authorization and any other acts relating to various mining activities in the Forest Reserve under Decree 1850 until the Venezuelan courts ruled on the merits of the nullity action. It is possible that Presidential Decree 3110 could be similarly challenged and that such challenge, if ultimately successful, could prevent the Company from exploiting or fully exploiting the Las Cristinas deposits.

Venezuelan Decree No. 1257 establishes the environmental assessment requirements for mining projects. The Company was advised that the Las Cristinas Project is not a new project and, accordingly, Article 40 of Decree 1257 does not apply since no significant increase in environmental impact is predicted.

Lack of copper rights

In addition to gold, the Las Cristinas deposits also contain very low levels of copper, 0.11% on average. Under the MOC, the Company is only entitled to exploit the gold contained in the Las Cristinas deposits. Based on the feasibility studies carried out by the Company and following discussions with the CVG, the Company has determined that exploiting the copper contained in the Las Cristinas deposits would detract from the economics of the Las Cristinas Project. Furthermore, it may not be technically viable to produce a marketable copper concentrate from the main Las Cristinas deposit as the copper is too low grade. The Company does not need the right to exploit the copper contained in the Las Cristinas deposits in order to exploit the gold and does not currently intend to negotiate with the CVG for the right to exploit the copper contained in the Las Cristinas deposits.

Although the Company does not believe that the MIBAM would do so, the MIBAM retains the right to grant exploitation and other rights with respect to the copper contained in the Las Cristinas deposits to the CVG or a third party. The Company has been advised by its Venezuelan counsel that:

- (a) if the MIBAM grants the right to exploit the copper contained in the Las Cristinas deposits to the CVG, subject to fulfilling all necessary requirements of Venezuelan law (including the additional grant by the MIBAM to the CVG of the right to negotiate the exploitation of the copper with third parties), the CVG has agreed under the terms of the MOC to negotiate the exploitation of the copper with the Company; and
- (b) if the MIBAM grants the right to exploit the copper contained in the Las Cristinas deposits to a third party, the Company's right under the MOC to exploit the gold contained in the Las Cristinas deposits would, as a matter of Venezuelan law, take precedence over the third party's right to exploit the copper.

If the MIBAM grants the right to exploit the copper contained in the Las Cristinas deposits to the CVG, there is a risk as to whether the MIBAM will grant to the CVG the additional right to negotiate the exploitation of the copper with third parties or whether the Company will be able to negotiate an agreement with respect to the exploitation of the copper with the CVG. Also, if the MIBAM grants the right to exploit the copper contained in the Las Cristinas deposits to a third party, or if the MIBAM grants the right to exploit the copper contained in the Las Cristinas deposits to the CVG and the CVG grants the right to exploit the copper to a third party, there can be no assurance that the Company will be successful under Venezuelan law in asserting that its right to exploit the gold contained in the Las Cristinas deposits takes precedence over the third party's right to exploit the copper.

General Risk Factors

Additional funding requirements

Under the terms of the MOC, the Company is required, among other things, to make all necessary investments and complete all works necessary to reactivate the Las Cristinas deposits, to design, construct and operate a processing plant to process gold for its subsequent commercialization and sale and to return the mine, its installations and equipment to the CVG upon termination of the MOC. Management of the Company believes that the Company will continue as a going concern. If the proposed transaction with CRRC is not completed, then, in order to carry out the Las Cristinas project, the Company will need to raise substantial additional financing.

In the event that the proposed transaction with CRRC is not completed, but the Permit is issued to allow for construction to commence, the Company may decide to meet its additional funding requirements through one or more of non-recourse project debt and other forms of public markets debt and equity. If the Company elects to raise commercial bank limited recourse project debt, the Company will need to demonstrate to potential lenders the ability to meet several usual project finance requirements as well as compliance with the Equator Principles, which are a set of guidelines adopted by a number of international financing institutions to address the environmental and social issues associated with project financing transactions. The Equator Principles are largely based on policies and guidelines established by the International Finance Corporation. In this context, the Company notes that it has completed an EIS to international standards, which was approved by the Venezuelan Ministry of the Environment and includes plans to comply with the Equator Principles.

The fundamentals for gold are expected to remain positive in the near to mid-term and, despite the financial market turmoil and volatility, equity issues of gold companies have been favourable under the right conditions. However, some producers have met resistance in the financing markets as credit is more restrictive and expensive and some equity financings were completed at levels which have resulted in significant dilution, and the market for project financing has become more challenging due to the credit crisis.

Despite the financings that have been completed by the Company, the Company has limited access to financial resources as a direct result of the current Permit denial and there is a risk that, if the proposed transaction with CRRC is not completed, sufficient additional financing may not be available to the Company on acceptable terms or at all as a consequence of the Government of Venezuela's conduct. Failure to obtain such additional financing could result in a delay or the indefinite postponement of the Las Cristinas project and could also result in the Company defaulting in the performance of its obligations under the MOC and on its debt repayments.

Current global financial condition

Current financial conditions globally have been subject to increased volatility and numerous financial institutions have either filed for bankruptcy or insolvency protection or have been rescued by governmental authorities. Access to financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain loans, financing and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations, financial conditions, results of operations and share price could be adversely impacted.

Mineral properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds concessions or mineral leases or licenses, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. For example, mineral properties sometimes contain claims or transfer histories that examiners cannot verify; and transfers under foreign law often are complex. The Company does not carry title insurance with respect to its mineral properties. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to mine that property, perhaps without compensation for its prior expenditures relating to the property. Furthermore, the MOC does not transfer any property ownership rights to the Company.

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 joint ventures or either concessions or operating contracts to a system where all new economic interests 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. Management understands that this review was completed by the end of 2005; however, management is not aware of any further steps undertaken to change the mining title regime as described above. Any such changes could, if enacted, affect the Company's interest in Las Cristinas. It is also possible that the Government could issue further decrees or otherwise attempt to modify existing mining rights.

Environmental regulation and liability

The Company's activities are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also the possible effects of such activities upon the environment. Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploitation activities, such as seepage from tailings disposal areas that could result in environmental pollution. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations.

In addition, certain types of operations require the submission of environmental impact statements and approval by government authorities. Environmental legislation is evolving towards stricter standards, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted.

In the context of environmental permits, in particular the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity and how stringently the regulations are implemented by the permitting authority.

In accordance with applicable laws, the Company has provided financial assurances by posting a Compliance Guarantee Bond for Las Cristinas to cover the cost of reclamation activities. However, it is possible that the Company may incur reclamation costs that are in excess of such financial assurances. While the Company plans to establish a reserve for reclamation activities, there can be no assurance that the combination of the reserve

and financial assurances will be sufficient to meet future reclamation standards, if such standards are materially more stringent than existing standards. The Company does not maintain environmental liability insurance. The Company has adopted high standards of environmental compliance; however, failure with or unanticipated changes in Venezuela's laws and regulations pertaining to the protection of the environment could adversely affect the Company.

Dependence on one mining property

Future results for the Company depend largely on the Las Cristinas Project, which if the Permit is not granted may never be developed into a commercially viable mining operation. Any event, or combination thereof, which adversely affects the Las Cristinas Project (whether the property itself or the Company's ability to finance and/or construct and operate a commercially viable mine on the property), would adversely impact the Company's future performance.

Mineral exploration and exploitation

Mineral exploration and exploitation involves a high degree of risk. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the material processed and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many outside the control of the Company, including the cost of operations, variations in the grade of material mined and metals recovered, price fluctuations in the metal markets, costs of mining and processing equipment, continuing access to smelter facilities on acceptable terms and other factors such as government regulations, including regulations relating to foreign exchange, royalties, allowable production, tax deductibility of expenditures, importing and exporting of minerals and environmental protection.

Reserve and resource estimates

The Company's reported mineral reserves and resources are estimates only. Notwithstanding the rigor with which such estimates have been prepared, there can be no assurance that they will be recovered at the rates estimated. There are numerous uncertainties inherent in estimating mineral reserves and resources, including many factors beyond the Company's control. Such estimation is a subjective process and the accuracy of any estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, increased production costs or reduced recovery rates may render estimated mineral reserves and resources uneconomic and may ultimately result in a restatement of mineral reserves and resources. In addition, short-term operating factors, such as the need for sequential development of mineral deposits and the processing of new or different ore grades, may adversely affect the Company's profitability in any particular accounting period.

Production risks

The Company prepares estimates of future production for Las Cristinas. Once Las Cristinas is in production, failure to meet these estimates could adversely affect the Company's future profitability, cash flows and financial position.

The Company's actual production may vary from its estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; labour shortages or strikes; civil disobedience and protests; and restrictions or regulations imposed by governmental or regulatory authorities or other changes in the regulatory environments. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable forcing the

Company to cease production. These factors also apply to the Company's future operations. For example, it is not unusual for new mining and processing operations to experience unexpected problems during the start-up phase.

Regulations and permits

The Company's activities are subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There is a risk that the Company will be not able to obtain the necessary permits including any renewals thereof on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Uninsurable risks

Mineral exploration and exploitation activities involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of the common shares of the Company. The Company does not maintain insurance against environmental risks.

Currency fluctuations

The Company's functional and reporting currency is the U.S. dollar. A significant portion of the Company's operating and capital expenditures are in Venezuelan BsF and Canadian dollars. Fluctuations in exchange rate between the U.S. dollar and both the BsF and Canadian dollar, either favourable or unfavourable, could have a material impact on the results of operations and financial position.

Operating losses are expected to continue in the near future

The Company expects that it will continue to incur losses, and possibly incur increased losses, unless and until the Permit is granted and the Las Cristinas mine is operating at full capacity. The Company expects that this trend will reverse if and when gold is produced from the future Las Cristinas mine in commercial quantities at prices equal to or in excess of the prices assumed in the 20,000 TPD Feasibility Study. There can be no assurance that the Company will become profitable in the near future.

Litigation

The Company is defending against several legal actions brought against the Company. The Company believes that these actions are without merit and intends to defend vigorously against these actions. The Company cannot provide assurances as to the outcome of the actions, nor can the range of losses, if any, be estimated. Accordingly, no losses have been accrued. A negative outcome from any of these actions could result in a material loss to the Company.

Potential dilution

As at November 12, 2010, the Company had outstanding options to purchase 19,182,668 common shares of the Company and warrants to purchase 66,695,000 common shares of the Company (including 12,250,000 warrants that do not become effective until after the receipt of the Permit). The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional stock options and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders would be further diluted.

Common share price volatility

The market price of the common shares of the Company could fluctuate significantly based on a number of factors in addition to those listed in this document, including:

- the Company's operating performance and the performance of competitors and other similar companies;
- the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts who track the common shares or the shares of other companies in the resource sector;
- changes in general economic conditions;
- the arrival or departure of key personnel;
- the current global economic crisis;
- acquisitions, strategic alliances or joint ventures involving the Company or its competitors;
- gold price volatility; and
- outcomes of litigation.

In addition, the market price of the common shares of the Company are affected by many variables not directly related to the Company's success and are, therefore, not within the Company's control, including other developments that affect the market for all resource sector shares, the breadth of the public market for the common shares and the attractiveness of alternative investments. The effect of these and other factors on the market price of common shares on the exchanges on which the Company trades has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future.

Dependence on key employees

The Company's business is dependent on retaining the services of a small number of key management personnel. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of the directors and senior management.

Credit and market risks

The Company may enter into financial agreements (financial instruments) with major international banks, other international financial institutions and other accredited third parties in order to manage underlying revenue and future cash flow exposures arising from commodity prices. Financial instruments, which subject the Company to market risk and concentrations of credit risk, consist 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 fulfil its performance obligations under the terms of a contract. The Company limits the amount of credit exposure in cash and cash equivalents by placing these in high quality securities issued by government agencies and financial institutions. The Company's cash equivalents consist of Government of Canada Treasury Bills, denominated in U.S. dollars. The Company also has concentrations of credit risk with respect to accounts receivable as the accounts receivable are due from the Venezuelan Tax Department.

The Company can be 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. The Company currently does not have metal forward and option contracts.

Gold price volatility

Although the Company expects that the market for gold will remain positive over the next year, the gold price can fluctuate widely and is affected by numerous factors beyond the Company's control, including industrial and

jewellery demand, inflation and expectations with respect to the rate of inflation, the strength of the U.S. dollar and other currencies, interest rates, gold sales by central banks, forward sales by producers, global or regional political or financial events, and production and cost levels in major gold-producing regions. The gold price is also subject to rapid short-term changes due to speculative activities. During the period 1999 to 2009, the gold price fluctuated between an annual average low of \$279 per ounce and an annual average high of \$972 per ounce. In 2009, the price of gold ranged from \$ 810 per ounce to \$1,209 per ounce and averaged \$972 per ounce for the year. From January 2010 to October 2010, the price of gold ranged from U.S.\$1,058 per ounce to U.S.\$1,373 per ounce and averaged U.S.\$1,190 per ounce for the period.

The market price of the common shares of the Company can be significantly affected by changes in the gold price. In addition, in the event of a significant fall in the gold price, the Company may be required to restate its mineral reserves and resources and writedown its investment in Las Cristinas. Any of these developments could negatively affect the Company's financial position. Accordingly, even if the Company produces gold at Las Cristinas, there is a risk that the gold price will not be high enough to enable the Company to finance the project effectively or to sell the gold produced by it profitably.

Future hedging activities

The Company has not entered into forward contracts or other derivative instruments to sell gold that it might produce in the future. Although the Company has no near-term plans to enter such transactions, it may do so in the future if required for project financing. Forward contracts obligate the holder to sell hedged production at a price set when the holder enters into the contract, regardless of what the price is when the product is actually mined. Accordingly, there is a risk that the price of the product is higher at the time it is mined than when the Company entered into the contracts, so that the product must be sold at a price lower than could have been received if the contract was not entered. There is also the risk that the Company may have insufficient gold production to deliver into forward sales positions. The Company may enter into option contracts for gold to mitigate the effects of such hedging.

Enforcement by investors of civil liabilities

The enforcement by investors of civil liabilities under United States federal securities laws may be adversely affected by the fact that the Company is organized under the laws of Canada, that most of its officers and directors are residents of Canada, and that a substantial portion of the Company's assets and the assets of a majority of the Company's directors and officers named in the 2009 Annual Information Form are located outside the United States. Furthermore, it may not be possible to enforce against the Company or its directors or officers, judgments contained in U.S. courts. The Company believes that a monetary judgment of a Canadian court predicated solely on the Canadian civil liability regime would likely be enforceable in the U.S. if the Canadian court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a U.S. court for such purposes, but this area of the law is not free from doubt and there is a risk that such a judgment will not be enforceable.

No payment of cash dividends in the near future

Given that the Company is currently in the pre-development stage for its principal property, the Las Cristinas Project, the Company intends to retain its earnings to finance the growth and development of the business rather than pay dividends to shareholders. The Company does not intend to declare or pay cash dividends in the near future, nor has it done so since its inception. In the event that the Company decides to declare and pay cash dividends in the future, such a decision will be made entirely in the discretion of the board of directors and shall be dependent on factors such as the existing earnings, capital requirements, future business opportunities, financing agreements and market conditions for the Company's shares and the underlying commodities markets.