CRYSTALLEX INTERNATIONAL CORPORATION

1998 ANNUAL REPORT

Golden

OPPORTUNITIES

C R Y S T A L L E X
O V E R V I E W

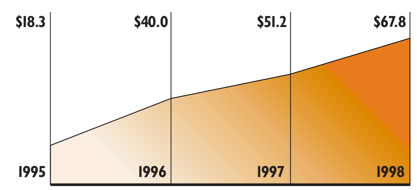
Financial Highlights
Crystallex International Corporation

(Expressed in Canadian dollars)

	1998	1997	1996	1995
Operating revenue	$ 8,568,748	$ 4,502,749	$ 2,378,261	$ 9,366,713
Operating expenses	$ (9,531,391)	$ (7,142,263)	$ (4,021,818)	$ (4,103,406)
Income (loss)	$ (7,215,604)	$ (9,525,664)	$ (4,680,852)	$ 2,062,109
Earnings (loss) per share (basic)	$ (.20)	$ (.34)	$ (.30)	$ .18
Weighted average number of shares	35,766,602	27,824,879	15,418,846	11,564,664
Total assets	$ 105,724,174	$ 66,324,236	$ 41,846,376	$ 21,295,941
Shareholders' equity	$ 67,777,429	$ 51,166,590	$ 40,036,465	$ 18,306,569

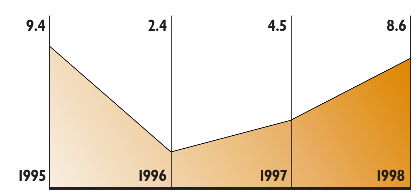
Corporate Description
Crystallex International Corporation

Crystallex International Corporation is a Canadian-based junior producer of gold with operations and exploration properties in Uruguay, Venezuela, Brazil and Canada. Currently operating the San Gregorio Mine in Uruguay's Rivera Crystalline Island, the Company also has rights to extract underground ore from its Albino 1 concession in the gold-rich Kilometre 88 region of Venezuela. Crystallex's objective is to maintain disciplined growth through internal development of its properties and the acquisition of producing and near-term production properties in high potential areas. Crystallex's Board of Directors works closely with its experienced management team to determine the economic feasibility of such acquisitions and to determine the Company's strategic direction.



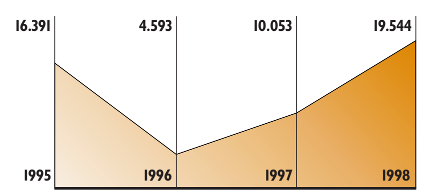
Shareholders' Equity
(CANADIAN DOLLARS IN MILLIONS)

The Company's strong relationships that have been maintained with the financial markets were the primary drivers increasing shareholders' equity in 1998.



Revenue
(CANADIAN DOLLARS IN MILLIONS)

The Company's acquisition of Minera San Gregorio in 1998 was the chief contributor to a significant increase in revenue, the second highest in Company history.



Total Gold Production
(OUNCES IN THOUSANDS)

Gold production for 1998, the highest in Company history, was primarily attributable to the San Gregorio Mine, acquired in the fourth quarter, 1998.

Table of Contents:

U R U G U A Y

San Gregorio

- At January 1, 1999, 448,000 ounces of mineable reserves had been identified.
- Annualized gold production is approximately 75,000 ounces.
- Mining at San Gregorio results in positive operational cash flow.
- Drilling program continues, with the objective of extending the mine's life.

Rivera Crystalline Island/Florida Greenstone Belt

- 150,000 hectares of high potential mineral properties.
- Limited exploration has identified several promising targets.
- The area has a potential for diamond mining with joint venture partner.

Santa Teresa

- Four deposits have been outlined in this sector of Rivera Crystalline Island.
- Mineralization includes: 26 metres at 4.44 grams per tonne, 30 metres at 2.04 grams per tonne and 12 metres at 6.25 grams per tonne.

V E N E Z U E L A

Albino 1

- Mineral deposits of 1.6 million tonnes grading 5.65 grams per tonne.
- Approval has been granted by mining authorities for underground mining.
- Engineering reviews for underground mine will be finalized in 1999.
- If economically feasible, Crystallex will commence construction of underground mine and mill facility.
- Adjacent to Las Cristinas.

Carabobo

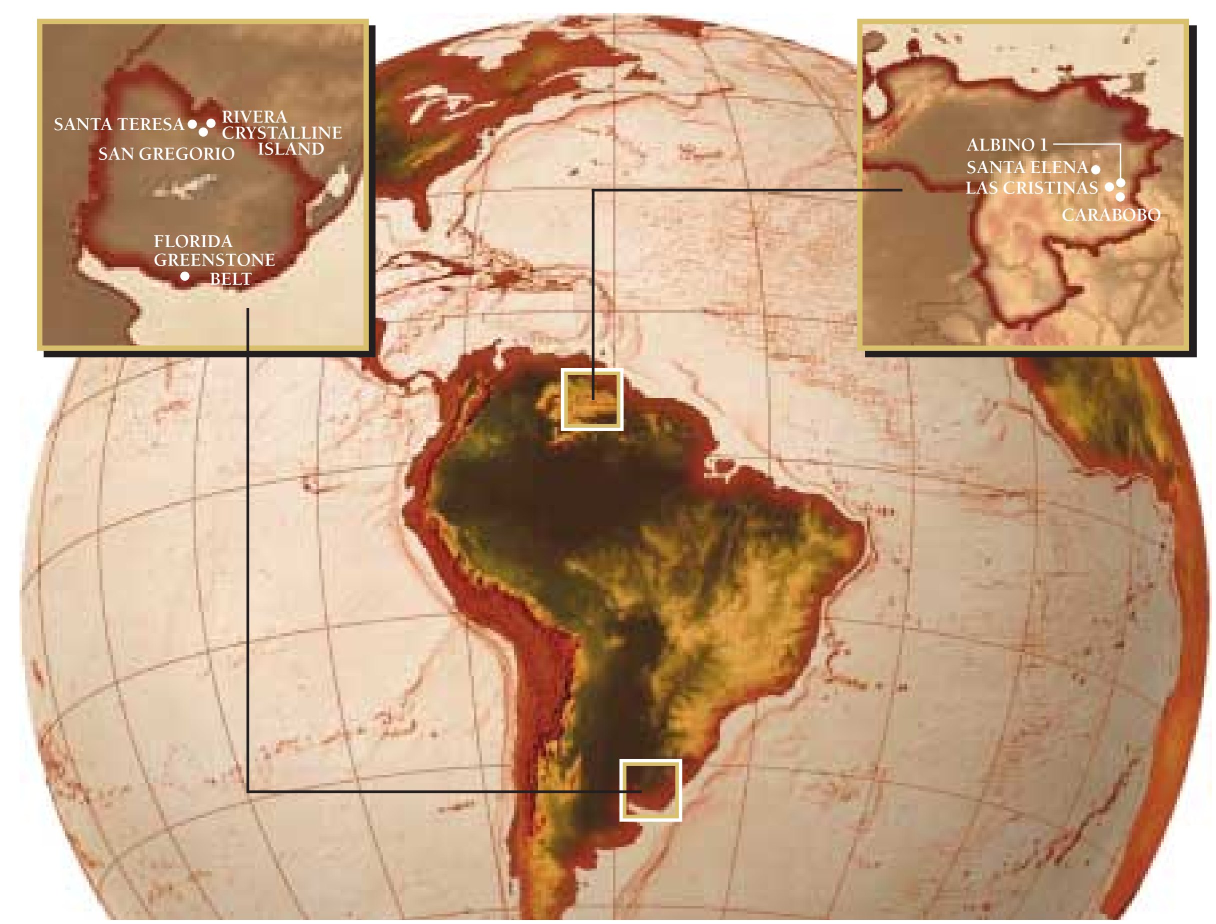
- Adjoins Albino 1 and has similar geological characteristics.
- Several shear-hosted drill targets have been identified.

Santa Elena 7 & 8

- Concessions have a long history of gold production.
- Exploration by Crystallex has identified potential for bulk tonnage, open pit resources.

Las Cristinas 4 & 6

- Reported world-class mineral deposit potential.
- Rights to the property continue to be contested.



TO OUR SHAREHOLDERS

Marc J. Oppenheimer
President and Chief Executive Officer, Crystallex International Corporation

There are several characteristics that set Crystallex apart from other similar sized mining companies. Among them are our strong Board of Directors, an experienced management team, excellent mining and exploration assets, growing gold reserves, low cost operations and our ability to obtain capital funding to finance growth opportunities.

In 1998, against a backdrop of sagging gold prices and a challenging global economy, your Board and aggressive management team moved decisively to take advantage of such an opportunity and acquired the San Gregorio Mine in Uruguay.

> The October 1998 acquisition of Minera San Gregorio transformed your company principally from an exploration company to a junior, but growing, gold producer.

Minera San Gregorio: A Valuable Acquisition

The October 1998 acquisition of Minera San Gregorio transformed your company principally from an exploration company to a junior, but growing, gold producer. This operating mine, which at the end of 1998 had mineable reserves of 448,000 ounces, produced approximately 20,000 ounces of gold in the fourth quarter alone. We expect production to continue at an annual rate of approximately 75,000 ounces for the life of the mine, at cash costs on the order of US$200 per ounce, and we are continuing our active drilling program with the objective of extending the mine's life.

The acquisition also included 150,000 hectares of promising exploration properties in the Rivera Crystalline Island region and the Florida Greenstone belt of Uruguay. We were able to acquire these assets, which had a book value of nearly US$69 million, for the total price of US$29 million on very attractive financial terms. The acquisition required only US$7 million of our own cash to complete. The remainder came from the liquidation of certain expendable assets of Minera San Gregorio amounting to US$6 million and US$16 million in non-recourse project financing from Standard Bank London Limited. The interest rate on the gold-denominated financing is approximately three percent with the repayment schedule tied to the cash flow from the mine. We expect to be able to retire this debt within five years and we have the option of making payments in cash, gold or equity at our discretion.

Underground Ore Potential at Albino 1

For several years we have conducted an open pit mining and mill operation at Albino 1, during which time we mined gold from the soft upper layer of Albino's Aguao 2 and La Conductora pits. Concurrent with production, we undertook an extensive drilling program to identify and quantify the deep ore deposits below these surface saprolite ores. During 1998, we suspended open pit operations to prepare the site in anticipation of receiving rights from the Venezuelan Ministry of Energy and Mines to extract underground ores. We were granted these rights in November 1998. Diamond drilling so far has identified mineral deposits of 1.6 million tonnes grading 5.65 grams per tonne at Albino 1, including approximately 391,000 tonnes grading 10.1 grams per tonne below La Conductora alone. By mid-1999, we expect to have completed a feasibility study to assess the viability of an underground operation at current gold prices. If the decision is made to proceed, underground development could commence by the third quarter of 1999, followed by full production a year later.

We see excellent exploration potential in other areas of Venezuela as well, such as the Carabobo property near Albino 1 and the Santa Elena concessions in the El Dorado gold belt. At Carabobo, the geologic framework points to the existence of gold-bearing shear structures similar to those found at Albino 1. At Santa Elena, there is a large geochemical anomaly suggesting the potential for bulk tonnage deposits grading 1 to 2 grams of gold per tonne. Once we have obtained confirmation of clear title to Carabobo and Santa Elena, we plan to carry out systematic exploration programs at both locations, possibly with a joint venture partner.

Significant Achievements in 1998

Overall, 1998 was a good year from several perspectives. We dramatically increased our revenue stream through our acquisition of Minera San Gregorio. We reduced production costs substantially and produced more gold than in any year in the history of the Company. We received deep mining rights to the Albino 1 concession, which enhances our future revenue potential. We expanded our exploration opportunities in Venezuela and Uruguay. At the end of 1998, we recorded our second highest annual revenue and enjoyed a strong financial position. Our total assets increased to $105.7 million and shareholders' equity was up to $67.8 million.

The year was not without disappointment, however. In June 1998, the Venezuelan Supreme Court ruled that Crystallex's subsidiary, Inversora Mael does not have status to continue a petition asserting ownership rights over the contested Cristinas 4 and 6 concessions, and refused to proceed on a ruling requiring the Ministry of Energy and Mines to recognize fully Mael's title ownership of these concessions. However, the Supreme Court did not overrule its prior decisions in 1991, 1996 and 1997, which confirmed the validity of the transfer of the concessions to Mael and indeed forced the publication of title in Venezuela's Official Gazette. The Board of Directors, management and our legal counsel have thoroughly reviewed this most recent decision, taking into account the prior contradictory decisions by the same court, and the Company's position and options

> Diamond drilling so far has identified mineral deposits of 1.6 million tonnes grading 5.65 grams per tonne at Albino 1, including approximately 391,000 tonnes grading 10.1 grams per tonne below La Conductora alone.

TO OUR SHAREHOLDERS - CONTINUED

regarding Las Cristinas and Mael. We have determined not to write off our investment, and are continuing to evaluate our course of action regarding the Cristinas 4 and 6 concessions.

Poised for Future Opportunities

Crystallex is well positioned for the challenges and opportunities of 1999. We plan to look for more efficiencies at San Gregorio and to identify new reserves that could extend the life of the mine. We plan to continue the exploration of the properties in the Rivera Crystalline Island and Florida Greenstone belt of Uruguay. If economically justified, we will move ahead with construction of an underground mine and mill operation at the Albino 1 concession and, at the same time, will continue to explore our other Venezuelan concessions as clear titles are granted.

All the while, we will seek out other high potential producing and near-term production opportunities that will enable Crystallex to grow in a disciplined fashion and hasten its revenue growth. Our objective is to produce in excess of 75,000 ounces of gold in 1999, grow to approximately 150,000 ounces in the year 2000 through internal development and acquisitions and move toward a new goal of 250,000 ounces of annual production.

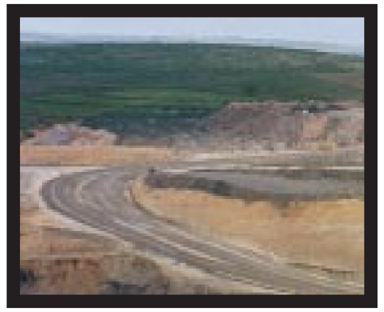
Our success in 1998, and my optimism for 1999 and beyond, would not be possible without our strong working Board of Directors led by Robert A. Fung and our experienced management team. Their expertise in mining, geology, international finance and law, government and politics has helped guide Crystallex through a difficult year in the mining industry to emerge a junior gold producer, in the strongest position in its history. I want to thank the Board, our management team and employees for their dedicated work throughout the year and our shareholders for their ongoing support.

Sincerely,

Marc J. Oppenheimer

Marc J. Oppenheimer
President and Chief Executive Officer

April 23, 1999



Crystallex's objective is to maintain disciplined growth through internal development of its properties and the acquisition of producing and near-term production properties in high potential areas.

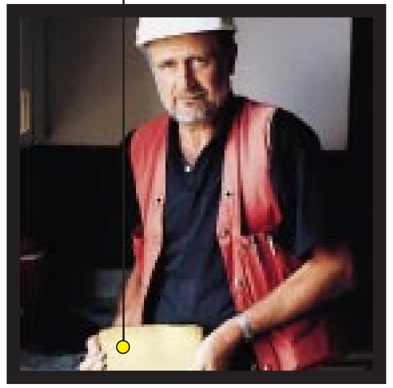
It is properties such as the San Gregorio Mine in Uruguay that can represent golden opportunities for the Company and its shareholders.

U R U G U A Y

In addition to possessing excellent geological characteristics and relatively untapped resources, there exists a governmental and societal structure that are favorable to investment by foreign companies.

In October 1998, Crystallex completed its most ambitious acquisition to date, Minera San Gregorio, in the Rivera Crystalline Island of Uruguay. This acquisition was extremely important to Crystallex in that it was instrumental in transforming the Company principally from an exploration company to a junior gold producing company.

Drilling continues near the San Gregorio Mine with the objective of identifying new reserves that will extend the mine's life.



Crystallex's Vice President of Exploration and Chief Geologist, Dr. Luca Riccio holds a bar of gold from the San Gregorio Mine.

Also, it is a logical step in the Company's plans for geographical expansion and complements its other exploration and mining properties in Venezuela, Brazil and Canada. The San Gregorio Mine is currently producing gold at a rate that immediately increases Crystallex's revenues and provides a positive operating cash flow. The acquisition also includes 150,000 hectares of exploration properties in the gold-rich Rivera Crystalline Island and the Florida Greenstone belt of Uruguay. Considering the net asset book value of the property, US$68.6 million, which Crystallex was able to purchase for US$29 million, the structure of the acquisition was itself a golden opportunity.

San Gregorio Mine

The San Gregorio Mine, previously owned by Rea Gold, commenced production in January 1997. By the time it was acquired by Crystallex in October 1998, it was producing gold at a rate of approximately 18,000 ounces per quarter. In the first three quarters of 1998, the operation had already produced nearly 54,000 ounces at a cash cost of US$245 per ounce. In August 1998, as the acquisition neared completion, Crystallex was given the opportunity to assist then current management with suggestions for increasing the efficiency and productivity of the mine's operation. Many of these suggestions were implemented by the beginning of the fourth quarter, 1998, and resulted in a 12 percent increase in monthly gold production, an 84 percent increase in ore mined per day and a 19 percent decrease in gold production costs in the fourth quarter, as compared with the first three quarters of 1998. Thus, gold production for the fourth quarter 1998 was approximately 20,000 ounces with a cash cost of production less than US$210 per ounce.

Santa Teresa West

In addition to the San Gregorio Mine, four additional deposits, Santa Teresa, Santa Teresa West, East Extension and Santa Teresa Northwest, have been outlined in the vicinity of the existing open pit.

Since October 1998, Crystallex has been conducting a drill program at Santa Teresa West aimed at expanding resources and mineable reserves. Mineralized intervals included 26 metres at 4.44 grams per tonne, 30 metres at 2.04 grams per tonne and 12 metres at 6.25 grams per tonne. Drilling is continuing at Santa Teresa West and the Company expects to update the calculation of mineable reserves during 1999.

Reserves and Mineral Deposits at January 1, 1999

Current mineable reserves (0.5 g/t Au cutoff) at the San Gregorio project stand at 7.87 million metric tonnes averaging 1.77 g/t Au, containing 448,000 ounces of gold. Total mineral deposits at the same 0.5 g/t Au cutoff aggregate 12.69 million metric tonnes grading 1.52 g/t Au. The reserves and mineral deposits have been verified by Sitka Corporation, an independent engineering company headquartered in Seattle, Washington. These numbers essentially replace material mined out in 1998, thereby extending the mine's life from that indicated by the data utilized when making the acquisition.

Exploration Properties

One of the major benefits of the San Gregorio Mine is its positive operational cash flow, which enables Crystallex to undertake extensive exploration of the high potential mineral properties in its growing portfolio. In Uruguay, this includes 150,000 hectares in the Rivera Crystalline Island and the Florida Greenstone belt.

Except for the region surrounding the San Gregorio Mine, the Rivera Crystalline Island has not been extensively explored. However, airborne geophysical surveys, satellite imagery and limited ground follow-up have identified a 90 kilometre long, two kilometre wide shear system characterized by numerous anomalies typical of gold producing areas. Recent work at the Vaca Muerta target have identified strong gold-in-soil anomalies with individual samples assaying up to 29 g/t Au.

The Florida Greenstone belt is a typical Precambrian supracrustal sequence 250 kilometres long and 30 kilometres wide. Located in southern Uruguay, it contains promising geophysical targets including high-grade quartz veins and auriferous shear zones.

Geography, Minerals, Investment & Environment

A Cradle for Investment

Uruguay, in addition to possessing excellent geological characteristics and relatively untapped resources, has a governmental and societal structure that is very favorable to investment by foreign companies. Uruguay's population is very well educated, with a literacy rate of approximately 97 percent. The country has a representative form of government, and the government's free trade and reform policies have resulted in a stable Uruguayan economy. Uruguay's legislative environment is also favorable to outside investment. Complete foreign ownership is allowed and there are no restrictions on repatriation of dividends and profits.

Blasting at the San Gregorio Mine moves thousands of tonnes of rock.

Diamond Exploration

In addition to gold, the geology of Uruguay is also conducive to the discovery of diamond mineralization. In the early 1990's, SouthernEra, a diamond exploration company with producing diamond mines in Africa, undertook a regional exploration program in Uruguay which led to the discovery of potential diamond sources. To better investigate this potential, Crystallex and SouthernEra signed a joint venture agreement in April 1999 which will enable both companies to explore for diamonds on their respective land holdings.

An Accessible Environment

In addition, Uruguay maintains very good transportation and logistics systems, with an extensive network of roads and rail lines, as well as numerous airfields. This, combined with a gentle topography, provides the accessibility desirable for mining. The Government of Uruguay is anxious to explore and benefit from the country's numerous natural resources, and the San Gregorio Mine is considered to be one of the most important investments in Uruguay's natural resources industry.

V E N E Z U E L A

The geology of the area indicates a strong potential for high-grade deposits.

Crystallex has had operations in Venezuela since 1991 when it began work at the Albino 1 concession in the country's gold-rich Kilometre 88 region. In 1994, the Company began its open pit mining operations there, the first producing industrial gold mine in the region. The operation provided much of the cash flow necessary to conduct further exploration in Venezuela and other promising areas while application for deep rock mining rights was pending with the Venezuelan mining authorities. During this time, the Company's drilling programs defined a high-grade ore body beneath Albino's La Conductora and Aguao 2 pits.

Albino 1

In November of 1998, the Venezuelan Ministry of Energy and Mines granted approval for underground mining at Albino 1 (vein rights) and the approval and order to issue title were published in the Venezuelan Official Gazette dated November 4, 1998. Initial engineering reviews indicate the potential for a variety of production scenarios that would be economic at current gold prices. Crystallex is now finalizing its engineering reviews to prepare for a decision leading to construction of an underground mine and upgraded mill to handle the hard rock ore from the mining operation. The construction phase and commencement of mining will take about 12 months after engineering reviews are finalized and a decision to proceed is made. As of January 1, 1999, existing mineral deposits at Albino 1 (2.0 g/t Au cutoff and minimum width of one metre) totaled 1.6 million tonnes grading 5.65 g/t Au. These mineral deposits include approximately 391,000 tonnes of high-grade ore at an undiluted grade of 10.1 g/t under La Conductora where the underground mine will be constructed. Further engineering studies are in progress to determine the economics of the remaining resources.

Carabobo

The Carabobo concession adjoins Albino 1 and is characterized by similar geologic features. Previous work on this property has identified a number of shear-hosted gold targets that warrant exploratory drill testing. We plan to begin systematic exploration of this area once clear title is confirmed by the appropriate Venezuelan authorities.

Santa Elena

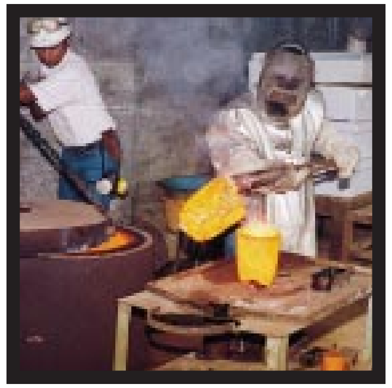
The Santa Elena 7 and 8 concessions are about 50 miles to the north of Carabobo. The two concessions have a long history of gold production dating back to 1915. More recently the Santa Elena concessions have been the site of extensive activity by freelance gold prospectors. Based on this information and on data gathered from mechanized trenching and drilling undertaken by Crystallex in 1992 and 1993, several targets have been identified that include potential bulk tonnage, open pit mineral deposits. The Company plans to thoroughly explore the Santa Elena 7 and 8 concessions once clear title is received from the Venezuelan mining authorities. This exploration will most likely be undertaken through a joint venture.

Las Cristinas

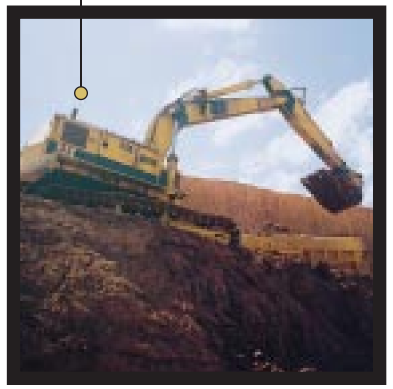
In June 1998, the Venezuelan Supreme Court ruled that Crystallex's subsidiary, Inversora Mael, does not have status to continue a petition asserting ownership rights over the contested Cristinas 4 and 6 concessions, and refused to proceed on a ruling requiring the Ministry of Energy and Mines to recognize fully Mael's title ownership of these concessions. However, the Supreme Court did not overrule its prior decisions in 1991, 1996 and 1997, which confirmed the validity of the transfer of the concessions to Mael. The Board of Directors, management and our legal counsel have thoroughly reviewed this most recent decision, taking into account the prior contradictory decisions by the same court, and the Company's position and options regarding Las Cristinas and Mael. We have decided not to write off our investment, and are determining our courses of action regarding the Cristinas 4 and 6 concessions.

Other Opportunities

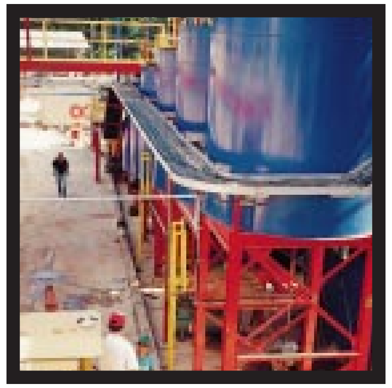
The greenstone belts of Bolivar State, Venezuela offer a number of opportunities for exploration and discovery. Crystallex is using its extensive knowledge of the region to evaluate opportunities that are presented to the Company.



A gold pour at the Albino I mine. Operations were temporarily suspended in 1998 in anticipation of the granting by Venezuelan mining authorities of rights to extract underground ore.



Heavy equipment used in the operations at Albino I.



The current saprolite mill at Albino I. Crystallex will commence construction of a hard rock facility and mill when its engineering reviews are finalized and approval is given by the Board.

Regulatory Environment, Export Base, Leadership & Government Relationships

Venezuela

Venezuela offers numerous opportunities for Crystallex. The country has vast mineral resources. Opportunities for exploitation of these resources are now being looked at in ways that are beneficial for the Venezuelan people as well as for outside investors who are willing to establish operations there.

New Leadership

In February 1999, Venezuela's newly elected President, Hugo Chavez Frias, took office with a promise that foreign investment will be welcomed and protected as long as it is in the best interest of the people of Venezuela. This sentiment was later reiterated at a Caracas press conference during which the President invited foreign and domestic investors to participate in Venezuela's "National Economic Development Plan" where they will be guaranteed legal protection and guarantees.

Good Government Relationships

Crystallex has maintained good relationships at all levels of the Venezuelan government, as it does with other countries in which it has operations. The Company's Venezuelan operations are staffed and managed by Venezuelans who are well versed in national and local laws and regulations. The head of Crystallex's Venezuelan activities is Dr. Enrique Tejera Paris. Dr. Tejera Paris was formerly Venezuela's Ambassador to Spain, Ambassador to the United States and Ambassador to the United Nations. He is active in several conservation societies and serves as Managing Director of the environmental foundation to preserve the forests.

EXECUTING AN EFFICIENT STRATEGY

The positive geological and socio-economic make-up of the San Gregorio region is highly conducive to further enhancing production efficiencies.

Crystallex's focus is to expand its gold reserves through exploration programs and the acquisition of producing mines, while maintaining its status as a low cost producer of gold. It has therefore developed a management team with very strong leadership in these areas.

Leading the Team

Since 1995, Marc J. Oppenheimer has been Crystallex's President and Chief Executive Officer. Formerly an officer with Chase Manhattan Bank in New York, Mr. Oppenheimer built the current management team and established the strategy that resulted in the turnaround of the Company. Under his leadership, and with the acquisition of the San Gregorio Mine in Uruguay, the Company is now a junior producer of gold with excellent exploration projects.

Exploration

Crystallex has exploration projects in four countries; Uruguay, Venezuela, Brazil and Canada. At present, the Company's focus is to identify new resources in areas with ongoing mining operations. More specifically its current objective is to identify new reserves that will extend the life of the San Gregorio Mine in Uruguay, and to define in detail the gold resource at the Albino 1 concession in Venezuela. The Company is also systematically exploring the whole of the Rivera Crystalline Island of Uruguay where the San Gregorio Mine is located. These activities are the responsibility of Dr. Luca Riccio, Vice President of Exploration. A geologist, with 25 years experience in the mining industry, he has held executive positions with Anaconda Copper and has been a consultant to BP Minerals, Homestake and other mining companies. Dr. Riccio was responsible for discovering the Albino 1 mine and evaluating the Company's other mineral property acquisitions.

Operations

Overseeing the production facilities at San Gregorio and Albino 1 is Dr. Sadek El-Alfy, Vice President of Operations. A 25-year mining veteran, Dr. El-Alfy formerly was Vice President of Operations for Royal Oak Mines and prior to that, General Manager of Mining for The Iron Ore Company of Canada. Dr. El-Alfy has been responsible for many of the production efficiencies implemented at San Gregorio and is leading the design efforts for the underground mine and upgraded mill at Albino 1.

The two large crushers at the San Gregorio Mine in Uruguay. Improvements to the mill circuit are expected to increase throughput by 10% in 1999.

Acquisitions

Because the acquisition of producing mines and new exploration properties will play an increasingly important role in the Company's growth, Crystallex has created a position that focuses on corporate planning and global mergers and acquisitions. C. Brian Cramm has been chosen to fill the position as Vice President – Planning and Acquisitions. Mr. Cramm has been in the mining industry for seventeen years. Prior to joining Crystallex, he was responsible for managing the global acquisition activities for Echo Bay Mines.

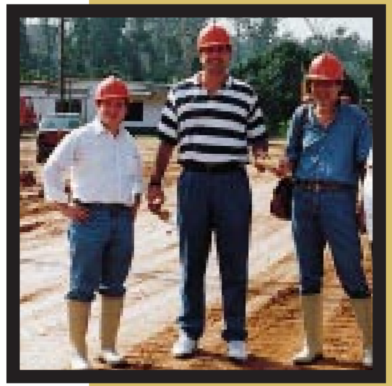
Board of Directors

The Crystallex Board of Directors works with management on major decisions such as corporate strategy and acquisitions. The Board of Crystallex is experienced in the areas of finance, domestic and international law, politics and strategies, and as a result, their advice and contacts are invaluable. Robert A. Fung is Chairman of the Crystallex Board of Directors. Formerly, he was Vice Chairman of Gordon Capital and currently Senior Partner of Capital West. Mr. Fung's successful involvement with other natural resources companies and his lengthy experience in corporate finance make him particularly well qualified to head this working Board.

Crystallex plans to continue its exploration activities in the vicinity of San Gregorio and throughout the Rivera Crystalline Island and Florida Greenstone belt.

- Marc J. Oppenheimer, President and Chief Executive Officer, Crystallex International
- Mitchell Klein, Partner in the law firm of Goodman, Phillips & Vineberg
- Harry J. Near, Principal of Earnscliffe Strategy Group. Mr. Near also has been Advisor to the Canadian Prime Minister and Chief of Staff to the Minister of Natural Resources
- Robert A. Nihon, Chairman of Alexis Nihon Group
- Daniel R. Ross, Partner of McCarthy Tétrault, Canada's largest law firm
- Dr. Enrique Tejera Paris, President of Crystallex's Venezuelan subsidiary, Minera Venamo, C.A. Dr. Tejera Paris was formerly Venezuela's Ambassador to Spain and had been the Venezuelan Executive Director of the International Monetary Fund
- Armando F. Zullo, President of A.F. Zullo & Company

The Executive Committee consists of Robert A. Fung, Robert A. Nihon and Marc J. Oppenheimer. Together, this management team and Board of Directors is the foundation for Crystallex's growth as it moves into the next century.



The Crystallex executive committee on site at Albino I. L to R Marc J. Oppenheimer, Robert A. Nihon and Robert A. Fung.

Productivity Improvements

In 1998, Crystallex identified several areas where efficiencies could be realized at its newly acquired San Gregorio mine. Crystallex suggested these productivity improvements as early as August 1998, even before the completion of the acquisition, and many of them were in place at the beginning of the fourth quarter, 1998.

- Reduced workforce from 268 to 168 personnel.
- Changed the mine operations from seven days per week to six days per week. This allowed for the elimination of one entire mining crew and allowed the maintenance crews to carry out preventative maintenance and major repairs for one day a week without interference.
- Modified mill circuit to eliminate sag mill rejects and, by doing so, increased mill throughput by 10%.
- Increased manpower productivity measured in terms of gold production, tonnes mined and tonnes milled per person.
- Reduced cash costs from US$245 per ounce in the first three quarters of 1998 to US$210 in the fourth quarter.

The productivity improvements that the Company made at San Gregorio reflect the overall experience of its management team and the experience it has gained over the years from its mining operation at Albino 1 in Venezuela. From that operation, the Company refined its techniques for the mining and milling of gold ore, and developed systems for workforce scheduling that assures a maximum operation at a reasonable cost.

The Company plans to continue to look for ways to improve the efficiency of San Gregorio and its other operations with the objective of further reducing its overall costs. In this way, Crystallex will make the most of all its opportunities and continue to increase the value of the Company for its shareholders.

1998
Financial Review

Crystallex International Corporation

Crystallex's activities in 1998 provided a validation of our strategy of developing our existing concessions, and acquiring producing or near production properties to become a low cost producer of gold. Our experienced management team, active, integrated Board of Directors and ability to obtain capital funding enable us to make such acquisitions, develop multiple growth engines and generate value for our shareholders.

Marc J. Oppenheimer, President and Chief Executive Officer

Contents

INTRODUCTION

The information set forth in this discussion and analysis includes "forward-looking statements" within the meaning of Section 21E of the Exchange Act and is subject to the safe harbor created by that section. Factors could cause results to differ materially from those projected in the forward-looking statements.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

Our financial results were a net loss of $7.2 million or $0.20 per share for the year ended December 31, 1998 compared with a net loss of $9.5 million or $0.34 per share in 1997 and a net loss of $4.7 million or $0.30 per share in 1996.

The lower loss was attributable to additional revenue from the newly acquired San Gregorio mine that offset the reduced revenue from the Albino 1 concession, where the Company suspended mining activities to finalize the engineering studies for an underground mining operation. The Company expects improved results through an increase in production and a decrease in cash costs at the San Gregorio mine.

Revenue from gold sales of 19,604 ounces was $8.6 million in 1998, higher than $4.5 million in 1997 on gold sales of 9,993 ounces and $2.4 million in 1996 on gold sales of 4,593 ounces. In 1998, we hedged a portion of our production from the San Gregorio mine. As a result, we realized average revenue of US$301 per ounce, higher than the average spot market price of US$293 per ounce. In 1997 and 1996, the sales were sold directly to the Government of Venezuela at spot prices.

The Company expects to realize an average minimum price of US$301 per ounce, compared with the current spot price of gold of approximately US$285 per ounce, for its gold production in 1999. If gold prices remain at current levels, the Company will generate an additional $1.9 million in revenue in 1999 as a result of its hedging program. Conversely, if the spot price exceeds the hedged price, the Company will defer delivery of gold against the hedged contract and sell at the higher spot price.

Operating expenses were $9.5 million in 1998 compared with $7.1 million in 1997 and $4.0 million in 1996. On a per ounce basis, cash operating costs were $415, $595 and $730 for 1998, 1997 and 1996 respectively.

The San Gregorio mine, which accounted for more than 80% of the Company's production, or 15,740 ounces, reported cash operating costs of under US$210 per ounce for the fourth quarter of 1998. The average grade processed at the mine during the period was 0.08 ounces per tonne (2.5 grams per tonne). Annual production at this mine is projected to continue at 70,000 to 80,000 ounces during the next five years. The mine plan anticipates cash costs of production to average US$200 per ounce over the existing life of the mine.

Expenses were $8.5 million in 1998 versus $6.8 million in 1997 and $4.3 million in 1996. The higher level of expenses arises through activities relating to the Cristinas 4 and 6 concession during 1998. Also, the Company decided that it would not proceed with the exploration and development of the El Tigre concession and all costs of acquisition and related deferred exploration and development costs in the amount of $212,981 were written off. In 1999, expenses are expected to be slightly lower than in 1998.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was $6.0 million in 1998 as compared to $6.7 million in 1997 and $4.9 million in 1996. The differences between 1998 and 1997 resulted primarily from decreased accounts payable and accrued liabilities.

Cash used for investing activities was $18.3 million in 1998, primarily for the acquisition of subsidiaries in Uruguay in the amount of $10.8 million and the purchase of plant and equipment of $7.5 million. Included in the acquisition was $8.4 million of accounts payable and accrued liabilities. The accounts payable and accrued liabilities are due to creditors of Minera San Gregorio S.A. and have been outstanding for some time. Such creditor claims rank subsequent to secured non-recourse debt of $24.7 million, which was acquired as part of the acquisition. Informal meetings have been held with such creditors, who have been advised that it is the intention of Minera San Gregorio S.A. to pay down such past due liabilities over time out of the future gold production. No informal postponement exists with the creditors and the creditors continue to supply Minera San Gregorio S.A. Cash used for investing activities were $21.5 million in 1997 and $4.8 million in 1996.

Cash provided by financing activities was $13.0 million in 1998 as compared to cash provided by financing activities of $28.5 million in 1997 and $25.8 million in 1996. We received $4.3 million from the exercising of share purchase warrants and stock options. Proceeds from the draw down of the equity line of credit financing provided $6.8 million and a bank loan to purchase equipment provided $1.8 million.

Cash and cash equivalents at December 31, 1998 were $5.5 million. Depending upon the Company's acquisition, capital expenditure, and corporate development plans, the Company may raise additional funds through the use of non-recourse project finance loans, lines of credit, or the sale of the Company's securities.

REGULATORY AND ENVIRONMENT RISKS

Crystallex takes care to maintain compliance with the regulations prevalent in the countries within which it has activities (currently Uruguay, Venezuela and Brazil). Concern for the environment has spawned several regulations with regard to mining in various countries. Crystallex believes that its environmental programs, developed internally in conjunction with local advisers, not only complies with but in some cases exceeds prevailing regulations. Costs relating to ongoing site restoration are expensed when incurred. The Company's estimate of its ultimate reclamation liability may vary from current estimates due to possible changes in laws and regulations and changes in costs estimated. Crystallex will accrue additional liabilities for further reclamation costs as and when evidence becomes available indicating that its reclamation liability has changed.

YEAR 2000/COMPUTER RISKS

The Year 2000 issue is the result of the inability of hardware, software and control systems to correctly identify two-digit references to specific years, beginning with the year 2000. This could result in system failures or miscalculations causing disruptions to our operations and our suppliers.

We have commenced an evaluation of our computer systems and significant software programs. This evaluation includes our hardware and operating system, the control system at the mill, and accounting and business process software. We expect to complete the evaluation by the fourth quarter of 1999. Software programs, predominantly "off-the-shelf" products, which are not Year 2000 compliant, will be replaced by vendor upgrades before December 1999.

As part of our Year 2000 project, we will contact our significant third-party suppliers, such as our refiners, suppliers and bankers, to determine the extent to which we are vulnerable to their failure to remediate their Year 2000 issues. We plan to complete the contacts by the fourth quarter of 1999. However, we cannot assure that third-party suppliers will adequately address their Year 2000 issues or that failure of the third-party suppliers to address their Year 2000 issues would not have a material adverse effect on us or our operations.

Expenditures to address our Year 2000 issues through to December 31, 1998 have been minimal. The cost of becoming Year 2000 compliant has not been calculated.

Our failure to resolve Year 2000 issues on or before December 31, 1999 could result in system failures or miscalculations causing disruption in operations and normal business activities. Additionally, failure to timely remediate Year 2000 issues by third parties upon whom our business relies could result in disruptions in our supply of parts and materials or result in other problems related to our daily operations.

The Company is working on a contingency plan for all critical aspects of the Year 2000 issues and intends to have the plan completed by the fourth quarter of 1999.

Consolidated Balance Sheets

Crystallex International Corporation

As at December 31
(Expressed in Canadian dollars)

	1998	1997
Assets		
Current		
Cash and cash equivalents	$ 5,535,716	$ 16,841,779
Accounts receivable	2,032,739	1,168,354
Production inventories	6,721,802	–
Supplies inventory and prepaid expenses	1,069,341	138,598
Marketable securities (Note 3)	38,186	264,516
Due from related parties	39,960	–
	15,437,744	18,413,247
Security deposits	188,367	104,898
Property, plant and equipment (Note 5)	90,098,063	47,194,403
Deferred financing fees (Note 6)	–	611,688
	$105,724,174	$ 66,324,236
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	$ 10,477,514	$ 2,597,940
Due to related parties	382,772	373,992
Current portion of long-term debt (Note 8)	2,913,270	–
	13,773,556	2,971,932
Reclamation provision (Note 7)	713,699	–
Long-term debt (Note 8)	23,348,884	12,185,714
Deferred charges	110,606	–
	37,946,745	15,157,646
Shareholders' equity		
Capital stock		
Authorized		
Unlimited common shares, without par value		
Unlimited Class "A" preference shares, par value $50		
Unlimited Class "B" preference shares, par value $250		
Issued		
December 31, 1997 – 31,267,914 common shares		
December 31, 1998 – 36,541,481 common shares	97,927,696	74,111,613
Cumulative translation adjustment	(142,562)	(152,922)
Deficit	(30,007,705)	(22,792,101)
	67,777,429	51,166,590
	$105,724,174	$ 66,324,236

Contingencies (Note 5 and Note 13)
Commitments (Note 16)
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations

Crystallex International Corporation

Years Ended December 31
(Expressed in Canadian dollars)

	1998	1997	1996
Operating Revenue	$ 8,568,748	$ 4,502,749	$ 2,378,261
Operating Expenses			
Operations	8,131,979	5,943,953	3,351,548
Amortization and depletion	1,399,412	1,198,310	670,270
	(962,643)	(2,639,514)	(1,643,557)
Expenses			
Amortization	78,753	71,162	53,818
Consulting	1,539,327	756,112	913,534
Interest on long-term debt	154,751	349,320	165,359
Investor relations	1,003,735	724,279	535,491
Office and administration	4,652,399	3,886,790	2,346,036
Professional fees	818,258	1,034,801	277,475
Write-down of mineral properties	212,981	–	–
	8,460,204	6,822,464	4,291,713
Loss before other items	(9,422,847)	(9,461,978)	(5,935,270)
Other Items			
Interest and other income	1,095,692	469,487	436,125
Foreign exchange	1,157,791	(25,719)	949,203
Gain on sale of marketable securities	21,043	–	–
Write-down of marketable securities	(67,283)	(507,454)	(130,910)
	2,207,243	(63,686)	1,254,418
Loss for the year	$(7,215,604)	$(9,525,664)	$(4,680,852)
Basic loss per share (Note 2)	$ (0.20)	$ (0.34)	$ (0.30)

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

Consolidated Statements of Cash Flows

Crystallex International Corporation

Years Ended December 31

(Expressed in Canadian dollars)	1998	1997	1996
Cash Flows From Operating Activities			
Loss for the year	$ (7,215,604)	$ (9,525,664)	$ (4,680,852)
Adjustments to reconcile loss to net cash used in operating activities:			
Amortization and depletion	1,478,165	1,269,472	724,088
Amortization of financing fees	–	102,570	–
Foreign exchange	52,365	411,345	(3,427)
Gain on sale of marketable securities	(21,043)	–	–
Interest on convertible notes	113,857	–	–
Write-down of marketable securities	67,283	507,454	130,910
Write-down of mineral properties and deferred exploration costs	212,981	–	–
Reclamation provision	139,749	–	–
Changes in other operating assets and liabilities: (Net of effects from purchase of subsidiaries in Uruguay)			
(Increase) decrease in accounts receivable	94,649	(400,197)	(255,912)
Increase in production inventories	(375,840)	(85,934)	(50,085)
Increase in supplies inventory and prepaid expenses	(11,138)	–	–
(Increase) decrease in due from related parties	(39,960)	4,586	(4,586)
Increase (decrease) in accounts payable and accrued liabilities	(514,018)	1,658,821	(512,392)
Decrease in current portion of long-term debt	(147,200)	–	–
Decrease in due to related parties	–	–	(39,648)
Proceeds on sale of marketable securities	180,090	–	–
Purchase of marketable securities	–	(651,803)	(249,600)
Net cash used in operating activities	(5,985,664)	(6,709,350)	(4,941,504)
Cash Flows From Investing Activities			
Purchase of subsidiaries in Uruguay (Net of cash acquired)	(10,822,396)	–	–
Purchase of property, plant and equipment	(7,517,602)	(21,542,937)	(4,734,284)
Security deposits	43,844	467	(56,031)
Net cash used in investing activities	(18,296,154)	(21,542,470)	(4,790,315)
Cash Flows From Financing Activities			
Issuance of capital stock for cash	4,331,110	15,433,628	25,786,754
Long-term debt	8,634,285	13,079,486	–
Net cash provided by financing activities	12,965,395	28,513,114	25,786,754
Increase (decrease) in cash and cash equivalents	(11,316,423)	261,294	16,054,935
Effect of exchange rate changes on cash and cash equivalents	10,360	–	–
Net increase (decrease) in cash and cash equivalents	(11,306,063)	261,294	16,054,935
Cash and cash equivalents, beginning of year	16,841,779	16,580,485	525,550
Cash and cash equivalents, end of year	$ 5,535,716	$ 16,841,779	$16,580,485

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

Consolidated Statements of Changes in Shareholders' Equity

Crystallex International Corporation

	Issued		Capital Stock Subscribed				
	Number of Shares	Amount	Number of Shares	Amount	Deficit	Cumulative Translation Adjustment	Total
Balance at December 31, 1995	13,347,722	$ 25,885,730	463,739	$1,159,346	$ (8,585,585)	$(152,922)	$18,306,569
Shares issued for cash	10,728,806	25,786,754	–	–	–	–	25,786,754
Shares allotted for settlement of debt	–	–	(463,739)	(1,159,346)	–	–	(1,159,346)
Shares issued for settlement of debt	463,739	1,159,346	–	–	–	–	1,159,346
Shares issued on conversion of debentures	236,492	623,994	–	–	–	–	623,994
Loss for the year	–	–	–	–	(4,680,852)	–	(4,680,852)
Balance at December 31, 1996	24,776,759	53,455,824	–	–	(13,266,437)	(152,922)	40,036,465
Shares issued for cash	5,408,750	15,433,628	–	–	–	–	15,433,628
Shares issued on conversion of debentures	153,420	492,478	–	–	–	–	492,478
Shares issued for acquisition of subsidiary	100,000	355,000	–	–	–	–	355,000
Shares issued for mineral property acquisition	215,000	1,421,150	–	–	–	–	1,421,150
Shares issued for finder's fees	166,587	691,336	–	–	–	–	691,336
Shares issued for legal fees	30,000	238,500	–	–	–	–	238,500
Shares issued on conversion of notes	417,398	2,129,953	–	–	–	–	2,129,953
Share issuance costs on conversion of notes	–	(106,256)	–	–	–	–	(106,256)
Loss for the year	–	–	–	–	(9,525,664)	–	(9,525,664)
Balance at December 31, 1997	31,267,914	74,111,613	–	–	(22,792,101)	(152,922)	51,166,590
Shares issued for cash	1,343,250	4,331,110	–	–	–	–	4,331,110
Shares issued for mineral property acquisition	555,000	950,400	–	–	–	–	950,400
Shares issued on conversion of notes	3,375,317	19,146,261	–	–	–	–	19,146,261
Share issuance costs on conversion of notes	–	(611,688)	–	–	–	–	(611,688)
Translation adjustment	–	–	–	–	–	10,360	10,360
Loss for the year	–	–	–	–	(7,215,604)	–	(7,215,604)
Balance at December 31, 1998	36,541,481	$ 97,927,696	–	$ –	$(30,007,705)	$(142,562)	$ 67,777,429

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of Operations

The Company is in the business of acquiring and developing mineral properties. The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to complete the development of the properties and upon future profitable production.

2. Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Crystallex International Capital Corporation, Crystallex de Venezuela C.A., Minera Venamo C.A., Crystallex de Uruguay S.A., Eurus Resource Corp., Stel BVI Inc., Minera San Gregorio S.A., Dalvan S.A., Montemura S.A., Bolir S.A., Brimol S.A. and its interest in Glendora S.A. and Diamond Company Ltda. All significant inter-company balances and transactions have been eliminated.

MINERAL PROPERTIES

The Company records its interests in mineral properties and areas of geological interest at cost. All direct costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or abandoned. The costs will be amortized over the proven reserves available of the related property following commencement of production. Proceeds received, as a result of the sale of a mineral property, will be applied against the book value of the property. Any revenue received in excess of the property's book value will be included in income at that time.

DEFERRED EXPLORATION COSTS

The Company defers all direct exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the proven reserves of the property following commencement of production. The Company's gold producing mineral properties are the Albino 1 concession and the San Gregorio Mining concession. As the Company's policy is to amortize deferred exploration costs over total proven reserves, the Company is currently using total gold produced as its basis for amortization of these costs.

VALUES

The amounts shown for mineral properties and deferred exploration costs represent costs incurred to date and are not intended to reflect present or future values.

RECLAMATION COSTS

The Company's policy for recording reclamation costs is to record a liability for the estimated costs to reclaim mined land by recording charges to production costs for each tonne of ore mined over the life of the mine. The amount charged is based on management's estimation of reclamation costs to be incurred. The accrued liability is reduced as reclamation expenditures are made. Certain reclamation work is performed concurrently with mining and these expenditures are charged to operations at that time.

REVENUE RECOGNITION

Revenue from mining operations is recognized when gold is shipped to the refineries.

PRODUCTION INVENTORIES

Production inventories of gold and silver in process are stated at the lower of average production cost and net realizable value. It is possible that in the near term, estimates of recoverable ore, grade and gold price could change causing the Company to write-down production inventory.

SUPPLIES INVENTORY

Supplies inventory is valued at the lower of average and replacement costs.

PLANT AND EQUIPMENT

Plant and equipment are recorded at cost less accumulated amortization. Amortization of plant and equipment used directly in the mining and production of gold is included in operating costs. Amortization of plant and equipment used directly on exploration projects is included in deferred exploration costs and is charged against operations when the related property commences production. Amortization is being provided for using the straight-line method over years ranging from five to 20 years.

Mine development cost is amortized over total proven reserves. The Company will use total gold produced as its basis for amortization of these costs.

FOREIGN EXCHANGE

The accounts of subsidiaries, which are integrated operations, are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in income for the year.

The accounts of subsidiaries which are self-sustaining operations are translated using the current rate method. Under this method assets and liabilities are translated at the year-end exchange rates. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in a separate component of shareholders' equity under cumulative translation adjustment.

Transaction amounts denominated in foreign currencies are translated into local functional currency at exchange rates prevailing at transaction dates.

MARKETABLE SECURITIES

Marketable securities are carried at the lower of cost and market value.

CASH AND CASH EQUIVALENTS

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

LOSS PER SHARE

Loss per share is based on the weighted average number of common shares outstanding during the year. For the years ended December 31, 1998, 1997 and 1996, the weighted average number of shares outstanding was 35,766,602, 27,824,879 and 15,418,846 respectively.

Fully diluted earnings per share consider the dilutive impact of the conversion of outstanding stock options and warrants as if the events had occurred at the beginning of the year. For the years ended December 31, 1998, 1997 and 1996, this calculation proved to be antidilutive

DEFERRED FINANCING FEES

Deferred financing fees, which are fees incurred relating to the issue of the convertible notes, are amortized over the term of the convertible notes. As the notes are converted to common stock of the Company, a proportionate amount is amortized and applied against the addition to the share capital arising upon conversion.

GOLD LOANS

Gold loans are initially recorded at the gold price received on the draw down date and are revalued at the market price of gold prevailing at each balance sheet date. The unrealized gain or loss resulting from the mark-to-market adjustment is recorded as either a deferred revenue or a deferred charge and amortized over the remaining term of the loan. Gold used to repay the loan will be recorded as revenue based on the initial draw down price.

(Expressed in Canadian dollars) December 31, 1998

COMMODITY INSTRUMENTS

The Company uses derivative financial instruments including forward contracts to manage its exposure to fluctuations in the market price of gold. The instruments are intended to reduce or eliminate the risk of falling prices on the Company's future gold production. Gains and losses on forward contracts, including spot deferred contracts, are recognized in gold sales revenues when the related designated production is delivered.

COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the current year's presentation.

3. Marketable Securities

The quoted market value of marketable securities at December 31, 1998 is $38,186 (1997 – $264,516). During the year ended December 31, 1998, the Company wrote-down its investment in marketable securities by $67,283 (1997 – $507,454; 1996 – $130,910).

4. Acquisition

Effective October 2, 1998, the Company acquired 100% of the outstanding share capital of Minera San Gregorio S.A., Brimol S.A., Bolir S.A., Montemura S.A., Dalvan S.A., Stel BVI Inc. and 95% of the outstanding share capital of Glendora S.A. All the companies are involved in mining activities and the exploration and development of mineral properties, directly or through wholly-owned subsidiaries.

The acquisition was made by the Company incurring acquisition costs in the amount of $1,451,428 and making cash payments in the amount of $10,768,300, to acquire the outstanding share capital of the companies, as well as debt owing to the former parent of the acquired companies, in the amount of $58,216,420. The excess of the Company's resulting costs of acquisition in the amount of $54,828,315 was applied to reduce deferred mineral property costs and property, plant and equipment costs of the companies acquired.

The acquisitions have been accounted for by using the purchase method, and can be summarized as follows:

Cash and cash equivalents	$ 1,397,332
Accounts receivable	1,086,347
Production inventories	6,345,962
Supplies inventory and prepaid expenses	919,605
Property, plant and equipment	36,126,804
Accounts payable and accrued liabilities	(8,402,372)
Reclamation provision	(573,950)
Long-term debt	(24,680,000)
Consideration paid	$ 12,219,728
Consideration paid consists of:	
Cash paid	$ 10,768,300
Capitalized costs	1,451,428
	$ 12,219,728

The results of the operations of the investees have been included with those of the Company from the effective date of the acquisition.

5. Property, Plant and Equipment

	1998	1997
Plant and equipment	$44,874,916	$ 6,473,560
Mineral properties	42,219,315	37,120,890
Deferred exploration costs	8,495,424	7,613,380
	95,589,655	51,207,830
Less: Accumulated amortization and depletion	(5,491,592)	(4,013,427)
	$90,098,063	$47,194,403

Mineral properties:

	1998	1997
Santa Elena, San Miguel and Carabobo concessions	$ 3,416,576	$ 3,416,576
Albino 1 concession	17,710,939	17,287,439
El Tigre concession	–	178,422
Cristinas 4 and 6 concessions	19,848,966	15,437,072
Mineiro concession	724,548	801,378
Knob Hill property	518,283	–
Other	3	3
	42,219,315	37,120,890
Less: Accumulated depletion	(1,675,662)	(1,454,190)
	$40,543,653	$35,666,700

Deferred exploration costs:

	1998	1997
Santa Elena, San Miguel and Carabobo concessions	$ 754,698	$ 755,091
Albino 1 concession	6,806,899	6,065,972
El Tigre concession	–	34,165
Mineiro concession	890,263	758,152
San Gregorio Mining concession	43,564	–
	8,495,424	7,613,380
Less: Accumulated depletion	(645,850)	(559,113)
	$7,849,574	$7,054,267

SANTA ELENA, SAN MIGUEL AND CARABOBO CONCESSIONS

The Company has an option to acquire a 100% interest in four concessions known as the Santa Elena, San Miguel and Carabobo properties, all located in Bolivar State, Venezuela. The proven and probable reserves of the properties have not yet been determined.

On July 4, 1995, the Ministry of Energy and Mines ("MEM") gave notice to Associacion Cooperativa Minera Mixta del Sur R.L. ("ACOMIXSUR") in connection with its right to sell the Santa Elena 7 and 8, Carabobo and San Miguel 8 concessions to the Company. ACOMIXSUR filed a response asserting its rights with the MEM and awaits a response from the ministry. Separately, the Company has filed a petition with the Venezuelan Supreme Court seeking confirmation of the title. Although the Company and its independent counsel are confident that all necessary procedures were followed and rules adhered to in order to ensure that such agreement was properly entered into by ACOMIXSUR and that the Company will have good title to the Santa Elena, Carabobo and San Miguel concessions, there can be no assurance that the court will not subsequently agree with the MEM notice. The exact effect of an adverse finding by the court cannot be accurately predicted, but such circumstances could result in such agreement being rescinded or re-negotiated. The Company intends to be aggressive in pursuing its right to these properties. (See Note 13.)

ALBINO 1 CONCESSION

By agreement with Albino Bonucci, dated December 23, 1992, the Company, through its subsidiaries, acquired a 100% interest in the Albino 1 concession in Bolivar State, Venezuela. The consideration of $13.8 million to acquire the interest in the concession was fully paid by December 31, 1997. A 1% Net Smelter Return Royalty is payable to the MEM from the proceeds of gold production.

CRISTINAS 4 AND 6 CONCESSIONS

In March 1997, the Company acquired rights to the Cristinas 4 and 6 concessions located in Kilometre 88, Venezuela. The Cristinas 4 and 6 concessions have been under investigation and exploration for several years by Placer Dome Inc. under a joint venture agreement with Corporacion Venezolana de Guayana ("CVG"). The Cristinas 4 concession is adjacent to the Company's Albino 1 concession, which is currently being developed by the Company. The Company holds its interest in Cristinas 4 and 6 through Inversora Mael, C.A. ("Mael"), a Venezuelan company (see Note 16). The Supreme Court of Venezuela issued rulings in 1991, 1996 and 1997 confirming the validity of the transfer of the concessions to Mael. Following the 1997 ruling, Mael commenced a further action in the Supreme Court of Venezuela seeking a ruling requiring the MEM to recognize fully Mael's title ownership of the Cristinas 4 and 6 concessions. On June 11, 1998, the Venezuelan Supreme Court ruled that Mael does not have status to assert ownership rights over Cristinas 4 and 6 concessions and refused to proceed with this action. In the opinion of counsel, prior contradictory decisions of the Venezuelan Supreme Court were not overruled by the June 11 decision.

The Company and its legal counsel have reviewed the June 11, 1998 decision, prior contradictory decisions of the same court and the Company's position and options with regards to the Cristinas 4 and 6 and Mael. The Company continues to evaluate its course of action and at present has determined not to write-off its investment.

The costs relating to acquiring the Cristinas 4 and 6 concessions have been capitalized as part of the cost of the acquisition of the mineral property. The total cost incurred to

(Expressed in Canadian dollars) December 31, 1998

December 31, 1998 was $19,848,966. In the event that the Company is unsuccessful in obtaining possession of the property, these costs, and any subsequent costs incurred, will be expensed to operations in the period.

EL TIGRE CONCESSION

During the year, the Company decided that it would not proceed with the exploration and development of the El Tigre concession. As a result all costs of acquisition and related deferred exploration and development costs have been written-off.

MINEIRO CONCESSION

By an agreement dated March 11, 1997, the Company, through its interest in Diamond Company Ltda, acquired a 65% interest on the Mineiro concession, consisting of 9,600 hectares in Amapa State, Brazil. Pursuant to the terms of the agreement, the Company paid $366,987 and issued 100,000 common shares of the Company at a deemed value of $355,000. If a party fails to contribute its full Pro Rata Share in a Program or Supplementary Program, the defaulting party shall have its Percentage Equity Interest reduced in accordance with a determined formula.

SAN GREGORIO MINING CONCESSION

By an agreement dated October 2, 1998, the Company, through one of its subsidiaries, acquired a 100% interest in the San Gregorio mining concession in Uruguay. The Uruguayan government mining agency has granted the Company exploitation rights over the concession for 15 years subject to a net profit royalty.

TITLE TO MINERAL PROPERTIES

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing, subject to the comments contained in this Note 5. The properties in which the Company has committed to earn an interest are located in Uruguay, Venezuela and Brazil, South America and the Company is therefore relying on title opinion by legal counsel who are basing such opinions on the laws of Uruguay, Venezuela and Brazil.

6. Deferred Financing Fees

Deferred financing fees of $611,688 relate to costs incurred in the issuance of the convertible notes financing. During the year, all outstanding notes were converted, resulting in the amortization of all deferred financing fees.

7. Reclamation Provision

Costs relating to ongoing site restoration are expensed when incurred. The Company's estimate of its ultimate reclamation liability may vary from current estimates due to possible changes in laws and regulations and changes in costs estimated. The Company will accrue additional liabilities for further reclamation costs as and when evidence becomes available indicating that its reclamation liability has changed.

8. Long-Term Debt

	1998	1997
Bank loan	$ 1,839,960	$ –
Gold loan	24,422,194	–
Convertible notes	–	12,185,714
	26,262,154	12,185,714
Less: Current portion of the long-term debt	(2,913,270)	–
	$23,348,884	$12,185,714

BANK LOAN

During the year, Minera San Gregorio S.A. entered into a four-year loan agreement. The loan bears interest at the London Inter-Bank Offered Rate (LIBOR) plus an applicable margin, negotiated between both parties. Certain equipment is secured against the loan.

GOLD LOAN

The Company, through a subsidiary has entered into a non-recourse five-year bank credit facility of $24,532,800 or equivalent ounces of gold. The facility bears interest at LIBOR for United States dollar-denominated loans or the gold base rate for gold ounce-denominated loans plus an applicable margin, negotiated between both parties. The Company has the ability to repay the loan in either United States dollars, gold or common shares of the Company.

The loan agreement contains certain financial and other covenants that must be maintained during the term of the loan. All assets of the subsidiary companies have been pledged as collateral.

CONVERTIBLE NOTES

During the year, the Company converted all convertible notes and accrued interest at December 31, 1997 in the amount of $12,408,197, as well as additional convertible notes issued during the year and accrued interest on these notes in the amount of $6,738,064 into 3,375,317 common shares of the Company.

9. Options and Warrants

At December 31, 1998, warrants were outstanding enabling the holders to acquire the following number of common shares:

Number of Shares	Price	Expiry Date
1,381,900	US$5.11	12-12-1999
57,831	US$6.74	12-15-1999
408,857	US$8.86	02-25-2000
20,870	US$9.34	02-25-2000

At December 31, 1998, employee and director incentive stock options were outstanding enabling the optionees to acquire the following number of common shares:

Number of Shares	Price	Range of Expiry Dates
4,194,500	$1.00	04-15-1999 to 06-25-2008
1,916,000	$1.50	05-12-1999 to 03-24-2008
210,000	$4.61	05-12-1999
37,500	$6.80	07-03-1999

Pursuant to an agreement dated May 26, 1992, the Company may be required to issue up to 200,000 common shares as a finder's fee on the Santa Elena mineral property (Note 5), of which 50,000 common shares have been issued to date.

10. United States Generally Accepted Accounting Principles

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Except as set out below, these financial statements also comply, in all material respects, with accounting principles generally accepted in the United States and the rules and regulations of the Securities and Exchange Commission.

(1) STOCK BASED COMPENSATION

The United States Financial Accounting Standards Board has issued Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock Based Compensation," which became effective for fiscal years beginning after December 15, 1995. This statement requires the Company to establish a fair market value based method of accounting for stock based compensation plans. In 1996, for United States reporting purposes, the Company adopted SFAS No. 123 in accounting for its stock option plan. Canadian generally accepted accounting principles do not require the reporting of any stock based compensation expense in the Company's financial statements.

The Company uses the Black Scholes Option Pricing Model to determine the fair value of employee stock options at the issuance date. In determining the fair value of these employee stock options, the following assumptions were used:

	1998	1997	1996
Risk free interest rate	4.63%	6.62%	5.98%
Expected life	2 years	2 years	2 years
Expected volatility	206%	77%	66%
Expected dividends	–	–	–

(Expressed in Canadian dollars) December 31, 1998

The following is a summary of the status of stock options outstanding at December 31, 1998:

	Outstanding Options			Exercisable Options	
Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$1.00	4,194,500	7.25	$1.00	4,194,500	$1.00
$1.50	1,916,000	6.72	$1.50	1,916,000	$1.50
$4.61	210,000	0.36	$4.61	210,000	$4.61
$6.80	37,500	0.50	$6.80	37,500	$6.80

Following is a summary of the stock based compensation plan during 1998, 1997 and 1996:

	Number of Shares	Weighted Average Exercise Price
Outstanding and exercisable at January 1, 1996	1,508,500	$3.17
Granted	1,330,000	2.43
Exercised	(100,000)	2.68
Forfeited	(340,000)	2.94
Outstanding and exercisable at December 31, 1996	2,398,500	$2.79
Weighted average fair value of options granted during the period	$ 0.97	
Outstanding and exercisable at January 1, 1997	2,398,500	$2.79
Granted	4,636,000	4.40
Exercised	(798,500)	2.56
Forfeited	(59,000)	2.95
Outstanding and exercisable at December 31, 1997	6,177,000	$4.03
Weighted average fair value of options granted during the period	$ 1.82	
Outstanding and exercisable at January 1, 1998	6,177,000	$4.03
Granted	660,000	1.27
Exercised	(328,500)	3.21
Forfeited	(150,500)	5.64
Outstanding and exercisable at December 31, 1998	6,358,000	$1.30
Weighted average fair value of options granted during the period	$ 0.65	

(2) LOSS PER SHARE

Under both Canadian and United States generally accepted accounting principles, basic loss per share is computed by dividing the loss to common shareholders by the weighted average number of shares outstanding during the year. For Canadian reporting purposes fully diluted earnings per share is calculated under the assumption that all convertible notes were converted at the date issued and stock options and warrants exercised at the date of grant. For United States reporting purposes, in February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per share" ("SFAS 128"). Under SFAS 128, fully diluted earnings per share takes into consideration the weighted average number of shares outstanding during the year and potentially dilutive common shares. For the years ended December 31, 1998, 1997 and 1996 this calculation proved to be anti-dilutive. SFAS 128 is effective for interim and annual financial statements ending after December 15, 1997. The adoption of SFAS 128 has had no material effect on the calculation of loss per share in prior years.

Under United States generally accepted accounting principles, the weighted average number of common shares outstanding excludes any shares that remain in escrow, but may be earned out based on the Company incurring a certain amount of exploration and development expenditures.

The weighted average number of common shares outstanding for calculating basic loss per share under United States generally accepted accounting principles for the year ended December 31, 1998, 1997 and 1996 were 35,766,602, 27,824,879 and 15,231,346 respectively.

(3) MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Under Canadian generally accepted accounting principles, the mineral properties, including prospecting and acquisition costs, are carried at cost and written down if the properties are abandoned, sold or if management decides not to pursue the properties. Under United States generally accepted accounting principles, exploration and prospecting costs are charged to expense as incurred, as are development costs for projects not yet determined by management to be commercially feasible. Expenditures for mine development are capitalized when the properties are determined to have economically recoverable proven reserves but are not yet producing at a commercial level. Prior to commencing commercial production, revenue relating to development ore, net of mining costs associated with its production, is offset against mine development costs. Mine development costs incurred to access reserves on producing mines are also capitalized. Capitalization of all exploration, development, and acquisition costs, commences once the Company identifies proven and probable reserves that relate to specific properties.

Mining projects and properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If estimated future cash flows expected to result from the use of the mining project or property and its eventual disposition are less than the carrying amount of the mining project or property, an impairment is recognized based upon the estimated fair value of the mining project or property. Fair value generally is based on the present value of estimated future net cash flows for each mining project or property, calculated using estimates of proven and probable mineable reserves, future prices, operating costs, capital requirements and reclamation costs.

During 1996, under United States generally accepted accounting principles, the Company changed its method of accounting for deferred exploration costs from capitalizing deferred exploration costs to expensing it in the current period it was incurred. All adjustments for deferred exploration costs have been accounted for as a cumulative effect of a change in accounting policy. The effect of the change was to increase the net loss for 1996 by $788,866 ($0.05 per share) for United States reporting purposes.

(4) ACCOUNTING FOR IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF

For United States reporting purposes, the Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." In the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss will be recognized. Management's estimates of gold prices, recoverable proven and probable reserves, operating capital, and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of the Company's investment in property, plant and equipment. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur which could adversely affect management's estimate of the net cash flow expected to be generated from its operations.

(Expressed in Canadian dollars) December 31, 1998

The Santa Elena, San Miguel and Carabobo, Cristinas 4 and 6 and Knob Hill properties, which have a total capitalized cost of $23,783, 828 for Canadian reporting purposes, has been written down for US reporting purposes, as they have no determinable proven or probable reserves. As a result of a study of gold reserves of its mineral properties, the Company has recorded a $4,751,755 (1997 – $15,437,072; 1996 – $3,595,001) write-down of its investment in mineral properties for United States reporting purposes. Since the fair value of the Albino 1 and Mineiro properties exceed their capitalized cost, there has been no adjustment to the cost of these properties. Management of the Company has estimated the fair value of these properties, based on the following assumptions: (a) the price of gold at US$300 per ounce; (b) a 90% recovery rate from the processing of gold; (c) an average processing cost of US$200 per ounce; (d) future capital cost expenditures of US$9,650,000 (Albino 1) and US$4,000,000 (Mineiro); (e) future cash flows are undiscounted and without interest charges; and (f) there are no material environmental and other costs. The estimated fair value of the properties would vary if future conditions do not occur in accordance with the above assumptions.

(5) MARKETABLE SECURITIES

In May 1993, the Financial Accounting Standards Board issued Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which became effective for years beginning after December 31, 1993. The statement requires that certain investments be classified into available-for-sale or trading securities stated at fair market values. Any unrealized holding gains or losses are to be reported as a separate component of shareholders' equity until realized for available-for-sale securities, and included in earnings for trading securities. The Company's marketable securities are classified as trading securities.

(6) ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") which establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company does not anticipate that the adoption of the statement will have a significant impact on its financial statements.

(7) COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130 "Reporting Comprehensive Income." SFAS No. 130 establishes standards for the reporting and display of comprehensive income and its components (revenue, expenses, gains and losses). The purpose of reporting comprehensive income is to present a measure of all changes in shareholders' equity that result from recognized transactions and other economic events of the year, other than transactions with owners in their capacity as owners. SFAS No. 130 is effective for financial statements issued for periods beginning after December 15, 1997.

The Company adopted SFAS No. 130 for the year ended December 31, 1998. Total comprehensive loss for the years ended December 31, 1998, 1997 and 1996 was $15,500,421, $34,205,761 and $9,409,868, respectively. The only item included in other comprehensive income is foreign currency translation adjustments in the amounts of $10,360, $Nil and $Nil for the years ended December 31, 1998, 1997 and 1996.

(8) REPORTING ON COSTS OF START-UP ACTIVITIES

In April 1998, the American Institute of Certified Public Accountant's issued Statement of Position 98-5 "Reporting on Costs of Start-Up Activities" ("SOP 98-5") which provides guidance on the financial reporting of start-up costs and organization costs. It requires costs of start-up activities and organization costs to be expensed as incurred. SOP 98-5 is effective for the fiscal years beginning after December 15, 1998 with initial adoption reported as the cumulative effect of a change in accounting principles. The Company does not anticipate that the adoption of the statement will have a significant impact on its financial statements.

(9) CONCENTRATION OF CREDIT RISK

The Company is exposed to credit losses in the event of non-performance by the counterparties to the financial instruments, but does not expect any counterparties to fail to meet their obligations. The Company generally does not obtain collateral or other security to support financial instruments subject to credit risk but monitors the credit standing of counterparties.

(10) INCOME TAXES

Income taxes are calculated in accordance with the provisions set forth in SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred income taxes are determined using an asset and liabilities approach. This method gives consideration to the future tax consequences associated with differences between the financial accounting and tax basis of assets and liabilities and gives immediate effect to changes in income tax laws.

Temporary differences giving rise to the deferred tax asset consist of the excess of depreciation for accounting purposes over the amount for tax purposes.

The Company's deferred tax asset is comprised of the following at December 31:

	1998	1997
Deferred tax asset:		
Amortization and depletion	$ 361,155	$ 304,116
Net operating loss carryforward	19,056,177	12,452,709
	19,417,332	12,756,825
Valuation allowance	(19,417,332)	(12,756,825)
Net deferred tax asset	$ –	$ –

The impact of the above differences between Canadian and United States generally accepted accounting principles on the consolidated balance sheet items as reported, is as follows:

	1998			1997		
	Balance as Reported	Adjustments	Balance as per United States Reporting Requirements	Balance as Reported	Adjustments	Balance as per United States Reporting Requirements
Current assets	$ 15,437,744	$ –	$ 15,437,744	$ 18,413,247	$ –	$ 18,413,247
Security deposits	188,367	–	188,367	104,898	–	104,898
Property, plant and equipment	90,098,063	(754,698)	89,343,365	47,194,403	(789,256)	46,405,147
Allowance for write-down of Mineral properties	–	(23,783,828)	(23,783,828)	–	(19,032,073)	(19,032,073)
Deferred financing fees	–	–	–	611,688	–	611,688
	$105,724,174	$(24,538,526)	$81,185,648	$66,324,236	$(19,821,329)	$46,502,907
Current liabilities	$ 13,773,556	$ –	$13,773,556	$ 2,971,932	$ –	$ 2,971,932
Reclamation provision	713,699	–	713,699	–	–	–
Long-term debts	23,348,884	–	23,348,884	12,185,714	–	12,185,714
Deferred charges	110,606	–	110,606	–	–	–
Shareholders' equity	67,777,429	(24,538,526)	43,238,903	51,166,590	(19,821,329)	31,345,261
	$105,724,174	$(24,538,526)	$81,185,648	$66,324,236	$(19,821,329)	$46,502,907

(Expressed in Canadian dollars) December 31, 1998

The impact of the differences between Canadian and United States generally accepted accounting principles on mineral properties and deferred exploration costs of those properties with unproven and those with proven and probable reserves is as follows:

	1998 Balance as Reported	1998 Balance as per United States Reporting Requirements	1997 Balance as Reported	1997 Balance as per United States Reporting Requirements
Mineral Properties With Unproven Reserves				
Santa Elena/Carabobo	$ 3,416,576	$ 3,416,576	$ 3,416,576	$ 3,416,576
El Tigre	–	–	178,422	178,422
Las Cristinas 4 and 6	19,848,966	19,848,966	15,437,072	15,437,072
Knob Hill	518,283	518,283	–	–
Other	3	3	3	3
	23,783,828	23,783,828	19,032,073	19,032,073
Less: allowance for write-down of mineral properties	–	(23,783,828)	–	(19,032,073)
	23,783,828	–	19,032,073	–
Mineral Properties With Proven and Probable Reserves				
Albino 1	17,710,939	17,710,939	17,287,439	17,287,439
Mineiro	724,548	724,548	801,378	801,378
	18,435,487	18,435,487	18,088,817	18,088,817
Accumulated depletion	(1,675,662)	(1,675,662)	(1,454,190)	(1,454,190)
	16,759,825	16,759,825	16,634,627	16,634,627
Total capitalized cost	$40,543,653	$16,759,825	$35,666,700	$ 16,634,627
Deferred Exploration Costs With Unproven Reserves				
Santa Elena/Carabobo	$ 754,698	$ –	$ 755,091	$ –
El Tigre	–	–	34,165	–
	754,698	–	789,256	–
Deferred Exploration Costs With Proven and Probable Reserves				
Albino 1	6,806,899	6,806,899	6,065,972	6,065,972
Mineiro	890,263	890,263	758,152	758,152
San Gregorio	43,564	43,564	–	–
	7,740,726	7,740,726	6,824,124	6,824,124
Accumulated depletion	(645,850)	(645,850)	(559,113)	(559,113)
	7,094,876	7,094,876	6,265,011	6,265,011
Total capitalized cost	$ 7,849,574	$ 7,094,876	$ 7,054,267	$ 6,265,011

The impact of the above differences between Canadian and United States generally accepted accounting principles on the loss for the year would be as follows:

	1998	1997	1996
Loss for the year, as reported	$ (7,215,604)	$ (9,525,664)	$ (4,680,852)
Less: Compensation expense on granting of stock options	(3,577,980)	(9,242,635)	(345,149)
Amounts written-down for mineral property acquisitions	(4,751,755)	(15,437,072)	(3,595,001)
Deferred exploration costs	34,558	(390)	–
Loss before extraordinary gain	(15,510,781)	(34,205,761)	(8,621,002)
Cumulative effect of change in accounting policy of accounting for deferred exploration costs	–	–	(788,866)
Loss for the year in accordance with United States generally accepted accounting principles	$ (15,510,781)	$ (34,205,761)	$ (9,409,868)
Loss per share for the year in accordance with United States generally accepted accounting principles:			
Loss per share before extraordinary gain	$ (0.43)	$ (1.23)	$ (0.57)
Loss per share due to cumulative effect of change in accounting policy for accounting for deferred exploration costs	–	–	(0.05)
Loss per share in accordance with United States generally accepted accounting principles	$ (0.43)	$ (1.23)	$ (0.62)

11. Related Party Transactions

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

a) Paid or accrued consulting and management fees of $2,021,843 (1997 – $290,824; 1996 – $249,257) to directors of the Company and companies related to directors and an officer of the Company.

b) Paid or accrued legal fees of $380,908 (1997 – $1,059,960; 1996 – $264,779) to companies related to directors of the Company.

12. Income Taxes

The Company has non-capital losses, which may be carried forward and applied against taxable income in future years. These losses expire during the following years:

1999	$ 18,536,199
2000	21,027,270
2001	7,700,248
2002	3,416,460
2003	2,141,242
2004	1,407,105
2005	770,738
	$ 54,999,262

The Company has capital losses of $302,000, which may be applied against taxable capital gains in the future. These capital losses may be carried forward indefinitely.

The Company has available certain exploration and development expenditures to reduce taxable income of future years.

(Expressed in Canadian dollars) December 31, 1998

13. Contingencies

a) On July 4, 1995, MEM gave notice to ACOMIXSUR in connection with its right to sell the Santa Elena 7 and 8, Carabobo and San Miguel 8 concessions to the Company. ACOMIXSUR filed a response asserting its rights with the MEM and awaits a response from the ministry. Separately, the Company has filed a petition with the Venezuelan Supreme Court seeking confirmation of the title. Should the court determine that the option on certain mineral properties previously granted to the Company be rescinded, the effect this would have on the Company's financial position and results of operations would be to write-off its investment in the Santa Elena, Carabobo and San Miguel mineral properties and all related deferred exploration costs. There would be no material adverse effect on the Company's cash flows as a result of this write-off.

b) Three purported class actions were filed against the Company and certain of its officers and directors in the United States District Court for the Southern District of New York. These actions have been consolidated for all purposes. The Consolidated Complaint in the Action alleges that the defendant made false and misleading statements about the Company's interest in the Cristinas 4 and 6 concessions, in violation of the United States securities laws, and purported to be brought on behalf of a class consisting of all purchasers of the Company's stock between March 3, 1997 and June 12, 1998, inclusive. The defendants have moved to dismiss the action, which motion is fully briefed and pending before the court. No amount has been accrued in the accounts in respect of these matters.

14. Supplemental Disclosures with Respect to Cash Flows

	1998	1997	1996
Cash paid during the year for interest	$40,896	$349,320	$165,359
Cash paid during the year for income taxes	$ –	$ –	$ –

Significant non-cash transactions for the year ended December 31, 1998 included:

i) The Company issued 75,000 common shares, with a deemed value of $487,500, for the Knob Hill property payment.
ii) The Company issued 480,000 common shares, with a deemed value of $462,900 for the Cristinas 4 and 6 property payment.
iii) The Company issued 3,375,317 common shares upon conversion of convertible notes and accrued interest in the amount of $19,146,261.
iv) The Company applied $611,688 of the deferred financing fees against share capital upon conversion of notes to common stock.

Significant non-cash transactions for the year ended December 31, 1997 included:

i) The Company issued 153,420 common shares upon conversion of convertible debentures in the amount of $492,478.
ii) The Company issued 100,000 common shares, with a deemed value of $355,000, for the acquisition of a 65% interest in Diamond Company Ltda.
iii) The Company issued 215,000 common shares, with a deemed value of $1,421,150, for an Albino 1 property payment.
iv) The Company issued 166,587 common shares, with a deemed value of $691,336, for finder's fees.
v) The Company issued 30,000 common shares, with a deemed value of $238,500, for legal fees.
vi) The Company issued 417,398 common shares upon conversion of notes in the amount of $2,129,953.
vii) The Company applied $106,256 of the deferred financing fees against share capital upon conversion of notes to common stock.

Significant non-cash transactions for the year ended December 31, 1996 included:

i) The Company issued 463,739 common shares for settlement of debt in the amount of $1,159,346.
ii) The Company issued 236,492 common shares upon conversion of convertible debentures in the amount of $623,994.

15. Segmented Information

The Company operates principally in four geographic areas: Brazil, Canada, Uruguay and Venezuela. The following is a summary of the information by area for the years ended December 31, 1998, 1997 and 1996:

INDUSTRY SEGMENTS

Substantially all of the Company's operations are within the mining sector. The Company's major product is gold produced from operations located in Venezuela and Uruguay.

GEOGRAPHIC SEGMENTS

	1998	1997	1996
Operating revenue:			
Brazil	$ –	$ –	$ –
Canada	–	–	–
Uruguay	6,784,765	–	–
Venezuela	1,783,983	4,502,749	2,378,261
	$ 8,568,748	$ 4,502,749	$ 2,378,261
Loss before other items:			
Brazil	$ (1,659)	$ (3,740)	$ –
Canada	(6,129,420)	(5,992,697)	(2,930,994)
Uruguay	1,864,381	–	–
Venezuela	(5,156,149)	(3,465,541)	(3,004,276)
	$(9,422,847)	$(9,461,978)	$(5,935,270)

Loss before other items is comprised of operating revenue less operating expenses including amortization and depletion, write-down of assets, general and administrative expenses and exploration expenses.

	1998	1997	1996
Identifiable assets:			
Brazil	$ 1,618,726	$ 1,596,243	$ –
Canada	2,393,164	18,006,735	16,551,593
Uruguay	49,587,295	–	–
Venezuela	52,124,989	46,721,258	25,294,783
	$105,724,174	$66,324,236	$41,846,376

MAJOR CUSTOMERS

The Company is not economically dependent on a limited number of customers for the sale of its products because gold commodity markets are well-established worldwide. During 1998, open market gold sales accounted for $6,784,765 or 79% of the total sales. During 1997 and 1996, the Government of Venezuela accounted for $4,502,749 and $2,378,261, respectively, or 100% of the total sales.

16. Commitments

AGREEMENT

The Company entered into an agreement ("Call Agreement") whereby it acquired an exclusive call right to acquire all of the common shares of Ventures, (Barbados) Ltd. ("Ventures"). Ventures indirectly owns, as its sole material asset, the outstanding shares of Inversora Mael, C.A. ("Mael"). The directors of Ventures have granted the Company an exclusive right to acquire all of the shares of Ventures at their cost at any time. Therefore, the accounting for this transaction when it does take place will be at the cost to the Company which is equal to the directors' cost, resulting in no capital distribution by the Company to the directors.

The directors' cost of acquiring the shares of Mael is US$30 million, of which US$6.5 million was paid as of December 31, 1998. The amount of US$3.5 million is to be paid in cash or through common shares of the Company by January 1, 2001 and the balance of the payment terms is to be determined in 2001.

The call right is irrevocable and unconditional, unless prior to its exercise a person together with any parties acting jointly or in concert with it acquires 20% or more of the outstanding voting shares of the Company without the approval of the Board of Directors. In such event, the call right will be terminated and Ventures and its shareholders will be required to dispose of the investment in Mael in a commercially reasonable manner with a view to maximizing the proceeds of such disposition. The net proceeds of disposition, whether represented by cash or securities, would be distributed after payment of liabilities to those persons who were shareholders of the Company immediately prior to the 20% ownership threshold being surpassed. Under the Call Agreement, the Company has the right to vote the shares of Ventures (see Note 5, Cristinas 4 and 6 concessions.

HEDGING

The Company has entered into contractual agreements with major financial institutions to deliver gold. Realization under these agreements is dependent upon the ability of those financial institutions to perform in accordance with the terms of these agreements. As at December 31, 1998, the Company's consolidated hedging program consists of fixed forward sales contracts totalling 213,750 ounces of gold over the next four years at prices ranging from US$310 to US$317 per ounce.

The fair value of all the Company's hedge position at December 31, 1998 is $4,199,614 above the carrying value of $Nil.

17. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, security deposits, accounts payable and accrued liabilities, amounts due to/from related parties and long-term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

At December 31, 1998 and 1997, the fair values of cash and cash equivalents, accounts receivable, marketable securities, security deposits, accounts payable, and amounts due to/from related parties approximated carrying values because of the short-term nature of these instruments, except for the fair values of the hedging contracts disclosed in Note 16.

18. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may incorrectly recognize the year 2000 as some other date, resulting in errors. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Independent Auditors' Report

Crystallex International Corporation

To the Shareholders of
Crystallex International Corporation

We have audited the consolidated balance sheets of Crystallex International Corporation as at December 31, 1998 and 1997 and the consolidated statements of operations, changes in shareholders' equity and cash flows for the years ended December 31, 1998, 1997 and 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997 and the results of its operations and the changes in its shareholders' equity and cash flows for the years ended December 31, 1998, 1997 and 1996, expressed in Canadian dollars, in accordance with Canadian generally accepted accounting principles.

Davidson & Company

Vancouver, Canada Chartered Accountants

March 19, 1999

Working Board and Management

Crystallex International Corporation

Management

Marc J. Oppenheimer
President and Chief Executive Officer

C. Brian Cramm
Vice President – Planning and Acquisitions

Dr. Sadek E. El-Alfy
Vice President – Operations

A. Richard Marshall
Vice President – Corporate Development

Dr. Luca Riccio
Vice President – Exploration

K.Y. Szetho
Chief Financial Officer and Secretary

Dr. Enrique Tejera Paris
President – Minera Venamo, C.A.

Directors

Robert A. Fung
Chairman
Senior Partner – Capital West

Marc J. Oppenheimer
Director
President and Chief Executive Officer – Crystallex International Corporation

Mitchell Klein
Director
Partner – Goodman, Phillips & Vineberg

Harry J. Near
Director
President – Earnscliffe Strategy Group

Robert A. Nihon
Director
Chairman and Chief Executive Officer International Bankers Limited and Chairman – Alexis Nihon Canada

Daniel R. Ross
Director
Managing Partner – McCarthy Tétrault

Dr. Enrique Tejera Paris
Director
President – Minera Venamo, C.A.

Armando F. Zullo
Director
Founder and President – A.F. Zullo & Company, Ltd.

Shareholder Information

Crystallex International Corporation

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(604) 683-0672

Independent Auditors
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P.O. Box 10372 Pacific Centre
Vancouver, BC V7Y 1G6

Corporate Counsel
McCarthy Tétrault
Toronto Dominion Bank Tower
Toronto Dominion Centre
Toronto, ON M5K 1E6

Transfer Agent and Registrar
CIBC Mellon Trust Company
Corporate Trust Services
Mall LVL
1177 West Hastings Street
Vancouver, BC V6E 2K3

Investor Contact
A. Richard Marshall
Vice President – Corporate Development
(201) 541-6650

Annual Meeting
June 18, 1999, 8:30 a.m. PDT
Vancouver Airport Marriott
7571 Westminster Highway
Richmond, BC V6X 1A3

SHAREHOLDERS OF RECORD

As of April 26, 1999, Crystallex International Corporation had approximately 398 shareholders of record. This number excludes individual shareholders holding stock under nominee security positions.

SHARE PRICES

The Company's Common Stock is traded on the Toronto Stock Exchange and the American Stock Exchange under the symbol KRY. Quarterly high and low stock prices on the Toronto Exchange for 1998 and 1997 were:

(In Canadian dollars)	1998 High	1998 Low	1997 High	1997 Low
First Quarter	$11.85	$4.25	$5.85	$1.90
Second Quarter	7.40	0.90	7.35	2.95
Third Quarter	1.40	0.50	8.35	3.20
Fourth Quarter	1.15	0.60	7.50	5.20

FORWARD-LOOKING INFORMATION

This annual report may contain certain "forward-looking statements" within the meaning of the United States Securities Exchange Act of 1934 as amended. All statements, other than statements of historical fact, included in this report, including, without limitation, statements regarding potential mineralization and reserves, exploration results and future plans and objectives of Crystallex, are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risk Factors" and elsewhere in documents filed from time to time with the Toronto Stock Exchange, the United States Securities and Exchange Commission and other regulatory authorities.

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OPPORTUNITIES

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