Consolidated Financial Statements of

CRYSTALLEX INTERNATIONAL CORPORATION

June 30, 2004

(Unaudited – Prepared by Management)

(Expressed in United States dollars)

CRYSTALLEX INTERNATIONAL CORPORATION
Consolidated Balance Sheets
(Unaudited - Prepared by Management)
(Expressed in United States dollars)

	June 30, 2004	December 31, 2003 (Restated - Note 2)
ASSETS		
CURRENT		
Cash and cash equivalents	$ **81,497,090**	$ 26,203,536
Accounts receivable - trade	**608,048**	860,901
Accounts receivable - other	**1,000,000**	2,089,260
Production inventories (Note 4)	**2,263,721**	1,751,703
Prepaid expenses and deposits	**3,411,820**	943,285
	88,780,679	31,848,685
PROPERTY, PLANT AND EQUIPMENT (Note 5)	**111,891,773**	102,274,263
DEFERRED FINANCING FEES	**131,761**	150,580
TOTAL ASSETS	$ **200,804,213**	$ 134,273,528
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ **8,383,192**	$ 6,968,598
Current portion of deferred credit (Note 7)	**9,875,724**	20,210,104
Current portion of long-term debt	**2,715,000**	1,030,000
	20,973,916	28,208,702
LONG-TERM DEBT	**4,258,000**	6,458,000
DEFERRED CREDIT	**7,908,872**	20,498,008
	33,140,788	55,164,710
MINORITY INTEREST	**111,053**	111,053
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	**272,788,518**	171,994,591
SPECIAL WARRANTS	**-**	11,886,581
CONTRIBUTED SURPLUS	**31,518,781**	25,808,171
CUMULATIVE TRANSLATION ADJUSTMENT (Note 2)	**11,958,981**	11,958,981
DEFICIT (Note 2)	**(148,713,908)**	(142,650,559)
	167,552,372	78,997,765
	$ **200,804,213**	$ 134,273,528

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

CRYSTALLEX INTERNATIONAL CORPORATION
Consolidated Statements of Operations
(Unaudited - Prepared by Management)
(Expressed in United States dollars)

	Three month period ended June 30, 2004	Three month period ended June 30, 2003	Six month period ended June 30, 2004	Six month period ended June 30, 2003
MINING REVENUE	$ 5,634,073	$ 2,507,589	$ 9,577,395	$ 3,865,645
OPERATING EXPENSES				
Operations	5,060,480	2,018,811	7,719,690	4,005,497
Amortization	1,278,266	240,982	2,368,459	450,452
Depletion	809,990	435,693	1,660,578	535,551
	7,148,736	2,695,486	11,748,727	4,991,500
OPERATING LOSS	(1,514,663)	(187,897)	(2,171,332)	(1,125,855)
OTHER EXPENSES				
Amortization	28,399	3,601	52,993	6,310
Interest on long-term debt	58,539	108,992	145,109	516,229
General and administrative	5,532,842	1,511,582	8,201,925	3,652,906
Stock based compensation (Notes 3 & 6)	3,388,612	-	3,434,230	-
	9,008,392	1,624,175	11,834,257	4,175,445
NON-HEDGE DERIVATIVE GAIN (LOSS) (Note 7)	14,448,300	(1,410,027)	11,715,415	4,240,002
INCOME (LOSS) BEFORE OTHER ITEMS	3,925,245	(3,222,099)	(2,290,174)	(1,061,298)
OTHER ITEMS				
Interest and other income	139,608	-	167,228	13,215
Foreign exchange gain (loss)	(555,347)	1,565,080	(1,018,257)	2,832,215
Loss on sales of marketable securities	-	(1,032)	-	(1,032)
Write-down of marketable securities	-	(14,364)	-	(81,260)
	(415,739)	1,549,684	(851,029)	2,763,138
INCOME (LOSS) FROM CONTINUING OPERATIONS	3,509,506	(1,672,415)	(3,141,203)	1,701,840
DISCONTINUED OPERATIONS	-	(1,864,485)	-	(795,048)
NET INCOME (LOSS) FOR THE PERIOD	$ 3,509,506	$ (3,536,900)	$ (3,141,203)	$ 906,792
BASIC AND DILUTED NET INCOME (LOSS) PER SHARE				
Continuing operations	$ 0.02	$ (0.02)	$ (0.02)	$ 0.02
Discontinued operations	-	(0.02)	-	(0.01)
	$ 0.02	$ (0.04)	$ (0.02)	$ 0.01
WEIGHTED AVERAGE NUMBER OF SHARES				
OUTSTANDING - Basic	177,326,805	100,559,941	162,888,240	96,482,325
Diluted	182,930,200	100,559,991	162,888,240	98,387,799

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

CRYSTALLEX INTERNATIONAL CORPORATION
Consolidated Statements of Cash Flows
(Unaudited - Prepared by Management)
(Expressed in United States dollars)

	Three month period ended June 30, 2004	Three month period ended June 30, 2003	**Six month period ended June 30, 2004**	Six month period ended June 30, 2003
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES				
Income (loss) for the period - continuing operations	**3,509,506**	$ (1,672,415)	**(3,141,203)**	$ 1,701,840
Adjustments to reconcile income (loss) to net cash used in operating activities:				
Amortization and depletion	**2,116,655**	680,276	**4,082,030**	992,313
Unrealized foreign exchange loss (gain)	**89,261**	(3,138,664)	**139,260**	(3,446,678)
Directors' fees	**70,000**	-	**100,000**	30,000
Unrealized non-hedge derivative loss (gain)	**(22,031,364)**	3,300,097	**(22,923,516)**	(3,757,360)
Stock based compensation	**3,388,612**	-	**3,434,230**	-
Writedown of marketable securities	-	14,364	-	81,260
Loss on sale of marketable securities	-	1,032	-	1,032
Consulting expense	-	522,000	-	522,000
Changes in other operating assets and liabilities:				
(Increase) decrease in accounts receivable	**1,778,061**	(630,816)	**252,853**	(569,765)
(Increase) decrease in production inventories	**493,494**	796,076	**(512,018)**	526,482
Increase in prepaid expenses and other	**(2,361,477)**	(338,234)	**(2,468,535)**	(566,173)
Increase in due from related parties	-	(85,082)	-	(384,098)
Increase (decrease) in accounts payable and accrued liabilities	**2,181,194**	(3,395,433)	**1,414,594**	(4,222,334)
Increase in due to related parties	-	91,755	-	1,470,862
Decrease in deferred credit	-	(412,993)	-	(412,993)
	(10,766,058)	(4,268,037)	**(19,622,305)**	(8,033,612)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in property, plant and equipment	**(9,606,999)**	(3,995,120)	**(13,680,721)**	(5,533,351)
Proceeds on sale of marketable securities	-	201,072	-	201,072
	(9,606,999)	(3,794,048)	**(13,680,721)**	(5,332,279)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares for cash	**87,119,392**	1,102,434	**88,111,580**	1,102,434
Special warrants and warrants	-	6,618,583	-	9,115,363
Debt borrowings	-	2,173,766	-	3,642,431
Debt repayments	-	(984,354)	**(515,000)**	(1,000,854)
Deferred financing fees	-	(572,798)	-	(789,596)
	87,119,392	8,337,631	**87,596,580**	12,069,778
CASH FLOWS FROM CONTINUING OPERATIONS	**66,746,335**	275,546	**54,293,554**	(1,296,113)
CASH FLOWS FROM DISCONTINUED OPERATIONS	**1,000,000**	(427,513)	**1,000,000**	(293,112)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**67,746,335**	(151,967)	**55,293,554**	(1,589,225)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**13,750,755**	2,168,955	**26,203,536**	3,606,213
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 81,497,090**	$ 2,016,988	**$ 81,497,090**	$ 2,016,988

Supplemental disclosure with respect to cash flows (Note 8)

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

CRYSTALLEX INTERNATIONAL CORPORATION
Consolidated Statements of Shareholders' Equity
(Unaudited - Prepared by Management)
(Restated - Note 2)
(Expressed in United States dollars)

	Number of Common Shares	Amount	Number of Special Warrants	Amount	Number of Warrants	Contributed Surplus	Deficit	Cumulative Translation Adjustment	Equity Component of Convertible Notes	Total
Balance at December 31, 2002	91,722,278	$ 127,012,205	2,252,500	$ 2,915,183	11,678,170	$ 3,657,902	$ (80,571,880)	$ (402,181)	$ 2,482,126	$ 55,093,355
Shares issued:										
On exercise of options	270,000	332,500	-	-	-	-	-	-	-	332,500
On conversion of warrants	4,803,457	8,185,623	-	-	(4,803,457)	(1,458,924)	-	-	-	6,726,699
For directors' fees	40,080	57,000	-	-	-	-	-	-	-	57,000
In settlement of mineral property dispute	229,283	542,766	-	-	-	-	-	-	-	542,766
For settlement of bank loan and bank fees	2,348,184	2,114,811	-	-	-	-	-	-	-	2,114,811
For financial advisory fees	350,000	650,590	-	-	-	-	-	-	-	650,590
For finders fee	61,695	109,705	-	-	-	-	-	-	-	109,705
For legal fees	1,281,124	2,179,579	-	-	-	-	-	-	-	2,179,579
On conversion of notes	17,036,967	16,444,612	-	-	-	-	-	-	(2,482,126)	13,962,486
Conversion of special warrants	17,260,455	14,365,200	(17,260,455)	(14,365,200)	-	-	-	-	-	-
Special warrants and warrants issued for cash	-	-	27,807,955	23,336,598	13,903,977	21,428,845	-	-	-	44,765,443
Warrants issued for consulting fee	-	-	-	-	900,000	1,027,490	-	-	-	1,027,490
Warrants issued with convertible notes	-	-	-	-	150,000	197,420	-	-	-	197,420
Warrants issued with promissory notes	-	-	-	-	450,000	171,157	-	-	-	171,157
Warrants expired during the year	-	-	-	-	(2,235,918)	-	-	-	-	-
Options issued to non-employees	-	-	-	-	-	192,104	-	-	-	192,104
Warrants extended during the year	-	-	-	-	-	592,177	(592,177)	-	-	-
Net loss for the year	-	-	-	-	-	-	(61,486,502)	12,361,162	-	(49,125,340)
Balance at December 31, 2003	135,403,523	$ 171,994,591	12,800,000	$ 11,886,581	20,042,772	$ 25,808,171	$ (142,650,559)	$ 11,958,981	-	$ 78,997,765
Adjustment for change in accounting policy for stock-based compensation (Note 3)	-	-	-	-	-	2,696,968	(2,696,968)	-	-	-
Shares issued:										
Public equity offering	28,750,000	81,770,604								81,770,604
On exercise of options	622,000	498,656	-	-	-	-	-	-	-	498,656
On conversion of warrants	2,332,867	6,488,086	-	-	(2,332,867)	(645,766)	-	-	-	5,842,320
For directors' fees	40,976	100,000	-	-	-	-	-	-	-	100,000
For finders fee	19,232	50,000	-	-	-	-	-	-	-	50,000
Conversion of special warrants	12,800,000	11,886,581	(12,800,000)	(11,886,581)	-	-	-	-	-	-
Options issued to employees		-	-	-	-	3,434,230	-	-	-	3,434,230
Warrants extended during the period	-					225,178	(225,178)	-	-	-
Net loss for the period	-	-	-	-	-	-	(3,141,203)	-	-	(3,141,203)
Balance at June 30, 2004	179,968,598	272,788,518	-	$ -	17,709,905	$ 31,518,781	$ (148,713,908)	$ 11,958,981	-	$ 167,552,372

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

1. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim period consolidated financial statements of Crystallex International Corporation ("Crystallex" or the "Company") have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of the consolidated financial statements is based on the accounting policies and practices consistent with those used in the preparation of the Company's annual consolidated financial statements as at December 31, 2003 and for the year then ended except for the change in Functional and Reporting Currency (Note 2) and the changes in accounting policies (Note 3). These unaudited interim period consolidated financial statements do not contain all of the disclosures required by Canadian generally accepted accounting principles and therefore should be read together with the audited annual consolidated financial statements and the accompanying notes thereto.

2. CHANGE IN FUNCTIONAL AND REPORTING CURRENCY

Effective January 1, 2004, the functional currency of Crystallex was changed from the Canadian to US dollar. In general, this change results from an increase in the overall proportion of business activities conducted in US dollars. Concurrent with this change in functional currency, the Company adopted the US dollar as its reporting currency. Under Canadian GAAP, the change was effected by translating assets and liabilities at the existing US/Canadian dollar foreign exchange spot rate, while earnings were translated at the average rate for each period. Equity transactions have been translated at historic rates; with opening equity restated at the rate of exchange on January 1, 1999. The resulting net translation adjustment has been credited to the cumulative translation adjustment account. Subsequent to the issuance of its unaudited interim consolidated financial statements for the three months ended March 31, 2004, the Company discovered an inadvertent error in the calculation schedules of the translation of its deficit. This resulted in an understatement of the previously reported deficit and cumulative translation adjustment accounts as at December 31, 2003 of $132,815,144 and $7,867,269, respectively, by $19,826,250. This had no impact on the total shareholders' equity as of that date, or income (loss) for any prior periods. The comparative balance sheet figures, as at December 31, 2003, which are included in these unaudited interim consolidated financial statements for the six months ended June 30, 2004, reflect the restatement of the deficit and cumulative translation adjustment accounts.

3. CHANGES IN ACCOUNTING POLICIES

i) Stock Based Compensation

Effective January 1, 2004, the Company changed its accounting policy for stock-based compensation and adopted the fair value method of accounting for all its stock-based compensation. Previously the Company did not record stock options issued to employees as compensation expense and disclosed pro forma information on the fair value of stock-based compensation issued during the period in the notes to the financial statements. The Company has adopted this change by not restating any previously reported amounts. Under this method, compensation expense for stock options granted to employees is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognized over the vesting period of the options granted. The opening deficit and contributed surplus, as at January 1, 2004, have been adjusted by $2,696,968 to reflect the cumulative retroactive adjustment of this change.

(Expressed in United States dollars)

3. CHANGES IN ACCOUNTING POLICIES (continued)

ii) Asset Retirement Obligations

Effective January 1, 2004, the Company adopted the standard of the CICA Handbook, Asset Retirement Obligations, which requires that the fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related assets is generally recorded and depreciated over the life of the asset.

The amount of the liability is subject to re-measurement at each reporting period. This differs from the prior practice that involved expensing reclamation and closure costs through charges to income.

The effect of this change has no material impact on these unaudited interim period consolidated financial statements.

iii) Impairment of Long-Lived Assets

Effective January 1, 2004 this Company adopted the recommendations of the CICA handbook section 3063 with respect to impairment of long-lived assets. The adoption of this standard has no material impact on the Company's unaudited interim period consolidated financial statements.

4. PRODUCTION INVENTORIES

	June 30, 2004	December 31, 2003
Gold in doré	**$ 813,771**	$ 656,028
Gold in process	**412,374**	161,241
Stockpiled ore	**196,231**	178,743
Consumables and spare parts	**841,345**	755,691
	$ 2,263,721	$ 1,751,703

(Expressed in United States dollars)

5. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2004		
	Cost, Net of Write-down	**Accumulated Amortization and Depletion**	**Net Book Value**
Plant and equipment	**$ 19,766,336**	**$ 6,099,838**	**$ 13,666,498**
Mineral properties	**99,905,771**	**5,852,429**	**94,053,342**
Deferred exploration and development expenditures	**5,526,694**	**1,354,761**	**4,171,933**
	$ 125,198,801	**$ 13,307,028**	**$ 111,891,773**

	December 31, 2003		
	Cost, Net of Write-down	Accumulated Amortization and Depletion	Net Book Value
Plant and equipment	$ 16,283,213	$ 4,368,408	$ 11,914,805
Mineral properties	90,607,329	4,191,851	86,415,478
Deferred exploration and development expenditures	4,627,538	683,558	3,943,980
	$ 111,518,080	$ 9,243,817	$ 102,274,263

Costs of mineral properties represent acquisition costs, net of write-downs, related to the following:

	June 30, 2004	December 31, 2003
Cristinas Concessions	**$ 82,078,706**	$ 72,780,264
Bolivar Goldfields Properties	**12,148,626**	12,148,626
Albino 1 Concession	**5,678,439**	5,678,439
	99,905,771	90,607,329
Less: Accumulated depletion	**(5,852,429)**	(4,191,851)
	$ 94,053,342	$ 86,415,478

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

6. SHARE CAPITAL

	June 30, 2004	December 31, 2003
Authorized		
Unlimited common shares, without par value		
Unlimited Class "A" preference shares, no par value		
Unlimited Class "B" preference shares, no par value		
Issued		
179,968,598 common shares (2003 - 135,403,523)	**$ 272,788,518**	$ 171,994,591

Public Equity Offering

On April 5, 2004, the Company completed a Cdn. $100 million public equity offering whereby 25,000,000 common shares were issued at Cdn. $4.00 per common share. The net proceeds received by the Company in US dollars, after considering the underwriters' fee, amounted to US$71,694,731. On April 28, 2004, the over-allotment option granted to the underwriters in connection with this public equity offering was fully exercised and an additional 3,750,000 common shares were issued at Cdn. $4.00 per common share. The net proceeds received by the Company in US dollars, after considering the underwriters' fee, amounted to US$10,475,873. Additional expenditures related to this public equity offering and over-allotment were approximately US$400,000.

Warrants

As at June 30, 2004, Common Share purchase warrants were outstanding enabling the holders to acquire common shares as follows:

Range of Exercise Price ($ Cdn)	Number of Shares	Weighted Average Remaining Contractual Life (Years)
$1.60 to $2.28	4,717,194	1.07
$2.85 to $3.58	10,871,620	1.45
$3.69 to $4.69	2,121,091	0.54
	17,709,905	

During June 2004, the Company extended by 90 days the terms of certain Common Share purchase warrants, previously issued as part of private placement financing, that were coming to maturity. To reflect the value of the benefit conferred to the warrant holders as a result of the extension, a charge of $225,178 was made directly against retained earnings, and contributed surplus was increased by the same amount.

(Expressed in United States dollars)

6. SHARE CAPITAL (continued)

Stock options

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

The following table is a summary of the status of stock options outstanding at June 30, 2004:

	Outstanding and Exercisable Options		
Range of Exercise Price ($ Cdn)	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$1.00 to $1.50	2,426,500	3.37	1.23
$1.75 to $2.65	4,552,500	5.95	2.17
$3.00 to $4.12	3,477,500	8.13	3.07
	10,456,500		

Supplemental information for stock-based compensation

Effective January 1, 2004, the Company adopted, on a prospective basis, the fair value method of accounting for all stock options granted to employees (Note 3). The compensation expense recorded in the six months ended June 30, 2004 was $3,434,230. The offset is recorded as contributed surplus. Any consideration paid by employees on exercise of stock options is credited to share capital.

The following table presents the net income and net income per share for the three and six month periods ended June 30, 2003 had the Company recorded stock options as compensation expense on the date of grant, which corresponds to the date on which the options automatically vest.

	Three months ended June 30, 2003	Six months ended June 30, 2003
Net income (loss) for the period	$ (3,536,900)	$ 906,792
Incremental compensation expense	(643,367)	(1,076,130)
Pro forma net (loss) for the period	$ (4,180,267)	$ (169,338)
Pro forma basic loss per share	$ (0.04)	$ 0.00

(Expressed in United States dollars)

7. NON HEDGE DERIVATIVE GAIN (LOSS)

In prior years certain Standard Bank London Limited ("SBL") loan repayments were made through the issuance of the Company's common shares. These common shares were subject to an Orderly Disposition Agreement with SBL which specified that any cumulative gain on final disposition of the shares issued was for the Company's account. As at June 30, 2004 all shares subject to the Orderly Disposition Agreement had been disposed of by SBL for a cumulative gain of US$3,957,285. As the Company has agreed with SBL that the benefit of this gain will be applied against the future cash costs of settling derivative contracts with SBL, the Company has included this amount as a reduction of the deferred credit liability as well as a component of the non-hedge derivative gain for the six months ended June 30, 2004.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

		2004		2003
Cash paid during the six months ended June 30 for interest	$	**86,570**	$	57,886
Cash paid during the six months ended June 30 for income taxes	$	-	$	-

Significant non-cash transactions for the six months ended June 30, 2004 included:

i) The Company issued 40,976 common shares, with a value of $100,000, for directors' fees.

ii) The Company issued 19,232 common shares, with a value of $50,000, for finder's fee.

iii) The Company issued 12,800,000 common shares with a value of $11,886,581 on conversion of special warrants.

Significant non-cash transactions for the six months ended June 30, 2003 included:

i) The Company issued 18,495 common shares, with a value of $30,000, for directors' fees.

ii) The Company issued 32,104 common shares, with a value of $52,125, for finder's fee.

iii) The Company issued 11,293,258 common shares upon conversion of convertible and promissory notes, and accrued interest in the amount of $9,527,847.

iv) The Company issued 300,000 common shares, with a value of $522,000 for consulting fees.

v) The Company issued 2,348,184 common shares, with a value of $2,114,811 for loan payments and bank fees.

(Expressed in United States dollars)

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

vi) The Company issued 2,252,500 common shares upon conversion of special warrants with a value of $2,815,296

vii) The Company issued 281,124 common shares with a value of $253,184 for legal fees.

9. SEGMENTED INFORMATION

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

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

Geographic Information:

	Mining Revenue				Property, Plant and Equipment	
	Three Month Period Ended June 30, 2004	Three Month Period Ended June 30, 2003	**Six Month Period Ended June 30, 2004**	Six Month Period Ended June 30, 2003	**June 30, 2004**	Dec 31, 2003
Venezuela	**$ 5,634,073**	$ 2,507,589	**$ 9,577,395**	$ 3,865,645	**$ 111,711,482**	$ 95,820,966
Discontinued Operations	**-**	-	**-**	-	**-**	6,413,097
Total Foreign	**5,634,073**	2,507,589	**9,577,395**	3,865,645	**111,711,482**	102,234,063
Canada	**-**	-	**-**	-	**180,291**	40,200
TOTAL	**$ 5,634,073**	$ 2,507,589	**$ 9,577,395**	$ 3,865,645	**$ 111,891,773**	$ 102,274,263

CRYSTALLEX INTERNATIONAL CORPORATION
Notes to the Consolidated Financial Statements
June 30, 2004
(Unaudited – Prepared by Management)
(Expressed in United States dollars)

9. SEGMENTED INFORMATION (continued)

	Corporate	Bolivar / Albino	El Callao	Cristinas	Discontinued Operations	Intersegment Eliminations	Total
Three Months ended – June 30, 2004							
Mining revenue	$ -	$ 5,634,073	$ -	$ -	$ -	$ -	$ 5,634,073
Mining revenue – intersegment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating costs	$ -	$ (4,595,223)	$ (465,257)	$ -	$ -	$ -	$ (5,060,480)
Operating costs – intersegment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest and other income	$ 139,608	$ -	$ -	$ -	$ -	$ -	$ 139,608
Interest expense	$ -	$ (58,538)	$ -	$ -	$ -	$ -	$ (58,539)
Depletion and amortization	$ (28,399)	$ (2,088,256)	$ -	$ -	$ -	$ -	$ (2,116,655)
Segment profit (loss)	$ 5,378,650	$ (1,318,422)	$ (550,722)	$ -	$ -	$ -	$ 3,509,506
Segment assets	$ 86,338,965	$ 32,258,867	$ 127,674	$ 82,078,707	$ -	$ -	$ 200,804,213
Capital expenditures	$ 168,595	$ 2,813,859	$ -	$ 6,624,545	$ -	$ -	$ 9,606,999
Three Months ended – June 30, 2003							
Mining revenue	$ -	$ 1,939,559	$ 568,030	$ -	$ -	$ -	$ 2,507,589
Mining revenue – intersegment	$ -	$ 952,352	$ -	$ -	$ -	$ (952,352)	$ -
Operating costs	$ -	$ (1,214,518)	$ (804,293)	$ -	$ -	$ -	$ (2,018,811)
Operating costs – intersegment	$ -	$ -	$ (952,352)	$ -	$ -	$ 952,352	$ -
Interest and other income	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest expense	$ (40,889)	$ (68,103)	$ -	$ -	$ -	$ -	$ (108,992)
Depletion and amortization	$ (3,601)	$ (634,525)	$ (42,150)	$ -	$ -	$ -	$ (680,276)
Segment profit (loss)	$ (1,969,016)	$ 2,403,548	$ (2,106,947)	$ -	$ (1,864,485)	$ -	$ (3,536,900)
Segment assets	$ 11,982,453	$ 31,527,624	$ 13,237,831	$ 61,832,808	$ 12,210,781	$ -	$ 130,791,497
Capital expenditures	$ 482,664	$ 503,934	$ 130,974	$ 2,877,548	$ -	$ -	$ 3,995,120
Six Months ended - June 30, 2004							
Mining revenue	$ -	$ 9,577,395	$ -	$ -	$ -	$ -	$ 9,577,395
Mining revenue – intersegment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating costs	$ -	$ (7,089,945)	$ (629,745)	$ -	$ -	$ -	$ (7,719,690)
Operating costs – intersegment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest and other income	$ 167,228	$ -	$ -	$ -	$ -	$ -	$ 167,228
Interest expense	$ (20,363)	$ (124,746)	$ -	$ -	$ -	$ -	$ (145,109)
Depletion and amortization	$ (52,993)	$ (4,029,037)	$ -	$ -	$ -	$ -	$ (4,082,030)
Segment profit (loss)	$ (286,016)	$ (2,011,235)	$ (843,952)	$ -	$ -	$ -	$ (3,141,203)
Segment assets	$ 86,338,965	$ 32,258,867	$ 127,674	$ 82,078,707	$ -	$ -	$ 200,804,213
Capital expenditures	$ 456,300	$ 3,925,978	$ -	$ 9,298,443	$ -	$ -	$ 13,680,721
Six Months ended - June 30, 2003							
Mining revenue	$ -	$ 2,263,864	$ 1,601,781	$ -	$ -	$ -	$ 3,865,645
Mining revenue – intersegment	$ -	$ 2,007,416	$ -	$	$ -	$ (2,007,416)	$ -
Operating costs	$ -	$ (1,324,484)	$ (2,681,013)	$ -	$ -	$ -	$ (4,005,497)
Operating costs – intersegment	$ -	$ -	$ (2,007,416)	$ -	$ -	$ 2,007,416	$ -
Interest and other income	$ 13,215	$ -	$ -	$	$ -	$ -	$ 13,215
Interest expense	$ (336,831)	$ (179,398)	$ -	$ -	$ -	$ -	$ (516,229)
Depletion and amortization	$ (6,310)	$ (859,218)	$ (126,785)	$ -	$ -	$ -	$ (992,313)
Segment profit/(loss)	$ 3,007,093	$ 1,908,179	$ (3,213,432)	$ -	$ (795,048)	$ -	$ 906,792
Segment assets	$ 11,982,453	$ 31,527,624	$ 13,237,831	$ 61,832,808	$ 12,210,780	$ -	$ 130,791,496
Capital expenditures	$ 864,362	$ 503,934	$ 179,541	$ 3,985,514	$ -	$ -	$ 5,533,351

CRYSTALLEX INTERNATIONAL CORPORATION

Management's Discussion and Analysis
For the Six Month Period Ended June 30, 2004
(All dollar amounts in US dollars, unless otherwise stated)

The following Management's Discussion and Analysis (MD&A) of the unaudited financial condition and results of the operations of Crystallex International Corporation (Crystallex or the Company) for the second quarter and first half of 2004 should be read in conjunction with the MD&A for the year ended December 31, 2003, the Company's annual audited financial statements, the notes relating thereto and the quarterly unaudited financial statements and notes included in this report. The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Effective January 1, 2004, the Company prepares and files its unaudited consolidated financial statements and MD&A in United States dollars. This MD&A has been prepared as of August 12, 2004.

Highlights

- Closed a common share financing for net proceeds of $82.2 million.
- SNC-Lavalin Engineers & Constructors Inc., (SNCL) commenced Engineering, Procurement and Construction Management, (EPCM) work for Las Cristinas.
- The Las Cristinas Environmental Impact Study, (EIS) was submitted to the CVG and The Ministry of the Environment and Natural Resources, (MARN).
- Reduced gold sales contracts by 82,000 ounces during the second quarter. Committed gold sales were 234,475 ounces at the end of the second quarter.
- Net income for the quarter of $3.5 million, inclusive of a $14.4 million non-hedge derivative gain.

Key Statistics

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	**2004**	2003
Operating Statistics				
Gold Production (ounces)	**11,823**	6,559	**23,828**	10,885
Gold Sold (ounces)	**14,160**	6,486	**23,774**	10,652
Per Ounce Data:				
Total Cash Cost [1]	**$325**	$311	**$298**	$376
Average Realized Gold Price	**$398**	$387	**$403**	$363
Average Spot Gold Price	**$393**	$347	**$401**	$349
Financial Results ($ thousands)				
Revenues	**$5,634**	$2,508	**$9,577**	$3,866
Net Income (Loss)	**$3,510**	($3,537)	**($3,141)**	$907
Net Income (Loss) per Basic Share	**$0.02**	($0.04)	**($0.02)**	$0.01
Cash Flow from Operating Activities[2]	**($10,766)**	($4,268)	**($19,622)**	($8,034)
Weighted Average Common Shares Outstanding - Basic (millions)	**177.3**	100.6	**162.9**	96.5

Financial Position ($ thousands)	At June 30, **2004**	At Dec. 31, 2003
Cash and Equivalents	**$81,497**	$26,204
Total Debt	**$6,973**	$7,488
Shareholders' Equity	**$167,552**	$78,998

[1] For an explanation, refer to the section on Non-GAAP measures. The calculation is based on ounces of gold sold, not ounces produced.
[2] Cash flow after working capital changes and before capital expenditures.

Financial Results Overview

Second Quarter Ended June 30, 2004

Revenue for the second quarter ended June 30, 2004 more than doubled to $5.6 million, as compared with $2.5 million for the prior-year quarter. The increase in revenue was attributable to producing and selling more ounces of gold and also realizing a higher average gold price. The Company sold 14,160 ounces of gold at a realized price of $398 per ounce during the second quarter of 2004, compared with sales of 6,486 ounces at an average realized price of $387 per ounce in the year earlier quarter. The higher realized price reflects higher spot gold prices, which averaged $393 per ounce during the second quarter of 2004, as compared with $347 per ounce for the same period in 2003.

For the three months ended June 30, 2004, Crystallex recorded net income of $3.5 million or $0.02 per share, compared to a net loss of $3.5 million, or $0.04 per share for the year-earlier period. The Company's earnings in the second quarter of 2004 included a non-hedge derivative gain of $14.4 million and a $3.4 million charge for expensing stock options. The Company adopted the policy of expensing stock options effective January 1, 2004. The loss in the prior-year period included a non-hedge derivative loss of $1.4 million.

Cash flow utilized in operating activities for the second quarter of 2004 was $10.8 million as compared with a use of $4.3 million for the comparable quarter in 2003. For the quarter, revenues exceeded direct costs of production by $0.6 million; however, the cash flow deficit was largely attributable to expenditures of $7.6 million to financially settle gold sales contract positions during the quarter and $5.5 million of general and administrative expenses, inclusive of one-time expenditures of $1.7 million. The impact of the cash expenditures on the gold hedge book is reflected in the non-hedge derivative gain.

Six Months Ended June 30, 2004

Revenue for the first half of 2004 was significantly higher than the prior-year period due to selling more ounces of gold and realizing higher gold prices. First half 2004 revenues of $9.6 million were approximately 150% higher than revenues of $3.9 million for the comparable period in 2003. In the first half of 2004, the Company sold 23,774 ounces of gold at an average realized price of $403 per ounce, while during the same period in 2003, 10,652 ounces of gold were sold at an average realized price of $363 per ounce. The average spot gold price during the first six months of 2004 was $401 per ounce, as compared with $349 per ounce for the prior-year period.

For the first half of 2004, Crystallex recorded a net loss of $3.1 million, or $0.02 per share, compared with net income of $0.9 million or $0.01 per share for the corresponding period in 2003. The net loss for the first half of 2004 includes a non-hedge derivative gain of $11.7 million and a stock based compensation charge of $3.4 million. Net income for the prior year period included a non-hedge derivative gain of $4.2 million.

Operating cash flow was a deficit of $19.6 million for the first six months of 2004, as compared with a deficit of $8.0 million for the comparable period in 2003. Cash flow in first half of 2004 was impacted by expenditures of $11.2 million to settle financially gold sales commitments and $8.2 million of general and administrative expenses, which were $4.5 million higher than the prior-year period.

Project Development and Operations Review

Las Cristinas

There was significant progress during the second quarter in advancing the development and exploitation of Las Cristinas. Engineering and procurement work under the EPCM contract commenced in late March and continued on schedule during the second quarter. Principal activities during the second quarter were:

- Capital expenditures of $6.6 million.
- Engineering design work continued, principally in the civil department with the issuing of bid packages for the access road, diversion channel and site preparation work. Equipment lists for the mine, process plant and mobile equipment were finalized.

- The procurement process commenced with the evaluation of bids for equipment and contracts. Purchase orders were awarded for long lead time items, including the crushers, SAG and ball mills and the main power transformer. In addition, contracts for catering and freight forwarding have been awarded. Earthworks contracts for the main access road and the diversion channel are being evaluated.
- A Project Schedule was completed. Assuming the receipt of the final permit by October 2004, the Company expects commercial production during the first quarter of 2006.
- Confirmed the Land Occupation Permit for Las Cristinas, the prerequisite to securing the final permit.
- The Environmental Impact Statement, (EIS) was submitted in April 2004 to the Venezuelan Ministry of Environment and Natural Resources, (MARN). Receipt of the Permit to Impact Renewable Natural Resources (the final permit) is expected during the fourth quarter of 2004. In addition to responding to MARN observations on the EIS during the quarter, work continued on additional environmental studies to support the EIS:
  - Geotechnical and hydrogeological drill programs under the supervision of SNCL were completed subsequent to quarter end. The geotechnical drilling is designed to determine soil conditions in various areas of the project, while the hydrogeological drilling and testing will assist in determining and monitoring below surface water flows and allow for the estimation of pit pumping rates.
  - The second phase of the Las Cristinas socio-economic study commenced. This stage includes completing socio-economic baseline data collection, undertaking a socio-economic impact study and developing a socio-economic mitigation plan.
- Opened an office in Houston, Texas to manage the logistics and procurement process. Recruited a Procurement and Contracts Manager and a Logistics Manager for the Houston Office. A wholly owned subsidiary "Crystallex Procurement Services, Inc." has been incorporated through which Crystallex will operate its Houston office.

In addition to the EPCM work, Crystallex completed a 7,110 metre infill drill program at Las Cristinas during the second quarter. Drill core logging and assaying is ongoing and a revised reserve estimate is expected in October, 2004.

Production

	Three months ended June 30,		Six months ended June 30,	
Gold Production (ounces)	**2004**	2003	**2004**	2003
La Victoria	**0**	1,402	**0**	4,578
Tomi Open Pits	**9,791**	3,779	**20,005**	4,167
Tomi Underground	**1,364**	575	**2,187**	575
Purchased Material	**668**	803	**1,636**	1,565
Total Gold Production (ounces)	**11,823**	6,559	**23,828**	10,885

	Three months ended June 30,		Six months ended June 30,	
100% Basis	**2004**	2003	**2004**	2003
Revemin Mill[1]				
La Victoria Ore Processed (tonnes)	**0**	22,418	**0**	70,393
Tomi Open Pit Ore Processed (tonnes)	**96,235**	44,255	**193,912**	51,836
Tomi Underground Ore Processed (tonnes)	**6,149**	3,562	**10,676**	3,562
Purchased Material Ore Processed (tonnes)	**2,707**	4,069	**20,285**	15,088
Total Ore Processed (tonnes)	**105,091**	74,304	**224,873**	140,879
Head Grade of Ore Processed (g/t)	**3.82**	3.34	**3.58**	3.10
Total Recovery Rate (%)	**92%**	82%	**92%**	78%
Total Gold Recovered (ounces)	**11,823**	6,559	**23,828**	10,885
Total Cash Cost Per Ounce Sold	**$325**	$311	**$298**	$376

[1] Ore from Tomi, La Victoria and purchased material is processed at the Company's Revemin mill.

Improved and stable gold production during the first half of 2004 is a result of shifting mining from the La Victoria mine to the Tomi open pits and also reflects operating improvements achieved as a result of investing capital in the operations over the past nine months after a significant period of under funding. Second quarter 2004 gold production of 11,823 ounces was on budget and was largely unchanged from the first quarter. Second quarter and six months 2004 production figures of 11,823 ounces and 23,828 ounces respectively, were markedly improved over production of 6,559 ounces and 10,885 ounces for the comparable periods in 2003. The production gains are attributable, in the main, to improvements in mine equipment availability and utilization, which provided for a steady supply of ore to the Revemin mill and allowed the mill to operate near capacity of 1,350 tonnes per day. Revemin processed sixty percent more ore in the first half of 2004 than in the same period in 2003. In addition, and continuing from the first quarter, higher gold recoveries and ore grades contributed to the increase in production. In the first half of 2004, gold recovery averaged 92% and the average grade of ore processed was 3.58 g/t, while in the same period in 2003 gold recovery averaged 78% and the average grade was 3.10 g/t. The grade and recovery improvements are due to processing ore almost entirely from the Tomi concession in 2004, which is higher grade and does not have the refractory characteristics of the La Victoria ore.

Tomi

	Three months ended June 30,		Six months ended June 30,	
100% Basis	**2004**	2003	**2004**	2003
Tomi Open Pits (100% Crystallex)				
Tonnes Ore Mined	**93,849**	36,458	**197,602**	45,822
Tonnes Waste Mined	**709,394**	86,517	**1,535,615**	103,967
Tonnes Ore Processed	**96,235**	44,255	**193,912**	51,836
Average Grade of Ore Processed (g/t)	**3.47**	3.24	**3.49**	3.08
Recovery Rate (%)	**91%**	82%	**92%**	81%
Production (ounces)	**9,791**	3,779	**20,005**	4,167
Tomi Underground (100% Crystallex)				
Tonnes Ore Mined	**5,185**	4,878	**10,604**	4,878
Tonnes Ore Processed	**6,149**	3,562	**10,676**	3,562
Average Grade of Ore Processed (g/t)	**7.37**	5.61	**6.79**	5.61
Recovery Rate (%)	**94%**	89%	**94%**	89%
Production (ounces)	**1,364**	575	**2,187**	575

Second quarter gold production of 9,791 ounces from the Tomi open pit mines was on plan. Production from the Tomi open pits accounted for over 80% of Crystallex's gold production in the second quarter. Second quarter operating results, including tonnes processed, grade and gold recovery were largely unchanged from the first quarter of the year.

Gold production of 20,005 ounces in the first half of 2004 was significantly higher than the 4,167 ounces produced from the Tomi pits during the corresponding period in 2003. Production is higher this year as the Company reactivated mining at the open pits late in first quarter 2003, but did not shift all open pit mining activities to Tomi until the end of the third quarter of 2003.

The Tomi underground mine produced 1,364 ounces of gold during the second quarter of 2004. Gold production for the first six months of 2,187 ounces was approximately 50% of plan primarily due to delays in receiving equipment at site earlier in the year. The remaining underground equipment arrived at site during the second quarter and was operational in June. Production of 1,977 tonnes of ore in June was 77% of plan. The current mine development schedule anticipates reaching higher grade ore in the fourth quarter of 2004. Design production rates of 4,000 tonnes per month (approximately 200 tonnes per operating day) are also expected by year end.

La Victoria

100% Basis	Three months ended June 30, **2004**	2003	Six months ended June 30, **2004**	2003
La Victoria (51% Crystallex)[1]				
Tonnes Ore Mined	**0**	17,921	**0**	65,826
Tonnes Waste Mined	**60,578**	186,539	**142,630**	332,401
Tonnes Ore Processed	**0**	22,418	**0**	70,393
Average Grade of Ore Processed (g/t)	**0.00**	2.55	**0.00**	2.80
Recovery Rate (%)	**0%**	75%	**0%**	72%
Production (ounces)	**0**	1,402	**0**	4,578

[1] Crystallex owns 80% of El Callao Mining Corp, which in turn has an indirect 51% equity interest in La Victoria through the Venezuelan holding company, Osmin Holdings Limited. However, Crystallex has an 87.5% share of the distributable cashflow from Osmin until the first $4.0 million of debt owing from Osmin is repaid. Thereafter, Crystallex has a 75% share of the cashflow until the total debt from Osmin due indirectly to Crystallex (approximately $23.9 million at June 30, 2004) is fully repaid and a 51% share thereafter. Presently, there is no distributable cashflow, and Crystallex reports all production and reserves for its account.

An infill drill program of approximately 8,600 meters, (61 drill holes) has been completed at the La Victoria deposit. Core logging and assaying is underway. Mine Development Associates of Reno, Nevada has been engaged to update the La Victoria resource model, calculate a new reserve estimate and develop mine plans. This work is scheduled for completion during October. In addition, a Bio-Oxidation (BIOX) pilot plant program has commenced at Goldfields in South Africa to confirm the amenability of the refractory La Victoria ore to the BIOX process. As reported previously, gold recovery from the La Victoria refractory ore is approximately 60% using conventional cyanidation. Bench scale results suggest that pre-treatment with BIOX should significantly improve gold recovery. The BIOX pilot plant testing is scheduled for completion during October. An economic analysis of the deposit, incorporating the new reserve estimate and BIOX results will be undertaken by year end following the completion of the BIOX pilot plant test and the reserve report.

The Company is progressing towards securing the environmental permits required for diverting the Yuruari River at La Victoria. The river diversion is required for longer term open pit mining at La Victoria.

Income Statement

Revenue

For the second quarter of 2004, revenue totalled $5.6 million, as compared with $2.5 million for the comparable period in 2003. Gold sales in the second quarter of 2004 were 14,160 ounces compared with 6,486 ounces sold during the corresponding quarter of 2003 due to the increase in gold production as described in the Operations Review section of this MD&A. Crystallex receives the spot price for its gold sales and realized an average price of $398 per ounce on gold sales in the second quarter of 2004, moderately higher than the quarterly average spot price of $393 per ounce.

Revenue in the first half of 2004 was $9.6 million, approximately 150% higher than revenue of $3.9 million in the first half of 2003. The increase was due to more than doubling the number of ounces of gold sold and an increase of approximately 10% in the realized gold price. The Company sold 23,774 ounces of gold during the first six months of the year as compared with 10,652 ounces sold during the comparable period in 2003. For the first six months of 2004, Crystallex realized $403 per ounce as compared to an average realized price of $363 per ounce in the first half of 2003.

Operating Expenses

Mine operating costs were $5.1 million in the second quarter of 2004 compared to $2.0 million incurred in the corresponding quarter of 2003. Costs were higher due to a substantial increase in mining activity and gold production as described in the Operations Review section of this MD&A. On a unit cost basis, the total cash cost during the second quarter of 2004 was $325 per ounce of gold sold, as compared with $311 per ounce for the comparable period in 2003. Unit costs during the second quarter of 2004 were higher than the year-earlier period, largely because of higher waste stripping at both the Tomi open pit mines. For the first six months of 2004, cash costs were just below plan at $298 per ounce, as compared with $376 per ounce for the year earlier period. Unit costs were higher for the first six months of 2003 due to insufficient ore feed to the mill and low gold recovery from the La Victoria ore.

The Company continues to conduct minimal waste stripping at the La Victoria pit. These costs are being expensed, (since there is no gold production from La Victoria, they are not included in the cost per ounce figures). Expenses were also incurred for the La Victoria infill reserve drilling program. Expenses at La Victoria for the second quarter and first six months of 2004 were $465,000 and $630,000 respectively.

General and Administrative Expenses

General and Administrative expenses were $5.5 million for the second quarter of 2004, compared with $1.5 million for the corresponding quarter in 2003 and totalled $8.2 million for the first six months of 2004, as compared with $3.7 million for the same period in 2003. For the second quarter of 2004, the increase in general and administrative expenses is attributable to one-time, severance and bonus payments of $1.7 million, higher travel, legal and professional fees of approximately $1.0 million, largely related to ongoing corporate structuring and financing work for Las Cristinas, as well as higher compensation expenses attributable to staffing additions during the first half of 2004.

In addition to the general and administration expenses, are stock option expenses totalling $3.4 million in the second quarter 2004, of which $2.0 million related to options authorized in late 2003 and approved in 2004.

Forward Sales and Written Call Options

Crystallex's objective is to eliminate its gold sales commitments. To that end, by June 30, 2004, the Company had reduced its gold contracts by one-third, or 115,550 ounces, since the beginning of the year at a cost of $11.2 million. A total of 82,000 ounces of forward sales and call options were settled financially during the second quarter at a cost of $7.6 million. The Company intends to continue to settle financially contract positions at opportune times throughout the remainder of the year.

At June 30, 2004, the Company's gold contract position totalled 234,475 ounces, comprised of 121,856 ounces of fixed forward contracts at an average price of US$305 per ounce, and 112,619 ounces of call options sold at an average price of US$308 per ounce.

	2004	**2005**	**2006**	**Total**
Fixed Forward Gold Sales (ounces)	39,430	42,430	39,996	121,856
Average Price (US$/ounce)	$300	$305	$310	$305
Written Gold Call Options (ounces)	15,687	94,932	2,000	112,619
Average Exercise Price (US$/ounce)	$295	$309	$348	$308
Total (ounces)	**55,117**	**137,362**	**41,996**	**234,475**
Average Price (US$/ounce)	**$298**	**$308**	**$312**	**$306**

Subsequent to the end of the second quarter, the Company settled financially 40,000 ounces of gold contracts due in 2004. The cost of these settlements was $4.01 million and were almost entirely funded with $3.96 million of cash generated as excess proceeds from the disposition of Crystallex shares used for making loan repayments to Standard Bank, (refer to Note 7 of interim unaudited Notes to the Consolidated Financial Statements).

Accounting for Derivative Instruments

The Company's existing forward sales and call options are designated as derivatives so they do not qualify for the normal sales exemption, (or hedge accounting) for accounting treatment. The Company's metal trading contracts are recorded on the Balance Sheet at fair market value. Crystallex has no off-balance sheet gold contracts. Changes in the fair value of derivatives recorded on the Balance Sheet are recorded in earnings as an unrealized non-hedge derivative (loss) gain in the Statement of Operations. The gains and losses occur because of changes in commodity prices and interest rates.

The variation in the fair market value of options and forwards from period to period can cause significant volatility in earnings. This fair market value adjustment is an unrealized gain/loss that may impact the Company's cash flow. For the second quarter of 2004, the total unrealized mark-to-market gain on the non-hedge derivative positions was approximately $22.0 million. In addition, realized losses of $7.6 million arising from financial settlement of contracts were also recorded, resulting in a non-hedge derivative gain of $14.4 million for the three months ended June 30, 2004.

Mark-to-Market (Fair Value)

At June 30, 2004, the unrealized fair value of the Company's gold forward sales and call options, calculated at the quarter end spot price of US$396 per ounce was negative $17.8 million, (negative $39.8 million at March 31, 2004 at a US$424 per ounce gold price). This fair value is recorded on the Balance Sheet as a liability (Deferred Credit) and represents the replacement value of these contracts based upon the spot gold price at June 30, 2004 and does not represent an obligation for payment. The Company's obligations under the forward sales contracts are to deliver an agreed upon quantity of gold at a predetermined price by the maturity date of the contract, while delivery obligations under the call options sold are contingent upon the price of gold and will take effect if the gold price is above the strike price of the relevant contract at its maturity date and the option is exercised by the option holder.

In circumstances where the Company is unable to meet the obligations under the fixed forward sales or call options, the Company may negotiate with the counterparty to defer the expiry date of the forward sale or call option, or purchase gold in the market, or settle the positions financially. If the Company were to purchase gold in the market or settle financially the contracts, it would result in a reduction of the Company's cash. The table below illustrates the cash requirement if the Company had to financially settle all contract positions in excess of planned production. The analysis assumes the Company resumes operations at La Victoria, the Albino mine is developed on schedule, but excludes future Las Cristinas production. It also assumes the Company is unable to roll existing contracts to future periods. The analysis assumes all positions in excess of planned production are required to be settled financially at June 30, 2004 and uses the spot gold price on that day of US$396 per ounce.

US$ millions	**2004**	**2005**	**2006**	**Total**
Total ounces Committed	55,117	137,362	41,996	**234,475**
Planned Production[2]	25,000[1]	70,000	65,000	176,000
Excess Committed Ounces	30,117	67,362	nil	97,479
Average Committed Price (US$/oz)	$298	$309	$348	$306[3]
Average Assumed Spot Price (US$/oz)	$396	$396	$396	$396
Cash Required to Settle Excess Positions	**$2.9**	**$5.9**	**nil**	**$8.8**

[1] Represents forecast production for the period July-December 2004.
[2] Production forecast excludes Las Cristinas.
[3]Represents the average price for the years 2004 and 2005 in which there are excess committed ounces.

The Company cautions readers not to place undue reliance on the projected production figures illustrated above. As noted under "Forward Looking Statements" in the Company's Annual Report, predictions and forecasts involve inherent risks and uncertainties. A number of factors could cause actual results to differ from plans.

Liquidity and Capital Resources

Crystallex's principal source of liquidity has been equity financing. The Company does not expect to generate positive operating cashflow (after corporate general and administrative expenses) until the Las Cristinas project is operating at full capacity. Cash balances of $81.5 million at June 30, 2004 are forecast to provide the Company with sufficient liquidity for the balance of 2004. Crystallex forecasts capital requirements in excess of $300 million through to the first half of 2006 to build Las Cristinas, to fund the Company's operating deficit, capital expenditures at the El Callao operations and for debt service.

Crystallex intends to fund this overall requirement with existing cash balances, limited recourse project debt financing or alternative forms of public market debt financing and equity financing.

Cash and Equivalents

Cash and cash equivalents were $81.5 million at June 30, 2004, $55.3 million higher than at December 31, 2003. The change in the cash balance for the first six months of 2004 is reconciled as follows:

Cash at December 31, 2003		$26.2
Financing Activities	$88.1	
Proceeds from the sale of San Gregorio	$1.0	
Total Sources of Cash	$89.1	
Operating Cashflow Deficit	($19.6)	
Capital Expenditures	($13.7)	
Debt Service	($0.5)	
Total Uses of Cash	($33.8)	
Net Addition to Cash		$55.3
Cash at June 30, 2004		**$81.5**

Cash Flow from Operations

Cash flow from operations is principally affected by the level of gold sales, realized gold prices, cash operating costs, general and administrative expenditures, cash expenditures on reducing the Company's gold sales commitments and movements in non-cash working capital. Operating cash flow (before capital expenditures) was negative $10.8 million for the second quarter of 2004, compared with negative $4.3 million in the prior year quarter. The deficit in cashflow in the current quarter was due to expenditures of $7.6 million to financially settle gold contract positions and $5.5 million of general and administrative expenses. The second quarter 2004 cash flow deficit was greater than the deficit in the prior-year quarter due to cash spent on settling gold contracts ($7.6 million) and higher general and administrative expenses ($4.5 million increase), offset by positive changes to working capital items ($6.1 million).

Operating cash flow for the first half of 2004 was negative $19.6 million, as compared with negative $8.0 million for the first half of 2003. Operating cash flow for the first six months of 2004 was impacted by an expenditure of $11.2 million to settle gold contract positions, and a $4.5 million increase in general and administrative expenses. These increases were partially offset by a $2.9 million period over period positive change in working capital items.

Investing Activities

For the second quarter of 2004, capital expenditures totalled $9.6 million, as compared with $4.0 million for the same period in 2003. The increase was attributable to higher spending on the Las Cristinas project and the Tomi underground mine. Capital expenditures for Las Cristinas totalled $6.6 million during the second quarter, as work commenced under the EPCM contract. The balance of the second quarter 2004 expenditures were for mine equipment and ramp development at the Tomi underground mine and for modernizing the Revemin mill. For the first half of 2004, capital expenditures amounted to $13.7 million, as compared with $5.5 million for the prior year period.

Capital expenditures for the second quarter and first half of 2004 and 2003 are summarized as follows:

US$ millions	Three Months Ended June 30, **2004**	2003	Six Months Ended June 30, **2004**	2003
Las Cristinas	**$6.6**	$2.9	**$9.3**	$3.9
Revemin and Tomi	**$2.8**	$0.5	**$3.9**	$0.5
La Victoria	**--**	$0.1	**--**	$0.2
Corporate	**$0.2**	$0.5	**$0.5**	$0.9
Total	**$9.6**	$4.0	**$13.7**	$5.5

The Company has revised its forecast of capital expenditures in 2004 on Las Cristinas to $65 million, down from the previous forecast of $80 million. Approximately $60 million is planned to be spent during the third and fourth quarters of 2004. The timing of the expenditures, however, is dependent upon the receipt of the final project permit. The revised forecast assumes the final permit is received in October 2004, any delay in receiving the permit will delay the project expenditures. Crystallex intends on funding the balance of planned expenditures for 2004 with existing cash balances.

Financing Activities

On April 5, 2004, the Company closed an equity financing of 25 million common shares at C$4.00 per share raising net proceeds of $71.7 million. The common share financing had an over-allotment option of 3.75 million shares at C$4.00 per share, which closed on April 28, 2004 and raised additional net proceeds of $10.5 million. Total net proceeds amounted to $82.2 million. Additional expenditures related to this financing are estimated to be $400,000.

Outstanding Share Data

At August 12, 2004, 179,968,598 of common shares of Crystallex were issued and outstanding. In addition, at August 12, 2004 options to purchase 10,456,500 common shares of Crystallex were outstanding under the Company's stock option plan and warrants to purchase 17,207,628 common shares of Crystallex were issued and outstanding.

Critical Accounting Policies and Estimates

Critical accounting estimates are those estimates that have a high degree of uncertainty and for which changes in those estimates could materially impact the Company's results. Critical accounting estimates for the Company include property evaluations, capitalization of exploration and development costs and commodity derivative contracts.

Accounting Changes

Change in Functional and Reporting Currency – Effective January 1, 2004, the Company changed its functional currency from the Canadian to US dollar. Concurrent with this change, the Company adopted the US dollar as its reporting currency. Refer to Note 2 of Notes to the Consolidated Financial Statements.

Accounting for asset retirement obligations – On January 1, 2004, the Company adopted CICA Handbook Section 3110 and changed its accounting policy to recognizing the fair value of liabilities for asset retirement obligations in the period incurred. There was no material impact in the first half of 2004 as a result of this change. Refer to Note 3 of Notes to the Consolidated Financial Statements.

Stock Based Compensation – Effective January 1, 2004, the Company changed its accounting policy for stock-based compensation and adopted the fair value method of accounting for all its stock-based compensation. Refer to Note 3 of the Notes to the Consolidated Financial Statements. Total expenses for the second quarter and first six months of 2004 were $3.39 million and $3.43 million respectively.

Impairment of Long Lived Assets – Effective January 1, 2004, the Company adopted the new recommendations with respect to impairment of long lived assets. There was no material impact on the consolidated financial statements. Refer to Note 3 of the Notes to the Consolidated Financial Statements.

Risk Factors

The profitability of the Company depends upon several identified factors including levels of production, commodity prices, costs of operation, financing costs, the successful integration of acquired assets and the risks associated with mining activities. Profitability will further vary with discretionary expenditures such as investments in technology, exploration and mine development. The Company operates in an international marketplace and incurs exposure to risks inherent in a multijurisdictional business environment including political risks, varying tax regimes, country specific employment legislation and currency exchange fluctuation. The Company seeks to minimize its exposure to these factors by implementing insurance and risk management programs, monitoring debt levels and interest costs, and maintaining employment and social policies consistent with sustaining a trained and stable workforce.

NON GAAP MEASURES

Total cash costs per ounce are calculated in accordance with the Gold Institute Production Cost Standard, (the “Standard”). The total cash cost per ounce data are presented to provide additional information and are not prepared in accordance with Canadian or U.S. GAAP. The data should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The measures are not necessarily indicative of operating profit or costs of operations as determined under Canadian or U.S. GAAP. The total cash cost per ounce calculation is derived from amounts included in the Operating Expense line on the Statement of Operations. As this line item is unchanged under US GAAP, the total cash cost per ounce figure is similarly unchanged using US GAAP results of operations.

Data used in the calculation of total cash costs per ounce may not conform to other similarly titled measures provided by other precious metals companies. Management uses the cash cost per ounce data to access profitability and cash flow from Crystallex’s operations and to compare it with other precious metals producers. Total cash costs per ounce are derived from amounts included in the Statement of Operations and include mine site operating costs such as mining, processing, administration, royalties and production taxes but exclude amortization, reclamation, capital expenditures and exploration costs.

Total cash costs per ounce may be reconciled to our Statement of Income as follows:

	Three months ended June 30,		Six months ended June 30,	
$,000	**2004**	2003	**2004**	2003
Operating Costs per Financial Statements	**$5,060**	$2,019	**$7,719**	$4,005
Adjust for La Victoria Waste Stripping	**($465)**	---	**($630)**	---
By-Product Credits	**---**	---	**---**	---
Reclamation and Closure Costs	**---**	---	**---**	---
Operating Costs for Per Ounce Calculation	**$4,595**	$2,019	**$7,089**	$4,005
Gold Ounces Sold	**14,160**	6,486	**23,774**	10,652
Total Cash Cost Per Ounce US$	**$325**	$311	**$298**	$376

Additional information relating to Crystallex, including the 2003 Annual Report, is available on SEDAR at www.sedar.com.