

CRYSTALLEX INTERNATIONAL CORPORATION

Corporate Governance Statement

(revised October 2009)

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1. Introduction

Corporate governance is the system by which business corporations are managed and directed. The governance structure of a corporation reflects the distribution of rights and responsibilities among the board of directors, management and shareholders of the corporation.

This Statement sets out the principal corporate governance practices of Crystallex International Corporation (*Corporation*). The documents referred to in this Statement may be viewed on the Corporation's website at www.crystallex.com.

The Corporation is:

- incorporated under the *Canada Business Corporations Act*;
- a *reporting issuer* under the securities laws of the Provinces of Ontario, British Columbia, Alberta, Québec, Nova Scotia and Newfoundland and Labrador; and
- a reporting *foreign private issuer* with the United States Securities and Exchange Commission (*SEC*).

The common shares of the Corporation are listed on the Toronto Stock Exchange (*TSX*) and the NYSE Amex Exchange (*AMEX*).

The corporate governance practices of the Corporation are subject to the requirements of the United States Sarbanes-Oxley Act of 2002 (*SOX*), the rules of the SEC adopted pursuant to SOX, the rules of the AMEX applicable to foreign private issuers, the guidelines of the TSX and the guidelines and rules of the Canadian Securities Administrators. The Corporation believes that its corporate governance practices comply with all of these requirements, rules and guidelines applicable to the Corporation at this time.

2. Board of Directors

2.1 *Role and Responsibilities*

- (1) The Board of Directors of the Corporation (*Board*) is responsible for supervising the management of the business and affairs of the Corporation and its subsidiary entities (*Crystallex Group*). The shareholders of the Corporation elect the directors of the Corporation (*Directors*) annually at the annual general meeting of shareholders.
- (2) In discharging their responsibilities, the Directors owe the following fiduciary duties to the Corporation:
 - a *duty of loyalty*: they must act honestly and in good faith with a view of the best interests of the Corporation; and

- *a duty of care*: they must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- (3) The Board has specifically recognized its responsibilities for:
- (a) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and other senior officers of the Corporation and that the Chief Executive Officer and the other officers of the Corporation create a culture of integrity throughout the Crystallex Group;
 - (b) adopting a strategic planning process and approving annually (or more frequently if appropriate) a strategic plan which takes into account, among other things, the opportunities and risks of the business of the Corporation;
 - (c) identifying the principal risks of the business of the Corporation and overseeing the implementation of appropriate systems to manage these risks;
 - (d) overseeing the integrity of the internal control and management information systems of the Corporation;
 - (e) succession planning (including appointing, training and monitoring senior management);
 - (f) adopting a disclosure policy for the Corporation; and
 - (g) developing the Corporation's approach to corporate governance.
- (4) The Board has adopted a Board Charter that, among other things, sets out the responsibilities of the Board.

2.2 *Composition*

The Corporation currently has eight Directors. The following table sets forth the name, country of residence, office (if any) with the Corporation, principal occupation and period of service of each Director.

Name, Country of Residence and Position with Corporation	Principal Occupation	Director Since
Robert A. Fung Canada Chair of the Board and Chief Executive Officer	Advisor, Macquarie Capital Markets Canada Ltd. (formerly Orion Securities Inc.)	December 3, 1996
Gordon M. Thompson Canada	Former President and Chief Executive Officer of the Corporation	February 1, 2007

<u>Name, Country of Residence and Position with Corporation</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Michael J. H. Brown Canada	Principal, Capital Markets Advisory Division, Acer Resource Financial Management Inc.	October 10, 2002
C. William Longden Canada	Vice Chairman, MMM Group Limited	July 25, 2000
Harry J. Near Canada	President, Near Consultants & Associates; Principal, The Earncliffe Strategy Group	May 5, 1997
Marc J. Oppenheimer United States	Merchant banking	February 20, 1995
Johan C. van't Hof Canada	President, Tonbridge Corporation	March 12, 2004
Armando F. Zullo Canada	President, A.F. Zullo & Company Ltd.	December 3, 1996

The articles of the Corporation provide that the Corporation shall have a minimum of one Director and a maximum of 10 Directors. The articles also provide that the actual number of Directors within the specified minimum and maximum may be determined from time to time by resolution of the Directors. The Board has by resolution dated May 6, 2005 fixed the number of Directors, within the specified minimum and maximum, at eight, thereby reducing the number of Directors from nine to eight. The term of office of each of the current Directors expires on the election of Directors at the annual general meeting.

2.3 Policy on Independence of Directors

(1) The Corporation has adopted a Policy on Independence of Directors (**Policy**). The purposes of the Policy are to:

- set out the test that the Board will use to determine whether a Director is independent;
- identify the criteria that the Board will use to assess whether a Director is independent; and
- describe the disclosure that the Board will provide to shareholders of the Corporation with respect to the determination of the independence of Directors.

- (2) The test that will be used by the Board to determine whether a Director is independent is:

Independent of management or any other direct or indirect material business or other relationship with the Crystallex Group that could interfere with the exercise of independent judgement by the Director or the ability of the Director to act in the best interests of the Corporation.

Generally, a Director will be considered to be independent if he/she satisfies all the criteria set out in the Policy. A Director may, however, in certain circumstances, be considered to be independent even though he/she does not satisfy one or more of the criteria set out in the Policy.

- (3) In its annual disclosure materials, the Corporation will include the following disclosure:

- (a) independent and non-independent Directors will be identified and the basis of the assessment of independence will be stated;
- (b) any assessment of independence for a Director who does not meet all the criteria set out in the Policy will be explained; and
- (c) all material relationships of each Director with the Crystallex Group will be described, including relationships (whether or not they fall within the criteria set out in the Policy) which the Board believes do not affect independence.

2.4 *Disclosure concerning Director Independence*

- (1) The Corporate Governance Committee has assessed the independence of each of the Directors and reported the results of its assessment to the Board. Based on the report of the Corporate Governance Committee, the information provided by each of the Directors and the application of the criteria set out in the Policy, the Board has determined that six of the eight current Directors are independent: Messrs. Brown, Longden, Near, Oppenheimer, van't Hof and Zullo.
- (2) The following describes the material business relationships of each Director with the Crystallex Group and the Board's assessment of whether the Director is independent based on the criteria set out in the Policy:
 - *Robert A. Fung* serves as Chair of the Board and Chief Executive Officer. He is an advisor of Macquarie Capital Markets Canada Ltd. (formerly Orion Securities Inc.), an investment dealer that has acted as agent or underwriter in connection with securities offerings by the Corporation and provides financial advisory services to the Corporation. Mr. Fung is not independent.
 - *Gordon M. Thompson* served as President and Chief Executive Officer of the Corporation from February 1, 2007 to June 4, 2008. Because of his previous employment by the Corporation, Mr. Thompson is not independent.

- *Michael J. H. Brown* is the principal of Capital Markets Advisory Division, Acer Resources Financial Management Inc. (*CMA*), a company controlled by Mr. Brown. Except as noted below, he does not have and has not had any relationship with the Corporation other than his position as a Director. In March 2003, the Corporation retained CMA to provide consulting services to the Corporation during a period when the Corporation was building its management infrastructure. Mr. Brown provided these services on behalf of CMA. CMA no longer provides consulting services to the Corporation and is unlikely to do so in the future. The Board has concluded that the former CMA retainer does not interfere with the exercise of independent judgment by Mr. Brown or the ability of Mr. Brown to act in the best interests of the Corporation. Mr. Brown is independent.
 - *C. William Longden* is an officer and a director of MMM Group Limited and its affiliates (*MMM Group*). Except as noted below, he does not have and has not had any relationship with the Corporation other than his position as a Director. The MMM Group has provided contract advisory services to the Corporation. The Board has concluded that the relationship between the MMM Group and the Corporation does not interfere with the exercise of independent judgment by Mr. Longden or the ability of Mr. Longden to act in the best interests of the Corporation. Mr. Longden is independent.
 - *Harry J. Near* is President of Near Consultants & Associates and Principal of The Earncliffe Strategy Group. He does not have and has not had any relationship with the Corporation other than his position as Director. Mr. Near is independent.
 - *Marc J. Oppenheimer* served as President and Chief Executive Officer of the Corporation from February 1995 to September 2003 and as Vice Chair from September 2003 to April 2004. As sufficient time has lapsed since being employed by the Corporation, Mr. Oppenheimer is considered independent.
 - *Johan C. van't Hof* is President of Tonbridge Corporation. He does not have and has not had any relationship with the Corporation other than his position as Lead Director. Mr. van't Hof is independent.
 - *Armando F. Zullo* is President of A.F. Zullo & Company Ltd. He does not have and has not had any relationship with the Corporation other than his position as Director. Mr. Zullo is independent.
- (3) Some Directors hold cross-directorships or have other links with other Directors through involvement with other corporations or entities. The Board has assessed all of these relationships and concluded that none of them interferes with the exercise of independent judgment by the applicable Directors or the ability of the applicable Directors to act in the best interests of the Corporation.

- (4) The Board does not believe that any Director has served on the Board for a period that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Corporation.

2.5 *Competencies and Skills*

The Board believes that the Directors have the mix of competencies and skills necessary to enable the Board and Board committees to properly discharge their responsibilities, including:

- mining industry experience;
- understanding of project construction, development and management;
- understanding of the capital markets;
- financial literacy and understanding of public disclosure requirements;
- financing experience;
- government relations experience; and
- communications and public relations experience.

2.6 *Chair*

Robert A. Fung is the Chair of the Board and Chief Executive Officer. He has been Chair since February 12, 1998.

The Chair provides leadership to the Board in discharging its responsibilities. Among other things, the Chair:

- is responsible for the day-to-day management of the activities of the Board, including facilitating the delivery of accurate, timely and clear information to the Board to enable the Board to successfully carry out its responsibilities; and
- oversees the preparation for and management of meetings of shareholders of the Corporation.

The Board has adopted a position description for the Chair.

2.7 *Lead Director*

Johan C. van't Hof is the Lead Director. He has been Lead Director since April 15, 2004.

The Lead Director works with the Chair to facilitate a Board agenda that will enable the Board to successfully carry out its responsibilities. He also schedules, sets the agenda for and chairs separate meetings of the independent Directors and carries out the responsibilities of the Chair in the absence of the Chair.

The Board has adopted a position description for the Lead Director.

2.8 *Corporate Secretary*

Hemdat Sawh is the Secretary of the Corporation. He is also Chief Financial Officer. The Secretary is responsible to the Board for facilitating compliance with Board procedures. All Directors have access to the Secretary's advice and services.

2.9 *Orientation and Assessment*

The Board has adopted procedures for the orientation and training of new Directors.

The Corporation provides continuing education opportunities for all Directors so that they can maintain or enhance their knowledge and understanding of the business of the Corporation and their responsibilities as Directors.

The Board regularly assesses its own effectiveness and the effectiveness and contribution of each Board committee and Director.

2.10 *Nomination*

The Nominating and Corporate Governance Committee recommends candidates for election as Directors. The Board approves the final choice of candidates.

2.11 *Remuneration*

Information with respect to the remuneration of Directors is contained in the Corporation's annual management information circular.

3. *Board Committees*

3.1 *Introduction*

The Board has established five permanent committees to assist it in carrying out its responsibilities: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, Finance and Risk Management Committee and Environment, Health and Safety and Operations Committee.

Each Board committee has a charter setting out its composition, responsibilities and authority. The Board has adopted a position description for the Chair of each Board Committee.

Other than Mr. Fung who is the Chief Executive Officer, no member of management is a member of any Board committee. Members of management attend Board committee meetings at the invitation of the committee.

The composition and mandate of each Board committee is set out below.

3.2 *Audit Committee*

The Audit Committee is comprised of Messrs. van't Hof (Chair), Longden, Oppenheimer and Near, all of whom are *independent* (as determined by the Board in accordance with the Policy on Independence of Directors) and *financially literate* (ie, have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can reasonably be expected to be raised by the financial statements of the Corporation). Mr. van't Hof qualifies as an *audit committee financial expert* (ie, by reason of his education and employment experience in finance and accounting both as a chartered accountant and as a regular lecturer to members of the accounting profession on matters of audit and finance, he has an understanding of generally accepted accounting principles and financial statements, the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the financial statements of the Corporation, an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions) and is therefore also *financially sophisticated*.

The role of the Audit Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities with respect to accounting and financial reporting processes, internal financial control structure, financial risk management systems and external audit function.

The Audit Committee's responsibilities include:

- managing, on behalf of the shareholders of the Corporation, the relationship between the Corporation and its external auditors;
- overseeing the external audit;
- reviewing and approving and recommending to the Board for approval the financial statements, MD&A and interim reports of the Corporation;

- overseeing the financial internal control structure and financial risk management systems; and
- establishing certain procedures with respect to, among other things, the receipt, retention and treatment of complaints received by the Corporation with respect to accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

3.3 *Compensation Committee*

The Compensation Committee is comprised of Messrs. Brown (Chair), Near, Thompson and Zullo, the majority of whom are *independent* (as determined by the Board in accordance with the Policy on Independence of Directors).

The role of the Compensation Committee is to assist the Board in fulfilling its responsibilities with respect to the compensation of the directors of the Corporation, compensation of the Chief Executive Officer and other officers of the Corporation; executive compensation disclosure and oversight of the compensation structure and benefit plans and programs of the Corporation.

3.4 *Nominating and Corporate Governance Committee*

The Corporate Governance Committee is comprised of Messrs. Near (Chair), Fung, Thompson and Zullo, two of whom are independent.

The role of the Nominating and Corporate Governance Committee is to assist the Board in fulfilling its responsibilities with respect to the composition of the Board, including recommending to the Board candidates for election or appointment as directors of the Corporation, the recruitment of the Chief Executive Officer and other officers of the Corporation; and operation of the Board and Board committees and corporate governance standards and practices.

3.5 *Finance and Risk Management Committee*

The Finance and Risk Management Committee is comprised of Messrs. Oppenheimer (Chair), Brown, Fung and van't Hof, the majority of whom are independent.

The role of the Finance and Risk Management Committee is to assist the Board in fulfilling its policy and oversight responsibilities with respect to financial matters, including short- and long-term financings, issuances of securities, foreign currency, hedging and derivatives transactions, capital expenditures and long-term commitments and policies and guidelines for the investment of cash, and its oversight responsibilities with respect to non-financial risk management systems.

3.6 *Environment, Health and Safety and Operations Committee*

The Environment, Health and Safety and Operations Committee is comprised of Messrs. Longden (Chair), Brown, Fung and Oppenheimer, the majority of whom are independent.

The role of the Environment, Health and Safety and Operations Committee is to assist the Board with respect to environment, health and safety matters arising out of the activities of the Crystallex Group and to oversee the operations of the Crystallex Group.

4. Chief Executive Officer

Robert A. Fung is the Chief Executive Officer. He is also the Chair of the Board.

The Chief Executive Officer is responsible for the management of the day-to-day business and affairs of the Corporation.

The Board has adopted a position description for the Chief Executive Officer.

5. Management Committees

The Corporation has two management committees:

- *Executive Management Committee:* The Executive Management Committee is the principal management group responsible for the operations and allocation of the resources of the Corporation. The Executive Management Committee is comprised of the Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer and the Vice President Investor Relations.
- *Disclosure Committee:* The Disclosure Committee is responsible for the management of the disclosure practices of the Corporation. The Disclosure Committee is comprised of the Chief Executive Officer, President, Chief Financial Officer, Vice President Investor Relations and a representative of the Board, currently Mr. Brown.

6. Board Policies

6.1 *Introduction*

In addition to the Policy on Independence of Directors described above, the Corporation has adopted a Policy on the Provision of Services by External Auditors, a Code of Business Conduct and Ethics and a Statement of Policies and Procedures with respect to Confidentiality, Disclosure, Insider Trading and Tipping and Insider Reporting.

Each of these policies is described below.

6.2 *Policy on Provision of Services by External Auditors*

The Audit Committee has adopted a Policy on the Provision of Services by External Auditors.

Under the Policy:

- the external auditors may not provide services to the Crystallex Group that impair or have the potential to impair the independence and objectivity of the external auditors: generally, prohibited services include services where the external auditors participate in activities that are normally undertaken by management of the Crystallex Group, are remunerated through a “success fee” structure, act in an advocacy role for the Crystallex Group or may be required to audit their own work;
- the Audit Committee has pre-approved certain audit and permitted non-audit services as services that the auditors may provide to the Crystallex Group, including: services that constitute the agreed scope of the external audit or interim reviews of the Crystallex Group; services that are outside the agreed scope of, but are consistent with, the external audit or interim reviews of the Crystallex Group; tax services that do not compromise the independence and objectivity of the external auditors in relation to the external audit; and other services of an advisory nature that do not compromise the independence and objectivity of the external auditors in relation to the external audit; and
- an authorization process has been established which provides, among other things, as follows: the Chair of the Audit Committee and the Chief Financial Officer together may authorize in advance all engagements of the external auditors to provide pre-approved services to the Crystallex Group up to a maximum of \$50,000 for each engagement and up to a maximum of \$150,000 for all engagements in each calendar quarter; the Chair of the Audit Committee and the Chief Financial Officer must report all engagements authorized by them to the Committee at its next meeting; the Audit Committee must authorize in advance all other engagements of the external auditors to provide pre-approved services to the Crystallex Group; services that are not pre-approved services must be authorized by the Committee before the external auditors are engaged regardless of the dollar value of the services.

Exceptions can be made to this Policy where the exceptions are in the interests of the Crystallex Group and appropriate arrangements are established to ensure the independence and objectivity of the external auditors in relation to the external audit. Any exception must be authorized by the Audit Committee and must be reported to the Board.

6.3 *Code of Business Conduct and Ethics*

The purposes of the Code are to deter wrongdoing and to promote:

- honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest
- full, fair, accurate, timely and understandable disclosure in all reports filed, and other public communications made, by the Crystallex Group;
- compliance with all applicable laws, regulations and rules;
- protection and proper use of corporate assets and opportunities;
- confidentiality with respect to corporate and personal information;
- fair dealing with security holders, customers, suppliers and competitors;
- accountability for adherence to the Code; and
- prompt internal reporting of violations of the Code.

The Code applies to all Directors, officers and employees of the Crystallex Group and members of their immediate families and, where applicable, third parties engaged to represent the Crystallex Group.

As a term of their employment, all employees of the Crystallex Group must agree to abide by the Code.

6.4 *Statement of Policies and Procedures with respect to Confidentiality, Disclosure, Insider Trading and Tipping and Insider Reporting*

The purposes of the Statement are to set out the policies and procedures of the Corporation with respect to confidentiality and disclosure and describe the legal prohibitions on insider trading and tipping and the requirements for insider reporting. The Statement applies to all Directors, officers and employees of the Crystallex Group.

As a term of their employment, all employees of the Crystallex Group must agree to abide by the Statement.