

**CRYSTALLEX INTERNATIONAL CORPORATION**

**INCENTIVE SHARE OPTION PLAN**

**May 12, 2009**

## INCENTIVE SHARE OPTION PLAN

### 1. GENERAL PROVISIONS

#### 1.1 Interpretation

For the purposes of the Plan, the following terms shall have the following meanings:

- (a) “affiliate”, “associate” and “subsidiary” have the meanings ascribed to those terms in Section 1 of the *Securities Act* (Ontario);
- (b) “Board” means the Board of Directors of the Corporation;
- (c) “Business Day” means a day on which banks are open for business in the City of Toronto, Ontario but does not include a Saturday, Sunday or holiday in the Province of Ontario.
- (d) “Common Shares” means the Common Shares of the Corporation;
- (e) “Corporation” means Crystallex International Corporation;
- (f) “Consultant” means an individual (including an individual whose services are contracted through a corporation the shares of which are beneficially owned, directly or indirectly, by the individual) with whom the Corporation or any of its subsidiaries has a contract for substantial services;
- (g) “Director” means a director of the Corporation;
- (h) “Eligible Person” means a director, officer, employee, part-time employee or Consultant of the Corporation or any corporation that is an associate, affiliate or subsidiary of the Eligible Person;
- (i) “Insider” means:
  - (i) an insider as defined in Section 1(1) of the *Securities Act* (Ontario), other than a person who falls within that definition solely by virtue of being a director or senior officer of a subsidiary of the Corporation, and
  - (ii) an associate of any person who is an insider by virtue of (i) above;
- (j) “Option” means an option to purchase Common Shares granted to an Eligible Person pursuant to the terms of the Plan;
- (k) “Outstanding Issue” at any time means the number of issued and outstanding Common Shares, on a non-diluted basis, at that time;
- (l) “Participant” means an Eligible Person to whom an Option has been granted;

- (m) “Plan” means this Incentive Share Option Plan of the Corporation;
- (n) “Share Compensation Arrangement” means any stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise; and
- (o) “Termination Date” means the date on which a Participant ceases to be an Eligible Person.

Words importing the singular number only shall include the plural and vice versa and words importing the masculine shall include the feminine.

The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

## 1.2 Purpose

The purpose of the Plan is to advance the interests of the Corporation by providing Eligible Persons with additional economic incentive, encouraging stock ownership by Eligible Persons, increasing the proprietary interest of Eligible Persons in the success of the Corporation, encouraging Eligible Persons to remain with the Corporation, and attracting new employees and officers to the Corporation and its associates, affiliates and subsidiaries.

## 1.3 Administration

- (a) The Plan shall be administered by the Board or a committee of the Board duly appointed for this purpose by the Board and consisting of not less than three directors. If a committee is appointed for this purpose, all references to the Board will be deemed to be references to the committee.
- (b) Subject to the limitations of the Plan, the Board shall have the authority:
  - (i) to interpret the Plan and to adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the Plan as it shall from time to time deem advisable, and
  - (ii) to make all other determinations and to take all other actions in connection with the implementation and administration of the Plan including, without limitation, for the purpose of ensuring compliance with Section 3.4 hereof, as it may deem necessary or advisable.

The Board’s guidelines, rules, regulations, interpretations and determinations shall be conclusive and binding upon the Corporation and all Eligible Persons.

- (c) If the Corporation enters into a transaction that results in a merger, amalgamation, plan of arrangement, consolidation, reorganization or other business combination

pursuant to which the business of the Corporation is combined with that of any third party; a third party makes a take-over bid for the Corporation or the Corporation enters into a transaction that results in a third party acquiring all or substantially all of the assets of the corporation by way of purchase, lease or any other means, the Board may make such provisions for the protection of the rights of Participants as the Board in its discretion deems appropriate, including amending or waiving any restrictions applicable to the exercise of outstanding Options.

- (d) With the consent of the affected Participants, and subject to any required regulatory or other approval, the Board may amend or modify any outstanding Options in any manner.

#### 1.4 Shares Reserved

- (a) The maximum number of Common Shares issued and issuable under the Plan at any time and from time to time shall be 8,000,000.
- (b) The maximum number of Common Shares issuable to any one person at any time under the Plan shall not exceed 5% of the Outstanding Issue.
- (c) The maximum number of Common Shares issued over any one year period or issuable at any point in time to Insiders under the Plan and any other Share Compensation Arrangement shall not exceed 10% of the Outstanding Issue.
- (d) Any Common Shares subject to an Option that for any reason expires or is cancelled or terminated without having been exercised shall again be available for grant under the Plan.
- (e) If there is a change in the outstanding Common Shares by reason of any stock dividend or any recapitalization, amalgamation, subdivision, consolidation, combination or exchange of shares, or other corporate change, subject to any required regulatory approval, the Board shall make appropriate substitutions or adjustments in:
  - (i) the number or kind of shares or other securities issued and issuable pursuant to the Plan, and
  - (ii) the number and kind of shares subject to unexercised Options theretofore granted and in the exercise price of such Options,

provided, however, that no substitution or adjustment shall obligate the Corporation to issue or sell fractional shares.

#### 1.5 Limits with respect to Directors

- (a) Subject to Subsection 1.5(b), the maximum number of Options that may be granted to a Director under the Plan in respect of his service as a Director is: 50,000 upon

his first election or appointment as a Director and 25,000 upon his re-election or re-appointment as a Director for any year thereafter.

- (b) The limitation in Subsection 1.5(a) shall not apply to:
- (i) any Options that may be granted to a Director in respect of his service as any other type of Eligible Person;
  - (ii) any Options that may be granted to a Director in respect of his service as the chair or a member of any committee of the Board; and
  - (iii) any Options that may be granted to a Director in respect of his contribution as a Director that the Board considers exceptional and outside the scope of the contribution ordinarily expected of a Director.

## 2. OPTIONS

### 2.1 Grants

Subject to the provisions of the Plan, the Board shall have the authority to issue Options to Eligible Persons and to determine the limitations, restrictions and conditions, if any, in addition to those set forth in Sections 2.2 and 2.3, applicable to such grant and the exercise of such Options, including:

- (a) the nature and duration of any restrictions on the exercise of such Options or the sale or other disposition of Common Shares acquired upon exercise of such Options; and
- (b) the nature of the events, if any, and the duration of the period in which any Participant's rights in respect of Common Shares acquired upon exercise of an Option may be forfeited.

An Eligible Person may receive Options on more than one occasion under the Plan and may receive separate Options on any one occasion.

### 2.2 Exercise Price

The Board shall establish the exercise price for each Option at the time such Option is granted. The exercise price of any Option granted by the Board shall not be less than the closing price of the Common Shares on the Toronto Stock Exchange on the trading day immediately preceding the date of the grant of the Option.

The exercise price shall be subject to adjustment in accordance with the provisions of Subsection 1.4(e).

## 2.3 Exercise of Options

- (a) Subject to Subsections 2.3(c), (e) and (f), all Options granted by the Board shall expire and be of no further force or effect on the first to occur of: (i) the 10<sup>th</sup> anniversary of the date of the grant of the Option; and (ii) such earlier date as the Board may determine at the time of grant of the Option (the “Expiry Date”).
- (b) The Board may determine when any Option will become exercisable and may determine that the Option shall be exercisable in instalments.
- (c) In the event that the Expiry Date of any Option would otherwise occur during or within 10 Business Days following the end of a period in which the trading of the Common Shares is restricted by the policies of the Corporation (a “Blackout Period”), then the Expiry Date of such Option shall be extended to the date which is the tenth (10<sup>th</sup>) Business Day following the expiration of the Blackout Period.
- (d) Options shall not be transferable by the Participant otherwise than on death by will or the laws of descent and distribution, and shall be exercisable during the lifetime of a Participant only by the Participant and after death only by the Participant’s legal representative.
- (e) Unless otherwise determined by the Board or provided in an employment agreement between the Corporation and the Participant, if any portion of an Option held by the Participant is not vested by the Termination Date, that portion of the Option shall expire and may not under any circumstances be exercised by the Participant. Without limitation, and for greater certainty only, this provision will apply regardless of whether the Participant was dismissed with or without cause and regardless of whether the Participant received compensation in respect of dismissal or was entitled to a period of notice of termination which would otherwise have permitted a greater portion of the Option to vest with the Participant.
- (f) Unless otherwise determined by the Board, if a Participant ceases to be an Eligible Person for any reason other than death, each Option held by the Participant and vested on the Termination Date shall continue to be exercisable until the Expiry Date.
- (g) Subject to Subsection 2.3(a) and unless otherwise determined by the Board, if a Participant ceases to be an Eligible Participant by reason of death, each Option held by the Participant and vested on the Termination Date shall cease to be exercisable 24 months after the Termination Date.
- (h) Each Option shall be confirmed by an option agreement executed by the Corporation and by the Participant.
- (i) Except as set forth in Subsection 2.3(j), the exercise price of each Common Share purchased under an Option shall be paid in full in cash or by bank draft or certified cheque at the time of such exercise, and upon receipt of payment in full, but subject

to the terms of the Plan, the number of Common Shares in respect of which the Option is exercised shall be duly issued as fully paid and non-assessable.

- (j) In lieu of exercising an Option in accordance with Subsection 2.3(i), the Board may permit a Participant to elect to receive, without payment by the Participant of any additional consideration, Common Shares equal to the value of the Option (or the portion thereof being exercised) by surrender of the Option at the principal office of the Corporation, together with written notice reflecting such “cashless” exercise, in which event the Corporation shall issue to the Participant a number of Common Shares computed using the following formula:

$$X = \frac{Y(A - B)}{A}$$

- Where:
- X = The number of Common Shares to be issued to the Participant pursuant to the cashless exercise;
- Y = The number of Common Shares in respect of which the cashless exercise election is made;
- A = The fair market value of one Common Share in the date of exercise of the Option; and
- B = The exercise price of the Option.

For the purposes of this Subsection, the fair market value of one Common Share as of a particular date shall be the volume weighted average trading price of one Common Share on the Toronto Stock Exchange over the period of 5 consecutive trading days ending on and including the last trading day prior to the particular cashless exercise date. Upon a cashless exercise in accordance with this Subsection, the number of Common Shares which may be issued under this Plan shall be reduced by the number of Shares referred to above as “X” and not the number referred to as “Y”.

### 3. GENERAL

#### 3.1 Amendments by the Board

Subject to Section 3.2, the Board may, subject to the policies, rules, regulations and discretions of any stock exchange on which the Common Shares are from time to time listed and to the requirements of any other applicable regulatory authority, at any time and from time to time, without notice or shareholder approval, amend, suspend or terminate the Plan, or any portion thereof, or any Option granted hereunder, in such respects as the Board may consider advisable, provided that no option previously granted to a Participant under the Plan shall be impaired. Without limiting the generality of the foregoing, the Board may make the following types of amendments to the Plan without shareholder approval:

- (a) Reduce the number of securities issuable under the Plan.
- (b) Subject to subsection 3.2(c) below, increase or decrease the maximum number of Common Shares any single Participant is entitled to receive under the Plan.
- (c) Any amendment pertaining to the vesting provisions of each Option.
- (d) Any amendment to the terms of the Plan relating to the effect of termination, cessation of employment, disability or death of a Participant on the right to exercise Options.
- (e) Any amendment pertaining to the assignability of grants of Options required for estate planning purposes.
- (f) Increase the option period referred to in Subsection 2.3(c) and 2.3(f) of this Plan.
- (g) Increase the exercise price or purchase price of any Option.
- (h) Amend the process by which a Participant can exercise his or her Option, including the required form of payment for the Common Shares, the form of exercise notice and the place where such payments and notices must be delivered.
- (i) Add and/or amend any form of financial assistance provision to the Plan.
- (j) Add and/or amend a cashless exercise feature, payable in cash or Common Shares.
- (k) Any amendment as may be necessary or desirable to bring the Plan into compliance with securities, corporate or tax laws and the rules and policies of any stock exchange upon which the Common Shares are from time to time listed.
- (l) Any amendment to add covenants of the Corporation for the protection of Participants, provided that the Board shall be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the Participants.
- (m) Any amendment not inconsistent with the Plan as may be necessary or desirable with respect to matters or questions, which, in the good faith opinion of the Board, having in mind the best interests of the Participants, it may be expedient to make, provided that the Board shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the Participants.
- (n) Any such changes or corrections which, in the advise of counsel to the Corporation, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the Board shall be of the opinion that such changes or corrections will not be prejudicial to the rights and interests of the Participants.

### 3.2 Amendments Requiring Shareholder Approval

Notwithstanding any other provision of this Plan, none of the following amendments shall be made to the Plan without the approval of the shareholders (excluding, if necessary, the votes of securities held directly or indirectly by Insiders benefiting from such amendment):

- (a) Amendments to the Plan which would increase the maximum number of Common Shares issuable under the Plan, otherwise than in accordance with Subsection 1.4(e) of this Plan.
- (b) Amendments to the Plan which would result in a reduction in the exercise price or purchase price, or cancellation and reissue of Options.
- (c) Any amendment to the Plan to increase the maximum number of Common Shares that may be: (i) issued to Insiders within any one year period, and (ii) issuable to Insiders, at any time, under the Plan.
- (d) Any amendment to the Plan that extends the exercise period of an Option beyond the original Expiry Date, otherwise than in accordance with Subsection 2.3(c) of this Plan.
- (e) Any amendment to the eligibility requirements for Eligible Participants under the Plan.
- (f) Any amendment to the Plan allowing awards granted under plans to be transferable or assignable other than for normal estate settlement purposes.
- (g) Any amendment to the amending provisions of the Plan other than as permitted under the applicable rules and policies of the Toronto Stock Exchange or such other exchange upon which the Common Shares of the Corporation may be posted and listed for trading.

### 3.3 Termination

The Board may terminate the Plan or any portion thereof at any time in accordance with applicable legislation, and subject to any required regulatory or other approval. No such termination shall alter or impair the Options or any rights pursuant thereto granted previously to any Participant without the consent of such Participant. If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force at the time of termination shall continue in effect during such time as the Options remain outstanding.

### 3.4 Compliance with Legislation

The Plan, the grant and exercise of Options hereunder and the Corporation's obligation to sell and deliver Common Shares upon exercise of Options shall be subject to all applicable federal, provincial and foreign laws, rules and regulations, the rules and regulations of any stock exchange on which the Common Shares are listed for trading and to such regulatory and other approvals as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obliged by any provision of the Plan or the grant of any Option hereunder to issue or sell Common Shares in violation of such laws, rules and regulations or any condition of such approvals. No Option shall be granted and no Common Shares issued or sold hereunder where such grant, issue or sale would require registration of the Plan or of Common Shares under the securities laws of any foreign jurisdiction and any purported grant of any Option or issue or sale of any Common Shares hereunder in violation of this provision shall be void. In addition, the Corporation shall have no obligation to issue any Common Shares pursuant to the Plan unless such Common Shares shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Common Shares are listed for trading.

Common Shares issued and sold to Participants pursuant to the exercise of Options may be subject to limitations on sale or resale under applicable securities laws.

### 3.5 Effective Date

The Plan shall be effective upon the approval of the Plan by:

- (a) the Toronto Stock Exchange and any other exchange upon which the Common Shares of the Corporation may be posted and listed for trading; and
- (b) the shareholders of the Corporation, given by the affirmative vote of a majority of the votes attached to the Common Shares of the Corporation entitled to vote, and represented and voted at an annual or special meeting of the holders of such Common Shares held, among other things, to consider and approve the Plan.

### 3.6 Miscellaneous

- (a) Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to any required regulatory or other approval.
- (b) Nothing contained in the Plan or in any Option granted under the Plan shall give any Participant any interest or title in or to any Common Shares of the Corporation or any rights as a shareholder of the Corporation or any other legal or equitable right against the Corporation whatsoever other than as set forth in the Plan and upon the exercise of any Option.
- (c) The Plan does not give any Participant or Eligible Person the right or obligation to continue to serve as a director, officer or employee of the Corporation or any

corporation that is an associate, affiliate or subsidiary of the Corporation. The awarding of Options to any Eligible Person is a matter to be determined solely in the discretion of the Board. The Plan shall not in any way fetter, limit, obligate, restrict or constrain the Board with regard to the issue of Common Shares or any other securities in the capital of the Corporation.

- (d) No fractional Common Shares shall be issued upon the exercise of Options. If a Participant would become entitled to a fractional Common Share upon the exercise of an Option, the Participant shall only have the right to purchase the next lowest whole number of Common Shares and no payment or other adjustment shall be made with respect to the fractional Common Share disregarded.