

# CRYSTALLEX INTERNATIONAL CORPORATION

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

(revised October 2007)

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## **1. Introduction**

### **1.1 Purpose of Statement**

The board of directors (**Board**) of Crystallex International Corporation (**Corporation**) has developed this Statement to:

- (a) set out the policies and procedures of the Corporation with respect to confidentiality and disclosure; and
- (b) describe the legal prohibitions on insider trading and tipping and the requirements for insider reporting.

## 1.2 *Application of Statement*

The policies and procedures in this Statement relating to:

- (a) *confidentiality, disclosure and insider trading and tipping* apply to all directors, officers and employees of the Corporation and its subsidiary entities (***Crystallex Group***); and
- (b) *insider reporting* apply to the directors and Senior Officers of the Crystallex Group.

## 2. **Terminology**

- (1) *confidential information relating to the Corporation* means commercially or competitively sensitive information concerning the business and affairs of the Crystallex Group, including information concerning the finances, employees, technology, processes, facilities, products, suppliers, customers and markets of the Crystallex Group.
- (2) *forward looking information* means information (including guidance) about possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action and includes future oriented financial information with respect to results of operations, financial position or cash flows that is presented either as a forecast or a projection.
- (3) *material information relating to the Corporation* means information concerning the business and affairs of the Crystallex Group that significantly affects the market price or value of any securities of the Corporation or that would reasonably be expected to have a significant effect on the market price or value of any securities of the Corporation.
- (4) *Restricted Persons* are the directors and officers of the Corporation and those employees of the Crystallex Group who are routinely in possession of undisclosed material information relating to the Corporation.
- (5) *Senior Officers of the Crystallex Group* are the Chair, a Vice-Chair, the President, a Vice-President, the Secretary, the Treasurer and the General Manager of the Corporation and each subsidiary of the Corporation (or persons in equivalent positions) and the five highest-paid employees of the Corporation and each subsidiary of the Corporation (including the foregoing officers of the Corporation and each subsidiary of the Corporation).
- (6) *Spokespersons* are the Chair, the President, the Chief Operating Officer, the Chief Financial Officer and the Vice-President Investor Relations and any other officer or employee of the Corporation authorized by the President of the Corporation to communicate with the public on behalf of the Corporation.
- (7) *Stock Exchanges* mean the Toronto Stock Exchange and The American Stock Exchange.

### **3. Confidentiality**

#### **3.1 Introduction**

Disclosure of confidential information relating to the Corporation can severely damage the Corporation.

#### **3.2 Policy**

The directors, officers and employees of the Crystallex Group are prohibited from disclosing or using confidential information relating to the Corporation except in the necessary course of business.

#### **3.3 Procedures**

The following rules apply to confidential information relating to the Corporation:

- (a) *Confidential Information.* All internal information concerning the business and affairs of the Crystallex Group must be considered and treated as confidential information relating to the Corporation, except information that has been publicly disclosed through a media release or some other public disclosure (eg, the Corporation's quarterly or annual financial statements and related MD&A or its annual information form).
- (b) *Disclosure.* Confidential information relating to the Corporation must not be disclosed to anyone except in the necessary course of business (eg, planning and negotiating an acquisition, a divestiture, a joint venture or a supply arrangement).
- (c) *Insiders.* Confidential information relating to the Corporation may be disclosed to those directors, officers and employees of the Crystallex Group who need to know the information in the performance of their duties with the Crystallex Group.
- (d) *Outsiders.* If undisclosed material information relating to the Corporation is to be disclosed to outsiders in the necessary course of business, the outsiders must be warned not to disclose the information to others except in the necessary course of business and not to trade in the securities of the Corporation (or any other public company whose securities may be affected by changes in the market price or value of the securities of the Corporation) until the information has been publicly disclosed. In appropriate circumstances, the outsiders may be required to sign confidentiality agreements with the Corporation.
- (e) *Safeguarding Confidential Information.* All reasonable care must be taken to safeguard the confidentiality of confidential information relating to the Corporation, including:
  - confidential information must not be discussed in places where it may be overheard (eg, elevators or restaurants);

- documents containing confidential information should be kept in a safe place to which access is restricted to persons who “need to know” that information in the necessary course of business;
  - computer system passwords must be used, kept confidential and changed periodically;
  - computer terminals must not be left logged on and unattended where they can be accessed by others;
  - visitors must not be left alone in offices containing confidential information;
  - transmission of documents by electronic means should be made only where it is reasonable to believe that the transmission can be made and received under secure conditions; and
  - cell phones and other wireless devices should not be used to discuss or transmit confidential information.
- (f) *Investment Decisions by Others.* All reasonable care must be taken to avoid influencing or appearing to influence investment decisions by others with respect to securities of the Corporation (eg, participating in discussions concerning the shares of the Corporation at any investment club or responding to questions about whether or not now is a good time to buy or sell shares of the Corporation must be avoided).
- (g) *Communicating with the Public.* The Spokespersons are the only persons authorized to communicate with the public on behalf of the Corporation. All other directors, officers and employees of the Crystallex Group are prohibited from communicating with the public on behalf of the Corporation without the express permission of one of the Spokespersons. All requests for information about the Crystallex Group from the media, shareholders, analysts and others who make or influence investments must be referred to one of the Spokespersons.

## **4. Disclosure**

### **4.1 Introduction**

- (1) The Corporation is required to disclose publicly through the news media all material information relating to the Corporation immediately upon the information becoming known to management or, if the information is already known to management, immediately upon management becoming aware that the information is material. In certain limited circumstances, disclosure of material information relating to the Corporation may be delayed for reasons of corporate confidentiality.

(2) Actual or proposed developments or activities that are likely to require disclosure include the following:

(a) *Changes in Corporate Structure*

- changes in share ownership that may affect control of the Corporation
- major reorganizations, amalgamations or mergers
- take-over bids, issuer bids, or insider bids

(b) *Changes in Capital Structure*

- the public or private sale of additional securities
- planned repurchases or redemptions of securities
- planned splits of shares or offerings of warrants or rights to buy shares
- any share consolidation, share exchange or stock dividend
- changes in dividend payments or policies
- the possible initiation of a proxy fight
- material modifications to rights of security holders

(c) *Changes in Financial Results*

- a significant increase or decrease in near-term earnings prospects
- unexpected changes in the financial results for any periods
- shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- changes in the value or composition of the Corporation's assets
- any material change in the Corporation's accounting policy

(d) *Changes in Business and Operations*

- any development that affects the Corporation's resources, technology, products or markets
- a significant change in capital investment plans or corporate objectives
- major labour disputes or disputes with major contractors or suppliers

- significant new contracts, products, patents or services or significant losses of contracts or business
- significant resource discoveries
- changes to the Board or senior officers of the Corporation or its subsidiaries
- the commencement of, or developments in, material legal proceedings or regulatory matters
- waivers of business conduct and ethics rules for officers, directors and key employees
- any notice that reliance on a prior audit is no longer permissible
- de-listing of the Corporation's securities or their movement from one quotation system or exchange to another

(e) *Acquisitions and Dispositions*

- significant acquisitions or dispositions of assets, property or joint venture interests
- acquisitions of other companies, including a take-over bid for, or merger with, another company

(f) *Changes in Credit Arrangements*

- the borrowing or lending of a significant amount of money
- any mortgaging or encumbering of the Corporation's assets
- defaults under debt obligations, agreements to restructure debt or planned enforcement procedures by a bank or any other creditor
- changes in rating agency decisions
- significant new credit arrangements

(g) *External Political, Economic and Social Policies*

- external developments that have a direct effect on the business of the Corporation that is both material and uncharacteristic of the effect generally experienced by companies engaged in the same business or industry

(3) Disclosure is required only if a development or activity is *material*. This involves taking into consideration both the likelihood that the development or activity will occur and the magnitude of the development or activity in the context of the business and affairs of the

Corporation if it does occur. This also involves taking into account the nature of the development or activity, the volatility of the Corporation's securities and prevailing market conditions.

- (4) Disclosure of an intention to proceed with a transaction or activity is required only when a decision has been made to proceed with the transaction or activity by the Board or by senior management with the expectation of Board approval.
- (5) Disclosure is not required of forecasts of earnings and other financial forecasts but, if a significant increase or decrease in earnings is likely in the near future (eg, the next fiscal quarter), disclosure of this fact is required.
- (6) The market price or value of the securities of the Corporation may sometimes be affected by rumours or speculation. Where this is the case, the Corporation may be required to make an announcement as to whether the rumours or speculation are factual or not.

#### **4.2 *Policy***

Except in limited circumstances where disclosure would be unduly detrimental to the Corporation and then subject to the requirements of applicable securities laws and the rules of the Stock Exchanges, the Corporation will disclose all material information relating to the Corporation immediately upon the information becoming known to management or, if the information is already known to management, immediately upon management becoming aware that the information is material.

#### **4.3 *Disclosure Committee***

- (1) The Corporation has a Disclosure Committee comprised of the Chief Executive Officer, the Chief Financial Officer, the Vice-President Investor Relations and a representative of the Board.
- (2) The Disclosure Committee is responsible for:
  - (a) monitoring the effectiveness of and compliance with the Corporation's disclosure policies and procedures;
  - (b) educating directors, officers and employees about disclosure issues and the Corporation's disclosure policies and procedures;
  - (c) reviewing and, in some cases, authorizing disclosure (including electronic, written and oral disclosure) in advance of its public release; and
  - (d) monitoring the disclosure contained on the Corporation's website.
- (3) The Disclosure Committee will:
  - (a) meet as conditions dictate and at least once per quarter to review and discuss past events and future events to ensure that it is informed and aware of material information relating to the Corporation; and

- (b) annually review and update its procedures and practices as required and provide a report to the Board.
- (4) The Chief Financial Officer and Corporate Secretary will:
- (a) have day-to-day responsibility for the initial analysis with respect to the materiality of developments and information relating to the Corporation;
  - (b) seek guidance from the other members of management and external counsel to the extent that he deems necessary or appropriate;
  - (c) convene the Disclosure Committee to discuss information which might be considered material and require disclosure; and
  - (d) be responsible for directing all communications with securities regulatory authorities and the Stock Exchanges.

#### **4.4 Procedures**

- (1) The following rules apply to the disclosure of material information relating to the Corporation:
- (a) *Disclosure.* Disclosure will normally be made by way of a media release to news services that disseminate financial news nationally (including to the Stock Exchanges and the securities regulatory authorities), to the financial press and to Toronto newspapers that regularly provide coverage of financial news. The media release will include the name and telephone number of the Spokesperson to be contacted for further information.
  - (b) *Conference Calls.* Conference calls may be held to discuss financial results or major corporate developments. Conference calls will be open and accessible to all interested parties and the call will be preceded by a news release containing the necessary dial-in and related information.
  - (c) *Quality of Disclosure.* Disclosure will comply with applicable securities laws and the rules of the Stock Exchanges and will be factual and balanced, neither over-emphasizing favourable news nor under-emphasizing unfavourable news, and will contain sufficient detail to enable the media and investors to understand the substance and importance of the material information so that investors may make informed decisions. Additional information will be provided where appropriate or where required to make earlier disclosure not misleading.
  - (d) *Dealing with Market Regulation Services.* Until such time as the Toronto Stock Exchange no longer requires, the Corporation will give Market Regulation Services notice of all material information and a copy of media releases before disclosure is made (and Market Regulation Services will be provided with reasonable time to comment on such media releases before disclosure is made).

- (e) *Dealing with the Stock Exchanges.* The Corporation will comply with the applicable rules of the Stock Exchanges with respect to the disclosure of material information relating to the Corporation. If disclosure is to be made when the Stock Exchanges are open for trading, the Corporation will give the Stock Exchanges notice of the material information and a copy of the media release before disclosure is made. If disclosure is made when the Stock Exchanges are not open for business, the Corporation will give the Stock Exchanges notice of the material information and a copy of the media release before the Stock Exchanges reopen for trading.
- (f) *Dealing with Securities Regulatory Authorities.* The Corporation will file the media release and a material change report (if applicable) with the applicable securities regulatory authorities in Canada and the United States within 10 days after disclosure is made.
- (g) *No Selective Disclosure.* Disclosure will not be made on a selective basis (eg, undisclosed material information will not be disclosed to selected individuals, and one individual or media service will not be given preference over another). The announcement of undisclosed material information at a press conference or at a meeting of shareholders, analysts or investors will be accompanied by general public disclosure of the undisclosed material information. If undisclosed material information is inadvertently disclosed (eg, to the media or an analyst), the information will be immediately generally disclosed.
- (h) *Contacts with Analysts.* The Corporation will not disclose undisclosed material information to analysts in contravention of paragraph 4.4(7). In addition, the Corporation will not comment on draft reports prepared by analysts, except to correct factual errors, since confirmation of, or attempting to influence, an analyst's opinions or conclusions may be construed as disclosure by the Corporation. The Corporation will not provide comfort on earnings estimates and models prepared by analysts. The Corporation will not provide analyst reports to persons outside of the Corporation or to employees of the Corporation and will not post analyst reports on its website.
- (i) *Quiet Period.* The Corporation will observe a quarterly quiet period (commencing two weeks before the date of any regularly scheduled release of annual and/or quarterly financial information of the Corporation and ending after public disclosure of such information) during which the Corporation will not initiate or participate in any meetings or telephone contacts with analysts and investors. During the quiet period, the Corporation will not be prohibited from responding to inquiries relating to publicly available or non-material information.
- (j) *Website.* The Disclosure Committee will monitor the disclosure contained on the Corporation's website. Investor relations material will be posted to a separate section of the website.
- (k) *Chat Rooms, Bulletin Boards and e-mails.* In order to ensure that no material undisclosed information is inadvertently disclosed, employees are prohibited from

participating in Internet chat rooms or news group discussions on matters pertaining to the Corporation. Employees who learn of a discussion relating to the Corporation should advise the Chief Financial Officer and Corporate Secretary.

- (l) *Briefing and Debriefing Spokespersons.* Before meeting with or speaking to the media, shareholders, analysts and others who make or influence investments, the Spokespersons will brief themselves on what information is material and has not been disclosed. The Spokespersons will avoid responding to questions that require them to disclose confidential information relating to the Corporation. After meeting with or speaking to the media, shareholders, analysts and others who make or influence investments, the Spokespersons will review and prepare a record of what was said. If the review reveals that undisclosed material information was inadvertently disclosed, the information will be immediately generally disclosed.
  - (m) *Disclosure File.* The Corporation will maintain a file containing all public information about the Corporation, including media releases, press reports, analyst reports and summaries of analysts meetings.
  - (n) *Rumours.* The Corporation will usually not comment on or respond to rumours or speculation concerning the Corporation. All requests for comments or responses relating to rumours or speculation will be referred to one of the Spokespersons.
- (2) The following rules apply to the disclosure of forward looking information (**FLI**):
- (a) If determined to be material, the FLI will be broadly disseminated via a news release in accordance with this policy.
  - (b) The FLI will be clearly identified as forward looking.
  - (c) The Corporation will identify all material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection in the FLI.
  - (d) The FLI will be accompanied by a statement identifying the material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the FLI.
  - (e) The Corporation will not as a matter of practice update FLI unless required to so by applicable securities laws. The FLI will be accompanied by a statement that disclaims the Corporation's intention or obligation to update or revise the FLI, whether as a result of new information, future events or otherwise. Notwithstanding this disclaimer, if subsequent events prove past statements about current trends to be materially off target or incorrect, the Corporation may issue a news release explaining the reasons for the difference. If it does so, the Corporation will update its guidance on the anticipated impact on revenue and earnings (or other key metrics).

- (f) Oral statements containing FLI will only be made by the Spokespersons. The Spokespersons will ensure that oral statements containing FLI are accompanied by oral statements that:
- identify the FLI;
  - state that actual results could differ materially from a conclusion, forecast or projection in the FLI;
  - provide additional information to the effect set forth in paragraphs (c) and (d) above; and
  - make reference to the documentation in which the additional disclosure referred to in paragraphs (c) and (d) above is contained.

## **5. Insider Trading and Tipping**

### **5.1 Introduction**

- (1) Securities laws prohibit the directors, officers and employees of the Crystallex Group from insider trading and tipping.
- (2) A person who contravenes the prohibitions on insider trading or tipping may be liable to severe criminal and civil penalties, including imprisonment for up to five years less a day, a fine of up to the greater of \$5 million and three times the profit made or loss avoided and damages.

### **5.2 Policy**

#### ***Applicable To All***

- (1) The directors, officers and employees of the Crystallex Group are prohibited from:
  - (a) *insider trading* - trading securities of the Corporation with knowledge of undisclosed material information relating to the Corporation; or

**Note:** *Trading* includes any acquisition or disposition of shares or other securities of the Corporation including the grant, exercise or expiry of options to purchase shares of the Corporation.

- (b) *tipping* - disclosing undisclosed material information relating to the Corporation other than in the necessary course of business.

**Note:** Material information relating to the Corporation is *undisclosed* until it has been publicly disclosed through a media release or some other form of general public disclosure (eg, the Corporation's quarterly or annual reports or its annual information form) and the marketplace has had time to "digest" the disclosure. As a general rule, one clear trading day should be allowed to pass after public disclosure of quarterly and annual financial information and three clear trading

days should be allowed to pass after public disclosure of more complicated information.

- (2) The directors, officers and employees of the Crystallex Group may become aware of undisclosed material information relating to another public company (eg, as a result of business dealings or negotiations with respect to a significant transaction or activity). If they do, the prohibitions on insider trading and tipping apply to the securities of the other public company and the undisclosed material information relating to the other public company.
- (3) The prohibition on insider trading applies not only to the shares of the Corporation or the other public company but also to other securities the market price or value of which may reasonably be expected to be affected by changes in the market price or value of the shares of the Corporation or the other public company. In the case of the Corporation, this includes stock options.

***Applicable to Restricted Persons***

- (4) The Restricted Persons are prohibited from trading securities of the Corporation during the following black-out periods:
  - (a) *before and after the release of annual and/or quarterly financial information:* the period commencing two weeks before the date of any regularly scheduled release of annual and/or quarterly financial information of the Corporation and ending after public disclosure of such information;
  - (b) *before and after regularly scheduled Board meetings:* the period commencing two weeks before the date of any regularly scheduled meeting of the Board and ending after public disclosure of any matters arising out of the Board meeting; and
  - (c) *other black-out periods:* any other time that the Restricted Persons are instructed by the Board or one of the Spokespersons not to trade securities of the Corporation (eg, before and after unscheduled Board meetings).

**5.3 Procedures**

The following rules apply to trading securities of the Corporation:

***Applicable to All***

- (a) *Monitoring Trading.* The Chief Financial Officer and Corporate Secretary will be responsible for approving and monitoring the trading activity of all directors, officers and employees of the Crystallex Group.
- (b) *Company Contact Person.* All directors, officers and employees of the Crystallex Group who wish to trade securities of the Corporation or any other public company but are uncertain whether they have undisclosed material information relating to the Corporation or the other public company must contact the Chief Financial Officer

and Corporate Secretary to determine whether the information is material and whether the information has been publicly disclosed.

- (c) *Ways to Limit Risk.* Because of the severe penalties associated with insider trading, active trading in securities of the Corporation should be avoided. Purchases of shares of the Corporation should be made for long-term investment purposes and not for short-term “flips”. Under no circumstances may shares of the Corporation be sold short or put or call options on shares of the Corporation be purchased or sold.

### ***Applicable to Restricted Persons***

- (d) *Designation of Restricted Persons.* The President and Chief Executive Officer will designate those employees of the Crystallex Group (in addition to the directors and officers of the Corporation) who are Restricted Persons.
- (e) *Pre-Clearance.* All Restricted Persons who wish to trade securities of the Corporation must contact the Chief Financial Officer and Corporate Secretary before trading to confirm that no undisclosed material information exists relating to the Corporation.

## **6. Insider Reporting**

### **6.1 Introduction**

- (1) The directors and Senior Officers of the Crystallex Group are *insiders* of the Corporation and as such are required by Canadian securities laws to file insider reports disclosing their beneficial ownership of, or control or direction over, securities of the Corporation when they first become insiders of the Corporation (ie, when they first assume office) and when there is any change in their beneficial ownership of, or control or direction over, securities of the Corporation.
- (2) Insiders are required to create and file an insider profile and an insider report within 10 days after there is any change in their beneficial ownership of, or control or direction over, securities of the Corporation.
- (3) A person who fails to comply with the insider reporting requirements may be liable to severe penalties including imprisonment for up to five years less a day and a fine of up to \$5 million. There are also penalties for late filings of insider reports (\$50 per day subject to a maximum of \$1,000 per year).

### **6.2 Policy**

- (1) The directors and Senior Officers of the Crystallex Group will comply with the requirements of Canadian securities laws relating to insider reporting.
- (2) The grant, exercise and expiry of stock options are all changes in the ownership of securities of the Corporation and, therefore, subject to the insider reporting requirements.

### **6.3** *Procedures*

The following rules apply to insider reporting:

- (a) *Responsibility for Reporting.* The directors and Senior Officers of the Crystallex Group are responsible for ensuring that insider profiles and insider reports are prepared and filed within the prescribed time limits.
- (b) *Assistance.* The Chief Financial Officer and Corporate Secretary will assist the directors and Senior Officers of the Crystallex Group with respect to the preparation and filing of insider profiles and insider reports.