

RIO CRISTAL RESOURCES CORPORATION

(An Exploration Stage Company)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)**

Three Months Ended June 30, 2011 and 2010

EXPRESSED IN US DOLLARS

Reader's Note:

These unaudited interim consolidated financial statements for the three months ended June 30, 2011 and 2010 of Rio Cristal Resources Corporation ("Rio" or the "Company") have been prepared by management and have not been reviewed by the Company's auditors.

Rio Cristal Resources Corporation*(An exploration stage company)***Interim Consolidated Statements of Financial Position***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

	Note	June 30, 2011 \$	March 31, 2011 \$	April 1, 2010 \$
ASSETS				
Current				
Cash and cash equivalents		4,280,507	5,331,379	835,889
Amounts receivable		72,579	77,464	11,407
Prepaid expenses		32,664	17,987	15,551
		4,385,750	5,426,830	862,847
Equipment	5	117,990	108,528	96,999
Resource Property Costs	6	1,104,995	1,037,462	570,819
		5,608,735	6,572,820	1,530,665
LIABILITIES				
Current				
Accounts payable and accrued liabilities		405,749	375,395	664,913
Non-Current Liabilities				
Derivative liability – warrants	7	168,898	328,627	811,405
		574,647	704,022	1,476,318
SHAREHOLDERS' EQUITY				
Share capital	8	20,216,278	19,913,938	8,958,479
Shares issuable		13,530	160,468	-
Contributed surplus		1,806,319	1,746,341	1,131,819
Deficit		(17,002,039)	(15,951,949)	(10,035,951)
		5,034,088	5,868,798	54,347
		5,608,735	6,572,820	1,530,665

Nature of Operations and Going Concern *(note 1)*Commitments *(note 11)*Subsequent events *(note 13)*

ON BEHALF OF THE BOARD:

Signed "Tom Findley" Director

Signed "Charles D. Preble" Director

The accompanying notes are an integral part of these financial statements

Rio Cristal Resources Corporation*(An exploration stage company)***Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

	Note	For the three months ended June 30, 2011 \$	For the three months ended June 30, 2010 \$
General and Administrative Expenses			
Amortization		8,644	6,026
Exploration expenditures	6	764,672	208,697
General administrative expenses		126,522	63,434
Investor relations		54,971	701
Professional fees		37,067	36,695
Salaries and consulting		55,530	47,500
Stock based compensation expense		147,847	37,541
Travel		7,480	-
Loss before the undernoted		1,202,733	400,594
Change in fair value of derivative liability (warrants)	7	(159,729)	(491,990)
Interest income		(5,976)	(95)
Foreign exchange (gain) loss		13,062	(11,364)
Net (Income) Loss and Comprehensive (Income) Loss for the Period		1,050,090	(102,855)
Loss per Share – Basic and Diluted		0.01	0.00
Weighted Average Number of Shares Outstanding		146,232,858	69,076,538

The accompanying notes are an integral part of these financial statements

Rio Cristal Resources Corporation*(An exploration stage company)***Interim Consolidated Statements of Cash Flows***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

	For the three months ended June 30, 2011 \$	For the three months ended June 30, 2010 \$
Operating Activities		
Loss (income) for the period	(1,050,090)	102,855
Items not affecting cash		
Amortization	8,644	6,026
Non-cash change in fair market value of warrants	(159,729)	(491,990)
Stock compensation expenses	147,847	37,541
	(1,053,328)	(345,568)
Changes in current assets and liabilities		
Amounts receivable	4,885	(1,660)
Prepaid expenses	(14,677)	4,726
Accounts payable and accrued liabilities	30,354	(99,262)
Cash used in operating activities	(1,032,766)	(441,764)
Investing Activities		
Purchase of equipment	(18,106)	-
Cash used in investing activities	(18,106)	-
Financing Activities		
Share issuance costs	-	(5,168)
Cash used in financing activities	-	(5,168)
Net Decrease in Cash Position	(1,050,872)	(446,932)
Cash Position – Beginning of period	5,331,379	835,889
Cash Position – End of period	4,280,507	388,957

The accompanying notes are an integral part of these financial statements

Rio Cristal Resources Corporation*(An exploration stage company)***Interim Consolidated Statements of Changes in Equity***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

	Share Capital (Number of Shares)	Share Capital (Amount) \$	Common Share Subscriptions \$	Contributed Surplus \$	Deficit \$	Total \$
April 1, 2010	69,076,538	8,958,479	-	1,131,819	(10,035,951)	54,347
Share issuance costs	-	(5,168)	-	2,369	-	(2,799)
Fair value of stock-based compensation	-	-	-	37,541	-	37,541
Net income for the period	-	-	-	-	102,855	102,855
June 30, 2010	69,076,538	8,953,311	-	1,171,729	(9,933,096)	191,944
Shares issued for private placement	42,529,450	2,275,085	-	1,245,775	-	3,520,860
Share issuance costs – finders' warrants	-	(84,924)	-	84,924	-	-
Share issuance costs – cash	-	(153,457)	-	(82,992)	-	(236,449)
Shares issued on warrant exercise	32,811,485	3,642,573	-	-	-	3,642,573
Fair value of warrants exercised	-	4,855,596	-	(729,755)	-	4,125,841
Shares issued for mineral properties – La Cumbre	300,000	105,189	-	-	-	105,189
Shares issued for mineral properties – Condor	300,000	121,476	-	-	-	121,476
Property shares released from escrow	-	199,089	-	-	-	199,089
Common shares subscribed	-	-	160,468	-	-	160,468
Fair value of stock-based compensation	-	-	-	56,660	-	56,660
Net loss for the period	-	-	-	-	(6,018,853)	(6,018,853)
March 31, 2011	145,017,473	19,913,938	160,468	1,746,341	(15,951,949)	5,868,798
Shares issued on warrant exercise	1,277,724	146,938	(146,938)	-	-	-
Fair value of warrants exercised	-	87,869	-	(87,869)	-	-
Shares issued for mineral properties – La Cumbre	300,000	67,533	-	-	-	67,533
Fair value of stock-based compensation	-	-	-	147,847	-	147,847
Net loss for the period	-	-	-	-	(1,050,090)	(1,050,090)
June 30, 2011	146,595,197	20,216,278	13,530	1,806,319	(17,002,039)	5,034,088

The accompanying notes are an integral part of these financial statements

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1. Nature of Operations and Going Concern

Rio Cristal Resources Corporation (“Rio Cristal” or the “Company”) is in the business of acquiring and exploring mineral properties located in Peru. The Company is a public company with shares listed on the TSX Venture Exchange and the Lima Stock Exchange. The Company’s head office is located at Suite 206, 9440 202 Street, Langley, British Columbia V3G 2M6 and the registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia V6C 2T5.

Going Concern

The recoverability of amounts shown for resource properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several adverse conditions cast significant doubt on the validity of this assumption. The Company has incurred losses since inception and has an accumulated deficit of \$17,002,039 at June 30, 2011. The Company has limited resources, has no source of operating cash flow and has no assurances that sufficient funding will be available to meet its administrative overhead and conduct further exploration and development of its properties.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its requirements. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Basis of Preparation and First Time Adoption of IFRS

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in the interim consolidated financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

The interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”) and IFRS 1, First-Time Adoption of International Financial Reporting Standards (“IFRS 1”). Subject to certain transition elections disclosed in Note 12, we have consistently applied the same accounting policies in our opening IFRS balance sheet as at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 12 discloses the impact of the transition to IFRS on our reported statement of financial position, comprehensive loss and cash flows, including the nature and effect of significant changes in accounting policies from those used in our consolidated financial statements for the year ended March 31, 2011.

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The policies applied in the interim consolidated financial statements are presented in Note 3 and are based on IFRS issued and outstanding as of September 28, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending March 31, 2012 could result in restatement of the interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS. The interim consolidated financial statements should be read in conjunction with our Canadian GAAP annual financial statements for the year ended March 31, 2011. Note 12 discloses IFRS information for the year ended March 31, 2011 that is material to the understanding of the condensed interim consolidated financial statements. We applied IFRS 1 in preparing the first IFRS interim consolidated financial statements.

All dollar amounts are presented in US dollars unless otherwise specified.

The interim consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments.

3. Summary of Significant Accounting Policies

This summary of significant accounting policies described below has been applied consistently to all periods presented in these interim consolidated financial statements, unless otherwise stated. The exemptions we have taken in applying IFRS for the first time are set out in Note 12.

a) Consolidation

The interim consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries Cerro La Mina Cayman Ltd., Rio Cristal Zinc Cayman Ltd., and Cerro La Mina S.A. All inter-company transactions and balances have been eliminated.

b) Significant Accounting Estimates and Judgments

The preparation of the interim consolidated financial statements, in conformity with IAS 34 and IFRS 1, requires estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant areas where judgment is applied include the determination of the functional currency, the carrying value and recoverability of mineral property costs, estimated depreciable lives of equipment, inputs used in accounting for share-based compensation and provisions for site restoration. Actual results could differ from our estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

c) Foreign Currencies

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and all of its subsidiaries is the United States ("US") Dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21").

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The interim consolidated financial statements have been prepared in US dollars and in accordance with IAS 21. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the period end date exchange rates. All related foreign exchange gains and losses are recognized in the statement of loss. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The Company's presentation currency is the US dollar.

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and short-term interest-bearing investments with original maturities of three months or less.

e) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are expensed when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- (i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

- (ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not hold any available-for-sale assets.

- (iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise of cash and cash equivalents, short term investments, other receivables, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

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- (iv) Financial liabilities at amortized cost: Financial instruments held by the Company and classified in this category include trade payables and accrued liabilities. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables and accrued liabilities are measured at amortized cost using the effective interest method.

The effective interest rate method calculates the amortized cost of a financial instrument and allocates interest over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts/payments over the expected life of the financial instrument.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

- (vi) Derivative financial instruments: Derivative instruments, including embedded derivatives, are recorded at fair value through profit or loss ("FVTPL") and accordingly are recorded on the balance sheet at fair value. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the balance sheet date. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract.

Share Purchase Warrants were issued in connection with the closing of previous equity financing when the Company issued units consisting of share capital and share purchase warrants. These share purchase warrants are classified as financial liabilities and are measured at FVTPL with fair value determined using the Black-Scholes valuation model. The fair value of these instruments is subject to change based on the fluctuation in the market value of the Company's share purchase warrants, which is impacted by the Company's share price and foreign exchange rates. Warrants that have been issued to agents for services provided for a capital raising transaction are not classified as a financial liability of the Company. The initial fair value of these warrants have been recognized as a share issuance costs and included in contributed surplus.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

(i) *Financial assets carried at amortized cost:* The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(i) *Available-for-sale financial assets:* The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of loss.

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Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

f) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss during the period they are incurred.

The Company provides for amortization on exploration equipment at rates ranging from 10% to 30% using the declining balance method over their useful lives and office equipment at a rate of 30% using the declining balance method over their useful lives.

The Company allocates the amount initially recognized to each asset's significant components and depreciates each component separately. Residual values, amortization methods and useful lives of the assets are reviewed periodically and adjusted on a prospective basis as required.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss.

g) Mineral Properties and Exploration Costs

The Company capitalizes the direct costs of acquiring mineral property interest. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

Exploration and evaluation costs are charged to statement of loss in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration and development costs are capitalized. Exploration costs include value-added taxes because the recoverability of these amounts is uncertain.

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

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h) Impairment of Non-financial Assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized in the statement of loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicated that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset on the prior periods. A reversal of an impairment loss is recognized in the statement of loss.

i) Provisions

(i) Decommissioning and restoration provision: Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk free rate. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the pre-tax rate, risk specific to the liability.

The liability is also accreted to full value over time through periodic charges to earnings. This unwinding of the discount is charged to financing expense in the statement of income.

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to earnings. The method of amortization follows that of the underlying asset. The costs related to a decommissioning and restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit.

As at June 30, 2011, the Company does not have any material decommissioning and restoration provisions.

(ii) Other provisions: Provisions are recognized when a current legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate pre-tax discount rate, risk specific to the liability.

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j) Share-Based Compensation

For employees, the Company recognizes stock based compensation expense based on the estimated fair value of the options on the date of the grant. For non-employees, the fair value of the options is based on the fair value of services received and recognized at the time of services rendered. The fair value of the options is recognized over the vesting period of the options granted as stock based compensation expense and corresponding adjustment to contributed surplus. The number of options expected to vest is periodically reviewed and the estimated option forfeiture rate is adjusted as required throughout the life of the option. Upon exercise these amounts are transferred to share capital.

k) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probably that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probably that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

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l) Loss Per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings per share by application of the treasury stock method. Since the Company has losses, the exercise of outstanding stock options has not been included in this calculation as it would be anti-dilutive.

4. Financial Instruments

Categories of financial instruments

	June 30, 2011	March 31, 2011	April 1, 2010
Financial assets			
Held for trading			
Cash and cash equivalents	4,280,507	5,331,379	835,889
Loans and receivables			
Amounts receivables	72,579	77,464	11,407
	4,353,086	5,408,843	847,296
Financial liabilities			
Other financial liabilities			
Accounts payable and accrued liabilities	405,749	375,395	664,913
Derivative liability - warrants	168,898	328,627	811,405
	405,749	375,395	664,913

a) Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are directly or indirectly observable for the asset or liability; and

Level 3 – Inputs that are not based on observable market data.

The carrying values of receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

b) Management of capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

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The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or obtain debt financing. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

c) Management of financial risk

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Peru and a portion of its expenses are incurred in Canadian dollars and Peruvian Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Sol to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At June 30, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	June 30, 2011	
	Canadian Dollars	Peruvian Soles
	\$	
Cash and cash equivalents	2,332,737	12,638
Amounts receivables	25,105	22,559
Accounts payable and accrued liabilities	(28,432)	(74,086)

Based on the above net exposures as at June 30, 2011 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of \$0.2 million in the Company's loss for the period. Likewise, a 10% depreciation or appreciation of the US dollar against the Peruvian Sol would have an insignificant impact on the Company's loss for the period.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of cash and cash equivalents, short term investments and receivables.

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The Company's cash equivalents and short-term investments are held through large Canadian financial institutions. Short-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks. These investments mature at various dates over the current operating period. Other assets consist of HST receivable from the government of Canada and other receivables.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the investments included in cash and cash equivalents is limited because these investments are generally held to maturity. Based on the amount of cash and cash equivalents invested as at June 30, 2011 and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/decrease of \$21,000 in the interest earned by the Company per annum.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements by taking into account anticipated cash expenditures for its exploration and other operating activities, and its holdings of cash and cash equivalents and short-term investments. The Company will pursue equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favourable terms.

As at June 30, 2011, the Company had a cash balance of \$4,280,507 to settle accounts payable and accrued liabilities of \$405,749.

Commodity price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of precious and base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Price risk

The Company is subject to price risk from fluctuations in the market price of gold, copper and zinc, which in turn is affected by numerous factors including central bank policies, producer hedging activities, the value of the US dollar relative to other major currencies, global demand and supply and global political and economic conditions. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The carrying value of the Company's mineral property costs could be adversely affected by any reductions in the long term prices of gold, copper and zinc.

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)***5. Equipment**

	Office Equipment \$	Exploration Equipment \$	Total \$
Cost			
Balance as at April 1, 2010	1,152	161,058	162,210
Additions	2,077	34,279	36,356
Disposals	-	-	-
Balance as at March 31, 2011	3,229	195,337	198,566
Additions	-	18,106	18,106
Disposals	-	-	-
Balance as at June 30, 2011	3,229	213,443	216,672
Accumulated Depreciation			
Balance as at April 1, 2010	670	64,541	65,211
Additions	456	24,371	24,827
Disposals	-	-	-
Balance as at March 31, 2011	1,126	88,912	90,038
Additions	158	8,486	8,644
Disposals	-	-	-
Balance as at June 30, 2011	1,284	97,398	98,682
Carrying Amounts			
At April 1, 2010	482	96,517	96,999
At March 31, 2011	2,103	106,425	108,528
At June 30, 2011	1,945	116,045	117,990

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)***6. Resource property costs****Cumulative capitalized acquisition costs**

	Bongara \$	Condor \$	La Cumbre \$	Total \$
Balance at April 1, 2010	532,176	38,643	-	570,819
Option payments	125,000	181,457	181,197	487,654
Property escrow shares	199,089	-	-	199,089
Write off of costs	-	(220,100)	-	(220,100)
Balance at March 31, 2011	856,265	-	181,197	1,037,462
Option payments	-	-	67,533	67,533
Balance at June 30, 2011	856,265	-	248,730	1,104,995

Bongara Project, Peru

By agreement dated April 17, 2007 and as amended on November 15, 2007, the Company acquired 100% of Cerro La Mina S.A. ("CLM") from a company controlled by the founding shareholder of the Company, Compania Minera Pilar del Amazonas ("Amazonas"). The founding shareholder retained a nominal one share of CLM to meet Peruvian company law requirements. CLM holds the right to acquire 100% of the rights to the Bongara Project in the Amazonas Region of Peru. This transaction is a related party transaction. In exchange, the Company originally issued 5,000,000 common shares to the founding shareholder, reduced from 7,500,000, pursuant to the amended agreement dated November 15, 2007. The 5,000,000 shares are being valued on the following time schedule provided the property option agreement remains in good standing: an initial 5% tranche of property shares (250,000 shares) were valued on January 29, 2008 which is the date the common shares were listed on the TSXV and subsequent valuation of 5% each six months thereafter for the following eighteen months, and 10% each six months thereafter over the next forty-eight months and subsequent valuation of 5% each six months thereafter for the following eighteen months, provided that no more than 2,500,000 of the shares may be released pursuant to the foregoing formula until the Issuer has completed a preliminary economic assessment as defined in National Instrument 43-101 in respect of the Project and met certain other conditions. As at June 30, 2011, the Company has released 2,500,000 shares from escrow.

If the property lease agreement is terminated, all shares which have not been released from this escrow will be cancelled. No value has been attributed to the remaining 2,500,000 shares at June 30, 2011 due to the performance conditions described above. These shares will be fair valued using the spot price on the day they are issued once the performance conditions are met.

In addition, an additional 2,500,000 common shares will be issued to the founding shareholder if: (i) the Company completes a preliminary feasibility study as defined in National Instrument 43-101, or (ii) the Company enters into a joint venture agreement with a third party, whereby the third party expends exploration expenditures of not less than \$7.2 million, or (iii) at least 50.1% of the issued and outstanding shares of the Company are acquired by an arm's length third party, pursuant to a formal take-over bid made to all of the Company shareholders or (iv) all of the issued shares of the Company are acquired by an arm's length third party. No value has been attributed to the 2,500,000 shares due to the performance condition. These shares will be fair valued upon completion of the performance criteria.

Rio Cristal Resources Corporation

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Notes to Interim Consolidated Financial Statements

For the three months ended June 30, 2011 and 2010

(Expressed in US dollars)

(Unaudited – Prepared by Management)

On March 26, 2009, the Company amended its Mining Concession Transfer Agreement ("Concession Transfer Agreement") with Amazonas on its Bongara claim block in northern Peru.

The amended agreement allows the Company to make option payments to Amazonas in cash, common shares of the Company, or a combination of both from 2009 through 2013. Previously, all option payments were to be made in cash. The revised option payment schedule has two effects: first, to move \$400,000 of payments from the 2009-2013 periods to the 2014-2018 period and, second, to allow the Company to pay the remaining \$1.0 million of payments during the 2009-2013 periods in cash, shares or a combination of both. Total option payments remain unchanged for the period 2009-2018. The March 26, 2009 agreement replaces the prior amendment which was announced on December 4, 2008.

In order to acquire the Bongara concessions, the Company at its option, is required to make the following payments, under the amended agreement, to a company controlled by the founding shareholder:

Amount	Date
\$	
40,000	Paid on acquisition of CLM
40,000	Paid August 22, 2007
100,000	Paid March 12, 2008
25,000	Paid June 1, 2009
50,000	669,696 shares issued March 15, 2010
125,000	Paid March 14, 2011
300,000	March 15, 2012
500,000	March 15, 2013
600,000	March 15, 2014
600,000	March 15, 2015
600,000	March 15, 2016
600,000	March 15, 2017
2,500,000	March 15, 2018
<u>6,080,000</u>	

Upon payment of the \$6,080,000, CLM will own 100% of the Project, subject only to applicable government royalties.

If CLM elects to make any of the payments in whole or in part in shares, the number of installment payment shares shall be determined by dividing the dollar amount of such amount that CLM is electing to pay in installment payment shares by the 15 day volume weighted average trading price for the 15 trading days on the TSX-V preceding the payment due date, with such dollar amount converted from U.S. dollars to Canadian dollars using the average noon spot rate quoted by Bank of Canada for each of the said 15 trading days.

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

La Cumbre Project, Peru

On August 5, 2010 the Company signed a 90-day Exclusivity Agreement on a highly prospective copper oxide project in Southern Peru. Terms include a payment of \$25,000 to the owners for legal and administrative expenses related to the signing of a final option agreement.

On November 12, 2010 the Company signed an Option Agreement (the "Agreement") on the property. The terms of the Agreement allow the Company to acquire up to a 70% interest in the La Cumbre project through a series of cash and share payments over a six year period totalling \$3,235,000 (\$55,000 payable upon signing of the Agreement) and 3,000,000 Rio Cristal common shares (300,000 shares issuable upon signing of the Agreement). In addition, the Company must spend \$6,500,000 in exploration and other expenses on the property over the same six year period (\$150,000 payable in the first year) and complete a prefeasibility study.

On January 6, 2011 a total of 300,000 shares valued at \$105,189 were issued. A further 300,000 shares valued at \$67,533 were issued on May 24, 2011.

As at March 31, 2011 the Company had paid \$55,000 toward the initial option payment.

Exploration costs for the period ending June 30, 2011 are as follows:

	Bongara \$	La Cumbre \$	Generative \$	Total \$
Assaying and sampling	11,702	940	-	12,642
Drilling	113,757	2,787	-	116,544
Geophysics	11,519	2,028	-	13,547
Mining rights	124,919	14,087	-	139,006
Salary and consulting	176,115	51,511	-	227,626
Supplies and general	49,865	33,937	-	83,802
Travel	42,816	38,444	-	81,260
IGV	59,800	-	-	59,800
Generative exploration expenditures	-	-	30,445	30,445
	590,493	143,734	30,445	764,672

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)***Exploration costs for the period ending June 30, 2010 are as follows:**

	Bongara \$	Condor \$	Generative \$	Total \$
Assaying and sampling	1,360	5,891	-	7,251
Drilling	-	5,982	-	5,982
Geophysics	1,436	4,043	-	5,479
Mining rights	95,879	-	-	95,879
Option payments	-	13,624	-	13,624
Salary and consulting	20,701	23,634	-	44,335
Supplies and general	-	6,331	-	6,331
Travel	6,994	3,214	-	10,208
IGV	19,608	-	-	19,608
	145,978	62,719	-	208,697

During the fourth quarter of the fiscal year ended March 31, 2011, management of the Company decided not to renew its option to acquire the Condor project and wrote off all acquisition costs related to the project.

7. Derivative Liability - Warrants

Warrants issued in private placements that have an exercise price denominated in a currency other than the Company's functional currency meet the definition of a derivative liability and are recorded as a financial liability and are marked-to-market each period. The warrants issued in the February 2008, January 2010, October 2010 and May 2011 private placements have an exercise price denominated in Canadian dollars, which is not the Company's functional currency. As a result, the warrants do not meet the definition of an equity instrument and are initially recorded at fair value as a derivative liability, with the difference between the fair value and the carrying value, upon transition, being recognized in equity. Subsequent changes in the fair value of the warrants will be recognized as gains or losses in the Statement of Income (Loss) and Comprehensive Income (Loss) until they are fully exercised. Of the total amount of warrants outstanding as at June 30, 2011, a total of 2,156,510 have been accounted for using marked-to-market accounting policy.

The remaining 5,349,116 warrants have been issued to agents for services provided for a capital raising transaction and are not classified as a financial liability of the Company. The initial fair value of these warrants have been recognized as share issuance costs and included in contributed surplus.

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

The changes in warrants during the three months ended June 30, 2011 and the year ended March 31, 2011 were as follows:

	Warrants Outstanding	Weighted Average Exercise Price (Cdn\$)
Balance – April 1, 2010	20,107,600	\$0.11
Issued	21,537,235	\$0.13
Exercised	(32,811,485)	\$0.11
Balance – March 31, 2011	8,833,350	\$0.14
Exercised	(1,327,724)	\$0.11
Balance – June 30, 2011	7,505,626	\$0.15
Number of warrants	Exercise price	Expiry
5,349,116	\$0.12	August 31, 2012
2,156,510	Cdn\$0.22	January 20, 2013
7,505,626		

In relation to the 2,156,510 warrants granted at Cdn\$0.22, if the closing price of the Company's common shares on the TSX Venture Exchange is at a price equal to or greater than Cdn\$0.30 for a period of ten consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the holders of the warrants which will then expire on the date that is not less than thirty days from the date of the notice.

The fair value of the warrants has been estimated at June 30 and March 31, 2011 and April 1, 2010 and was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2011	March 31, 2011	April 1, 2010
Risk-free interest rate	1.58%	1.51%	1.53%
Expected dividend yield	Nil	Nil	Nil
Expected stock price volatility	143%	148%	220%
Expected life in years	1.56 years	0.58 years	1.19 years

Option pricing models require the input of subjective assumptions including the expected price volatility. Changes in the assumptions can materially affect the fair value estimate.

8. Capital**Authorized share capital**

Unlimited common shares without par value

a) Shares issuable

As at June 30, 2011 the Company has received \$13,530 for the exercise of 117,647 warrants at \$0.115. The shares were issued subsequent to the end of the period.

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)***Share Purchase Options**

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Toronto Stock Exchange on the last trading day preceding the grant date. Options begin vesting on the grant date based on a schedule outlined in the share purchase option plan. The option plan provides that the aggregate number of Shares reserved for issuance under the plan which may be made subject to options at any time and from time to time (including those issuable upon the exercise of pre-existing options) shall not exceed 10% of the total number of issued and outstanding Shares, on a non-dilutive basis, as constituted on the grant date of such options. At June 30, 2011 a total of 9,989,520 options were reserved under the Plan with 4,670,000 options outstanding.

a) Movements in share options during the period

The changes in share options during the three months ended June 30, 2011 and the year ended March 31, 2011 were as follows:

	June 30, 2011		March 31, 2011	
	Number of options	Weighted average exercise price (in CDN\$)	Number of options	Weighted average exercise price (in CDN\$)
Options outstanding, beginning of the year	4,670,000	0.26	3,245,000	0.31
Granted	1,800,000	0.18	1,425,000	0.15
Exercised	-	-	-	-
Forfeited	-	-	-	-
Options outstanding, end of the period and year	6,470,000	0.24	4,670,000	0.26

Fair value of share options granted

During the period ended June 30, 2011, the Company granted 1,800,000 options to employees, officers, directors and consultants of the Company at a weighted average exercise price of Cdn\$0.18. These stock options were valued at Cdn\$272,340 using the Black-Scholes option pricing model. The weighted average grant date value per option was C\$0.15

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

During the year ended March 31, 2011, the Company granted 1,425,000 options to employees, officers, directors and consultants at a weighted average exercise price of CDN\$0.15. The estimated fair value of the stock options granted during the year ended March 31, 2011 was CDN\$138,019 using the Black-Scholes option pricing model. The weighted average grant date value per option was \$0.10.

	Three month period ended June 30, 2011	Year Ended March 31, 2011
Expected dividend yield	0%	0%
Expected stock price volatility	183% - 188%	146% - 202%
Risk-free interest rate	1.74%	1.43% - 1.89%
Expected life of options	2.5 – 3.5 years	1.0 – 2.9 years

Option pricing models require the input of subjective assumptions including the expected price volatility and the expected option life. Changes in these assumptions can materially affect the estimated fair value of the stock options granted.

b) A summary of the Company's options as at June 30, 2011 is as follows:

Outstanding Options	Options Exercisable	Price per Share	Remaining Contractual Life (Years)	Expiry Date
160,000	53,333	Cdn\$0.205	1.37	November 12, 2012
1,175,000	1,175,000	Cdn\$0.50	1.59	January 29, 2013
5,000	5,000	Cdn\$0.64	1.66	February 26, 2013
100,000	50,000	Cdn\$0.27	1.70	March 11, 2013
150,000	150,000	Cdn\$0.50	1.79	April 13, 2013
205,000	205,000	Cdn\$0.50	1.93	June 4, 2013
150,000	150,000	Cdn\$0.50	2.26	October 3, 2013
1,560,000	1,040,000	Cdn\$0.10	2.84	April 30, 2014
965,000	482,500	Cdn\$0.10	3.89	May 20, 2015
200,000	100,000	Cdn\$0.32	4.67	March 1, 2016
1,800,000	600,000	Cdn\$0.18	4.84	May 2, 2016
6,470,000	4,010,833		3.26	

The weighted average exercise price of the options exercisable at June 30, 2011 is CDN\$0.24.

9. Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

a) Trading transactions

Certain of the Company's officers and directors render services to the Company as sole proprietors or through companies in which they are an officer, director or partner.

	Nature of transactions
DuMoulin Black	Legal fees
Avisar Chartered Accountants	Accounting fees
Global Vista	Investor relations and rent

The Company incurred the following fees and expenses in the normal course of operations in connection with related parties.

	Note	Three Months Ended June 30, 2011 \$	Three Months Ended June 30, 2010 \$
Legal fees		5,200	11,725
Accounting fees		26,336	14,602
Investor relations fees		12,600	500
Rent		4,500	4,500
	(i)	48,637	31,327

- (i) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable as at March 31, 2011 included \$14,000 (March 31, 2011 - \$28,468; April 1, 2010 - \$112,091) which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

b) Compensation of key management personnel

The remuneration of the directors, chief executive officer, president and chief financial officer (collectively the key management personnel) during the three months ended June 30, 2011 and 2010 were as follows:

	Note	Three Months Ended June 30, 2011 \$	Three Months Ended June 30, 2010 \$
Salaries		73,836	62,103
Share-based compensation	(i)	30,348	7,155
	(ii)	104,184	69,258

- (i) Share-based compensation represents the expense for the three months ended June 30, 2011, translated at the grant date foreign exchange rates.
- (ii) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the three months ended June 30, 2011 and 2010.

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

10. Segmented information

Details of identifiable assets and net loss by geographic area are as follows:

Total Assets	June 30, 2011	March 31, 2011	April 1, 2010
	\$	\$	\$
Canada	4,133,516	5,079,527	1,176,694
Peru	1,475,219	1,493,293	353,971
	5,608,735	6,572,820	1,530,665

Total Non-Current Assets	June 30, 2011	March 31, 2011	April 1, 2010
	\$	\$	\$
Canada	1,946	2,103	9,247
Peru	1,221,039	1,143,887	658,571
	1,222,985	1,145,990	667,818

Net Loss (Income)	Three months ended June 30, 2011	Three months ended June 30, 2010
	\$	\$
Canada	124,372	125,836
Peru	925,748	290,659
	1,050,090	416,495

11. Commitments

Pursuant to a resolution of the Board of Directors on March 18, 2010, the Company entered into a compensation arrangement with the Company's President and Chief Executive Officer for a fee of US\$190,000 per annum.

Rio Cristal Resources Corporation

(An exploration stage company)

Notes to Interim Consolidated Financial Statements

For the three months ended June 30, 2011 and 2010

(Expressed in US dollars)

(Unaudited – Prepared by Management)

12. Transition to International Financial Reporting Standards

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated April 1, 2010:

a) IFRS 3 – Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after April 1, 2010.

b) IFRS 2 – Share-based Payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payments to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to April 1, 2010.

IFRS

Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value. Awards based in a currency other than the Company's functional currency are translated at the foreign exchange rate in effect on the grant date of the awards and the resulting fair value is amortized over the vesting period of the respective tranches.

Forfeiture estimates are included in the calculation of fair value of share-based awards, and are revised for actual forfeitures in subsequent periods.

Canadian GAAP

The fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value may be recognized on a straight-line basis over the vesting period.

Forfeitures of awards may be recognized as they occur.

Under IFRS 1 the Company may elect to revalue individual assets within its property, plant, and equipment tangible assets at the transition date and use this fair value as the deemed transition cost. The Company has not made this election, and did not make an adjustment to the carrying value of its property, plant and equipment tangible assets at transition.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated April 1, 2010:

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)***c) Estimates**

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of May 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

The Company has adopted IFRS on May 1, 2011 with a transition date of May 1, 2010. Presented below is a reconciliation to IFRS of assets, liabilities, equity, and net loss of the Company from those previously reported under Canadian GAAP. There are no material differences between the cash flow statements presented under IFRS and Canadian GAAP.

d) Taxes

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Under IFRS, temporary differences resulting from the initial recognition of assets or liabilities that do not affect accounting or taxable profit do not result in a deferred tax asset or liability. As of the date of transition, a full valuation allowance has been recorded against the net potential future income tax assets associated with all the loss carry-forwards and certain other deductible temporary differences as their utilization is not considered more likely than not at this time.

	March 31, 2011 \$	June 30, 2010 \$	April 1, 2010 \$
Total Assets under Canadian GAAP and IFRS	6,572,820	1,074,641	1,530,665
Total Liabilities Under Canadian GAAP	375,395	565,651	664,913
Adjustments			
Derivative liability	328,627	317,046	811,405
Total Liabilities Under IFRS	704,022	882,697	1,476,318
Total Equity Under Canadian GAAP	6,197,425	508,990	865,752
Adjustments			
Derivative liability	(328,627)	(317,046)	(811,405)
Total Equity Under IFRS	5,868,798	191,944	54,347

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the three months ended June 30, 2011 and 2010***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

	For the Year ended March 31, 2011 \$	For the Three months ended June 30, 2010 \$
Total Net Loss Under Canadian GAAP	(2,669,868)	(416,495)
Adjustment		
Share based payments	39,347	27,360
Derivative liability	(3,285,477)	491,990
Total Net Loss Under IFRS	5,915,998	102,855

a) Derivative Liability

Under Canadian GAAP, warrants included in financings are accounted for at their carrying value within shareholders' equity. Under IFRS, these warrants that have an exercise price denominated in a currency other than the Company's functional currency meet the definition of a derivative liability and are recorded as a financial liability and are marked-to-market each period. The warrants issued in the January 2008, April 2009, March 2010 and January 2011 private placements have an exercise price denominated in Canadian dollars, which is not the Company's functional currency. As a result, the warrants do not meet the definition of an equity instrument and will be recorded at fair value as a derivative liability, with the difference between the fair value and the carrying value, upon transition, being recognized in equity. Subsequent changes in the fair value of the warrants will be recognized as gains or losses in the Statement of Income (Loss) and Comprehensive Income (Loss) until they are fully exercised.

On transition to IFRS, as at April 1, 2010, the Company recorded a reclassification adjustment of \$811,405 to record the warrant liability and correspondingly decreased contributed surplus by \$811,405.

During the year ended March 31, 2011, the Company recorded a warrant revaluation expense of \$3,285,477 resulting from the marked-to-market impact of this derivative liability.

As at March 31, 2011, to have the Company compliant with IFRS, the Company recorded a reclassification adjustment to record the warrant liability of \$328,627 and correspondingly decreased contributed surplus by \$328,627.

Warrants that have been issued to agents for services provided for a capital raising transaction and are not classified as a financial liability of the Company. The initial fair value of these warrants have been recognized as a share issuance costs and included in contributed surplus as governed by IFRS 2.

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Notes to Interim Consolidated Financial Statements

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(Unaudited – Prepared by Management)

IFRS 2 – Share-based Payments

As at April 1, 2010, the application of IFRS 2 resulted in a \$36,125 increase to the deficit and a corresponding \$36,125 increase to contributed surplus due to a revaluation of options granted prior to April 1, 2010 but which vested after April 1, 2010. For the three months ended June 30, 2010, there was a \$27,360 decrease in share-based compensation from \$64,901 to \$37,541, while for the year ended March 31, 2011 there was a decrease of \$39,347 in share-based compensation from \$133,548 to \$94,201. These IFRS adjustments resulted in a cumulative decrease to the deficit and contributed surplus of \$3,222 as at March 31, 2011.

13. Subsequent events

Subsequent to June 30, 2011 the Company issued 117,647 common shares for \$13,530, upon the exercise of warrants.
