

RIO CRISTAL RESOURCES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
For the Three Months Ended June 30, 2011

Introduction

The following Management's Discussion and Analysis (the "MD&A") of Rio Cristal Resources Corporation ("Rio Cristal" or the "Company") has been prepared as of September 26, 2011 and is intended to supplement and complement the Company's unaudited interim consolidated financial statements for the three months ended June 30, 2011 and the audited consolidated financial statements for the year ended March 31, 2011. All dollar amounts are expressed in United States dollars unless otherwise noted.

Forward-Looking Information

The information contained herein contains "forward-looking statements" within the meaning of applicable Canadian securities legislation. Forward-looking statements relate to information that is based on assumptions of management, forecasts of future results, and estimates of amounts not yet determinable. Any statements that express predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements." Statements concerning reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered as a property is developed, and in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited.

Forward-looking statements include, but are not limited to, statements with respect to the future price of gold, silver and other metals, the estimation of mineral resources and reserves, the realization of mineral resource and reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, timing of completion of studies and reports, success of exploration and development activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of exploration operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, completion of acquisitions and their potential impact on the Company and its operations, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the completion and integration of acquisitions and actual effects of the acquisitions; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of future economic evaluations; changes in project parameters as plans continue to be refined; future prices of precious and base metals; possible variations in ore

resources, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed elsewhere in this MD&A. Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. In making the forward-looking statements in this MD&A, the Company has applied several material assumptions, including, but not limited to, the assumption that: (1) market fundamentals will result in sustained gold, silver, copper and zinc demand and prices; (2) the proposed development of its mineral projects will be viable operationally and economically and proceed as expected; and (3) any additional financing needed will be available on reasonable terms. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Investors are cautioned against attributing undue certainty to forward-looking statements. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Overview

The Company was incorporated under the *Business Corporations Act* (British Columbia) on November 24, 2006 under the name "Rio Cristal Zinc Corporation". In June 2009, the Company changed its name to "Rio Cristal Resources Corporation". The Company's shares are traded on the TSX-V exchange in Canada and the Bolsa de Valores de Lima ("BVL") in Peru.

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.

Rio Cristal is a publicly traded exploration company without any mineral producing properties and does not have revenues from any mineral properties.

The Company has focused much of its resources in the past on the Bongará zinc project, which is its core project. In addition to the Bongará project, the Company has entered into an option agreement on La Cumbre, an outcropping copper-oxide prospect, which is currently being permitted for drilling.

Current Developments

On September 2, 2011 the Company provided a corporate progress report including activities at its exploration projects. The Company completed a 3,077 meter drill campaign at the Cristal zinc oxide project in August. This drilling is in addition to 4,229 meters drilled in 2008. The Company will now analyze the complete package of results to determine if there is sufficient data to calculate an economic resource or if additional drilling is necessary.

Highlights of Zinc Oxide Intercepts at Cristal 2011

- Drill hole CR63-11 - 12.4 meters of 23.7% zinc
- Drill hole CR74-11 - 11.4 meters of 14.5% zinc
- Drill hole CR77-11 - 7.0 meters of 11.3% zinc
- Drill hole CR60-11 - 12.5 meters of 10.5% zinc
- Drill hole CR72-11 - 11.4 meters of 9.5% zinc

In addition, the Company provided an update on negotiations with the community of Shipasbamba, where the Company's Florida project is located and stated that drilling will be postponed until 2012. At the Company's San Jose project in the southeastern part of its Bongará concessions, an agreement has been reached with the Yamborasbamba community and the Company expects to begin drilling in October following the completion of surface exploration and geochemical analysis currently underway.

The Company also reported that it has filed a permit application with the Peruvian Ministry of Energy and Mines ("MEM"). The Company is now awaiting issuance of the permit so that it may begin a 3,000 meter drilling program at La Cumbre which should last no longer than two months to evaluate the near surface copper as well as test for extensions at depth where the mineralization remains open.

On July 13, 2011, the Company announced that it had appointed Erik Bethel, managing partner of SinoLatin Capital to the board of the Company. Mr. Bethel has 17 years' experience in the investment banking and private equity industries in Latin America and China. He currently serves as managing partner for SinoLatin Capital, a merchant bank based in Shanghai that focuses on natural resource transactions between China and Latin America.

On May 6, 2011, the Company announced that 1,800,000 incentive stock options had been granted to its directors and officers and to certain employees and consultants of the Company on May 2, 2011, pursuant to the Company's Stock Option Plan. The 5 year options were issued at a price of C\$0.18 per option.

On April 27, 2011, the Company announced that it had entered into an agreement with SinoLatin Capital Incorporated to act as the Company's financial adviser in China.

On April 18, 2011, the Company announced that it is discussing additional amenability test-work on zinc oxides from its Cristal project using AmmLeach(r) proprietary leaching technology. AmmLeach(r) tests conducted by Metaleach Limited (a wholly owned subsidiary of Alexander Mining) on the Company's zinc oxides produced very encouraging results in 2008, which support our current efforts to establish a resource for our high-grade zinc oxide deposits.

On April 7, 2011, the Company provided a corporate progress report on its three exploration projects. At Bongará, the Company reported that it had started a 4,000 meter drilling program at Cristal where excellent drill results were obtained in 2008. The program was completed by the end of July 2011. The Company is also doing surface work in preparation for obtaining permits to drill in the southern part of its 18,000 hectares of concessions to discover zinc sulfides. At La Cumbre, initial studies of the property are underway and application for drill permits will be made as quickly as possible. At Condor, the Company announced that it had

completed 1,796 meters of drilling and that the results were disappointing. Relatively small, dispersed lens of gold were discovered with limited continuity and no additional drilling is warranted. The Company has cancelled its option agreement on the Condor project as the intersected mineralization did not meet the Company's investment requirements.

BONGARÁ ZINC PROJECT, PERU

Current Operations and Status

The Bongará Concessions ("Concessions") are a group of contiguous claims totaling 18,413 hectares located approximately 740 km north of Lima, Peru in the Region of Amazonas. The Bongará Concessions contain several early stage prospects that are believed to be Mississippi Valley Type ("MVT") zinc prospects.

The Company's zinc concessions are adjacent to the Cementos Pacasmayo zinc oxide mine to the west. To the south, the Project is adjacent to the Florida Canyon zinc-lead deposit, an advanced joint-venture exploration project being conducted by Votorantim Metals from Brazil and Solitario Exploration & Royalty Corp (TSX: SLR).

The Company's Bongará Concessions consist of four separate exploration zones, which are at varying stages of exploration:

- Cristal Project: This target covers an area of approximately 2.5 km by 1.5 km. These prospects have seen the majority of exploration to date, including 7,306 meters of drilling to identify high-grade zinc oxides near surface, and to test for sulfides in lower horizons. Drilling was completed in July 2011 and results were issued in the Company's September 2, 2011 press release. The Company is currently analyzing the results to determine if there is sufficient data to calculate an economic resource or if additional drilling is necessary.
- Alto Cristal: This area is situated four kilometers west of the Cristal Project and was the target of early reconnaissance, geological mapping and geochemical sampling. To date, no drilling has been planned.
- San Jose: This area is 10 km south-southwest of Cristal and consists of previously discovered zinc sulfide showings. Mapping and surface sampling is currently underway to identify zinc sulfide targets. Permitting is beginning and drilling is expected to begin in October 2011.
- Florida: This area shows similar structural control and stratigraphy observed at Votorantim Metals and Solitario Resources Florida Canyon advanced zinc/lead exploration project. Exploration at the Florida North Project commenced in mid-2008, and consisted of preliminary mapping and sampling to identify to drill targets. The Company is currently in negotiations with the community of Shipasbamba and has announced that drilling will be postponed until 2012.

The remaining concessions are claims that surround the above principal target areas and have been subjected to limited exploration, and no drilling, but which are believed to contain potential for additional targets with additional exploration.

Drill Results

In August, the Company completed a 3,077 meter drill campaign at the Cristal zinc oxide project in August with good results. This drilling is in addition to 4,229 meters drilled in 2008. The Company will now analyze the complete package of results to determine if there is sufficient data to calculate an economic resource or if additional drilling is necessary.

Highlights of Zinc Oxide Intercepts at Cristal in its 2011 drill campaign

- Drill hole CR63-11 - 12.4 meters of 23.7% zinc
- Drill hole CR74-11 - 11.4 meters of 14.5% zinc
- Drill hole CR77-11 - 7.0 meters of 11.3% zinc
- Drill hole CR60-11 - 12.5 meters of 10.5% zinc
- Drill hole CR72-11 - 11.4 meters of 9.5% zinc

In 2008, the Company completed a drilling program with 39 holes totalling 4,229 meters of drilling. Thirty four drill holes totalling 1,999 meters relate to near surface drilling of the zinc oxide zones; and, 5 holes totalling 2,230 meters relates to deep drilling to test for zinc sulfides and the stratigraphic sequence beneath the oxide horizons. Laboratory assay results from the oxide drilling program are considered favourable ranging from 2.0 meters of 22.5% zinc to 58.7 meters of 10.0% zinc. Other drilling results from the campaign included hole CR-11-08 intersecting 8.59 m of oxide mineralization grading 22.73% Zn, starting at a depth of 9.63 m below surface and CR 03-08 intersecting 4 m of oxide mineralization grading 23.66% Zn, starting at a depth of 56.1 m. Intercepts are drill intercepts and may not reflect true thickness intercepts. Drill results from the sulfide targets did not intersect ore grade zinc mineralization in the lower horizons; however, the zinc values are considered highly anomalous and sulfides are visible in the drill core indicating potential for economic grade zinc mineralization elsewhere in the formations.

AMEC, an internationally recognized engineering firm, completed a NI 43-101 report for the Bongará project in January, 2010. The report updates a previous report for the project in 2007 prepared by AMEC. The AMEC report describes mapping, sampling and diamond drilling on the Property and indicates that at least two main mineral exploration targets exist. Supergene oxide zinc mineralization overprinting MVT-style zinc-lead mineralization has been defined at the Cristal Prospect on the Bongará Property. The oxide mineralization is similar to that mined at Mina Grande on the adjacent Bongará property. Significant potential exists to discover more oxide zinc mineralization in Condorsinga Formation sediments at the Cristal Prospect and elsewhere in other formations and on other parts of the property. The report goes on to say that primary MVT-style zinc lead mineralization and anomalous zinc values have been encountered in stream sediment and soil geochemical samples at the Quebrada Seca, Cristal, Alto Cristal and Florida areas. These areas indicate significant potential exists to find sulphide MVT-style mineralization in the Chambará formation.

LA CUMBRE PROJECT, PERU

On November 12, 2010, the Company signed an option agreement on the La Cumbre copper project near Chala, Peru. The terms of the Agreement allows the Company, at its option, 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 totaling \$3,250,000 and 4,000,000 Rio Cristal common shares. In addition, the Company must spend \$6,500,000 in exploration and other expenses on the property over the same six year period and complete a prefeasibility study.

La Cumbre is approximately 900 km south of Lima, Peru near the town of Chala at relatively low elevation of 1,000 meters on average. The Company has submitted its drilling permit applications to the Ministry of Energy and Mines and there are no remaining observations from the Ministry. The Company is currently mobilizing for drilling and expects to begin drilling in the month of October 2011.

The Company plans to drill approximately 3,000 meters at La Cumbre to identify near surface copper oxides which could be mined while the Company explores for an underlying porphyry-style copper sulfide type deposit.

Results of Operations

For the Three Months Ended June 30, 2011

The Company's net loss for the three month period ended June 30, 2011 (the "Current Period") was \$1.1 million or \$0.01 per share compared to a net income of \$0.1 million or \$nil per share for the three month period ended June 30, 2010 (the "Comparative Period"), a decrease of \$1.2 million.

Expenses were higher in the Current Period at \$1.2 million, compared with \$0.4 million in the Comparative Period due mainly to: higher exploration expenditures (increase of \$0.6 million over the Comparative Period) due to increased expenditures on all of the Company's mineral properties, particularly the Bongará and La Cumbre projects; higher administration expenses (increase of \$0.1 million over the Comparative Period) due to increased administration costs in Peru; higher investor relations expenses (increase of \$54,270 over the Comparative period) due to the signing of two contracts for investor relations services in the fourth quarter of fiscal 2011 and one in the first quarter of fiscal 2012; and higher stock compensation expense (increase of \$0.1 million over the Comparative Period) due mainly to the stock option grant in May of 2011.

Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of Rio Cristal and is derived from unaudited quarterly consolidated financial statements prepared by management. Rio Cristal's interim consolidated financial statements are prepared in accordance with Canadian GAAP and expressed in US dollars.

Period	Revenues	Income (Loss) from Continued Operations \$	Basic and Fully Diluted Loss per Share from Continued Operations \$
1 st Quarter 2012	Nil	(1,050,090)	(0.01)
4 th Quarter 2011	Nil	(1,217,070)	(0.01)
3 rd Quarter 2011	Nil	(3,146,713)	(0.03)
2 nd Quarter 2011	Nil	(1,655,070)	(0.02)
1 st Quarter 2011	Nil	102,855	(0.01)
4 th Quarter 2010	Nil	(1,152,998)	(0.02)
3 rd Quarter 2010	Nil	(257,031)	(0.01)
2 nd Quarter 2010	Nil	(277,440)	(0.00)

The decrease in loss during the fourth quarter of the 2011 and the increase in the third quarter of 2011 is a result of the revaluation of derivative warrants using marked to market. In addition the Company has increased spending on its exploration projects including drilling expenses.

The increase in loss during the fourth quarter of the 2010 fiscal year is a result of an increase in financing fees related to the early exercise incentive option.

Liquidity and Capital Resources

The Company had net working capital of \$4.0 million as at June 30, 2011 compared to net working capital of \$5.1 million as at March 31, 2011. The cash balance at June 30, 2011 was \$4.3 million compared to \$5.3 million as at March 31, 2011. As at June 30, 2011 current liabilities were \$0.4 million compared to \$0.3 million as at March 31, 2011. The Company expects to use its net working capital balance to fund its 2012 exploration programs as well as corporate expenses.

Investing Activity

During the three months ended June 30, 2011, the Company issued 300,000 shares with a value of \$67,533 pursuant to the property option agreement on its La Cumbre project. The Company also purchased \$18,107 in computer and exploration equipment for use in Peru.

Going Concern

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's activities in Peru are subject to the impact of changes in legal, tax and regulatory regimes at the national level and changes in community relations, labor and political issues at the local level. While the Company actively monitors all such changes and makes plans accordingly, factors beyond the Company's control could adversely impact its operations in Peru or result in material impairment of its properties. The Company believes that the current conditions in Peru are stable and conducive to conducting business, the Company's current and future mineral exploration and mining activities could be impacted by adverse political or economic developments. The adverse developments may include the imposition of unfavourable government regulations on foreign investment, in addition, even though the Company's current relationships with local communities are in good standing, this may be subject to change, which may be beyond the Company's control.

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.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its requirements. For exploration and administration activities after the next twelve months, the Company will require addition financing to advance its exploration projects.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares, all without nominal or par value.

The table below summarizes the Company's common shares and securities convertible into common shares as at September 26, 2011:

		Price	Expiry date	Number of common shares
Common shares, issued and outstanding				146,762,844
Securities convertible into common shares				
Warrants	USD	\$0.115	August 26, 2012	5,231,469
	CDN	\$0.22	January 20, 2013	2,156,510
Options	CDN	\$0.205	November 12, 2012	160,000
		\$0.50	January 29, 2013	1,175,000
		\$0.64	February 26, 2013	5,000
		\$0.27	March 13, 2013	100,000
		\$0.50	April 13, 2013	150,000
		\$0.50	June 4, 2013	205,000
		\$0.50	October 3, 2013	150,000
		\$0.10	April 30, 2014	1,560,000
		\$0.10	May 20, 2015	965,000
		\$0.32	March 1, 2016	200,000
		\$0.18	May 2, 2016	1,800,000
		\$0.17	July 12, 2016	300,000
				160,920,823

Subsequent to the three month period ended June 30, 2011, the Company granted 300,000 options to certain directors and consultants of the Company at an exercise price of Cdn\$0.17 and exercisable for five years.

As at June 30, 2011, 4,996,667 options outstanding had vested.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties for the Three Months Ended June 30, 2011

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. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

	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 June 30, 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.

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.

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.

Critical Accounting Policies and Estimates

The details of Rio Cristal's accounting policies are presented in note 3 of the interim consolidated financial statements. The following policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on the Company's experience and Management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on the new facts and experience. Actual results may differ from these estimates and assumptions. Significant areas requiring the use of management estimates include the carrying value of mineral properties and property, plant and equipment and stock based compensation. Factors that could affect these estimates include risks inherent in mineral exploration and development, changes in reclamation requirements, and changes in government policy.

Resource Properties

The Company is in the process of exploring its mineral properties and has adopted the policy of capitalizing significant acquisition costs for property rights. Mineral exploration costs and maintenance payments are expensed prior to the determination that a property has economically recoverable ore reserves and maintenance payments. Option payments are considered acquisition costs once the Company has the intention of exercising the option agreement.

Capitalized costs for a producing mine or asset are amortized on a unit-of-production method based on the estimated life of ore reserves, while capitalized costs for prospects abandoned are written off.

Management reviews and evaluates the carrying value of its mineral properties for impairment when events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. If the total estimated future operating cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value which is normally determined using the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired it is written down to its estimated fair value.

Ownership in mineral properties involves certain interest 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 characteristics 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.

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 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 indicate 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 in the prior periods. A reversal of an impairment loss is recognized in the statement of loss.

Conversion to International Financial Reporting Standards ("IFRS")

Effective January 1, 2011 Canadian publicly listed companies were required to prepare financial statements in accordance with IFRS for interim and annual periods. Due to the requirement to present comparative financial information, the effective transition date is April 1, 2010. The three months ended June 30, 2011 is the Company's first reporting period under IFRS.

The standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that the Company has selected. The International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact our financial statements primarily in the areas of capitalization of exploration costs and disclosures. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

Note 12 to the consolidated interim financial statements included contains more detail on the Company's key Canadian GAAP to IFRS differences, its accounting policy decisions and IFRS 1, First-Time Adoption of International Financial Reporting Standards, optional exemptions for significant or potentially significant areas that have had an impact on the Company's financial statements on transition to IFRS or may have an impact in future periods. A summary of these differences is presented below:

	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

	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 income 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.

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.

Financial instruments carrying value and fair value

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, price or credit risks arising from its financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Company holds cash balances and incurs payables that are denominated in Canadian Dollars and Peruvian Soles. These balances are subject to fluctuations in the exchange rate between the Canadian Dollar, Peruvian Soles and the United States Dollar, resulting in currency gains or losses for the Company.

Capital management

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.

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.

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 or 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
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 net earnings. Likewise, a 10% depreciation or appreciation of the US dollar against the Peruvian Sol would have an insignificant impact on the Company's net earnings.

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 be 100% of cash and cash equivalents, short term investments and receivables.

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.

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning Rio Cristal's general and administrative expenses and resource property costs is provided in the Company's Consolidated Statement of Loss and Deficit contained in its Consolidated Financial Statements for June 30, 2011 and 2010 that is available on Rio Cristal's website at www.riocristalresources.com or on its SEDAR Page Site accessed through www.sedar.com.

Approval

The Audit Committee of Rio Cristal has approved the disclosure contained in this MD&A.

Additional Information

Additional information relating to Rio Cristal is on SEDAR at www.sedar.com.