

**RIO CRISTAL RESOURCES CORPORATION**

**(An Exploration Stage Company)**

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

**Six Months Ended September 30, 2011 and 2010**

**EXPRESSED IN US DOLLARS**

**Reader's Note:**

These unaudited interim consolidated financial statements for the six months ended September 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	September 30, 2011 \$	March 31, 2011 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		2,880,367	5,331,379
Amounts receivable		62,447	77,464
Prepaid expenses		30,483	17,987
		<b>2,973,297</b>	<b>5,426,830</b>
<b>Equipment</b>	4	<b>183,634</b>	<b>108,528</b>
<b>Resource Property Costs</b>	5	<b>1,104,995</b>	<b>1,037,462</b>
		<b>4,261,926</b>	<b>6,572,820</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		398,254	375,395
<b>Non-Current Liabilities</b>			
Derivative liability – warrants	6	85,750	328,627
		<b>484,004</b>	<b>704,022</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	20,186,232	19,853,083
Shares issuable		-	160,468
Contributed surplus		1,786,006	1,666,794
Deficit		(18,194,316)	(15,811,547)
		<b>3,777,922</b>	<b>5,868,798</b>
		<b>4,261,926</b>	<b>6,572,820</b>

Nature of Operations and Going Concern *(note 1)*Commitments *(note 10)*Subsequent events *(note 12)*

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 Loss and Comprehensive Loss**

(Expressed in US dollars)

(Unaudited – Prepared by Management)

		Three Months		Six Months	
		Ended September 30		Ended September 30	
	Note	2011	2010	2011	2010
		\$	\$	\$	\$
<b>General and Administrative Expenses</b>					
Amortization		7,492	6,064	16,136	12,090
Exploration expenditures	5	926,674	111,775	1,691,346	320,472
Financing costs		-	5,079	-	5,079
General administrative expenses		163,812	101,530	290,334	165,665
Investor relations		51,334	-	106,305	-
Professional fees		43,031	27,207	80,098	63,902
Salaries and consulting		57,131	47,500	112,661	95,000
Stock based compensation expense		70,763	2,681	218,610	40,222
Travel		3,449	5,189	10,929	5,189
<b>Loss before the undernoted</b>		<b>1,323,686</b>	<b>307,025</b>	<b>2,526,419</b>	<b>707,619</b>
Change in fair value of derivative liability (warrants)	6	(83,148)	1,256,158	(242,877)	764,168
Interest income		(5,258)	(81)	(11,234)	(176)
Foreign exchange loss (gain)		97,399	1,227	110,461	(10,137)
<b>Net Loss and Comprehensive Loss for the Period</b>		<b>1,332,679</b>	<b>1,564,329</b>	<b>2,382,769</b>	<b>1,461,474</b>
<b>Loss per Share – Basic and Diluted</b>		<b>0.01</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>
<b>Weighted Average Number of Shares Outstanding</b>		<b>144,205,395</b>	<b>83,775,187</b>	<b>143,970,418</b>	<b>76,466,023</b>

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  
For the Six Months Ended September 30***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

	2011 \$	2010 \$
<b>Operating Activities</b>		
Loss for the period	(2,382,769)	(1,461,474)
Items not affecting cash		
Amortization	16,136	12,090
Non-cash change in fair market value of warrants	(242,877)	764,168
Stock compensation expenses	218,610	40,222
	(2,390,900)	(644,944)
Changes in current assets and liabilities		
Amounts receivable	15,017	1,503
Prepaid expenses	(12,496)	3,678
Accounts payable and accrued liabilities	22,859	(89,821)
Cash used in operating activities	(2,365,520)	(729,634)
<b>Investing Activities</b>		
Purchase of equipment	(91,242)	(1,667)
Cash used in investing activities	(91,242)	(1,667)
<b>Financing Activities</b>		
Proceeds on issuance of shares	-	3,284,098
Proceeds from exercise of warrants	5,750	87,228
Share issuance costs	-	(218,517)
Cash used in financing activities	5,750	3,152,809
<b>Net Decrease in Cash Position</b>	<b>(2,451,012)</b>	<b>2,421,508</b>
Cash Position – Beginning of period	5,331,379	835,889
<b>Cash Position – End of period</b>	<b>2,880,367</b>	<b>3,257,397</b>

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 \$
<b>April 1, 2010</b>	69,076,538	8,958,479	-	1,131,819	(10,035,951)	54,347
Shares issued for private placement	38,636,450	2,038,323	-	1,245,775	-	3,284,098
Shares issued on warrant exercise	892,500	115,146	-	(11,526)	-	103,620
Share issuance costs – cash	-	(135,625)	-	(80,523)	-	(216,148)
Property shares released from escrow	-	43,515	-	-	-	43,515
Fair value of stock-based compensation	-	-	-	40,222	-	40,222
Net income for the period	-	-	-	-	(1,461,474)	(1,461,474)
<b>September 30, 2010</b>	108,605,488	11,019,838	-	2,325,767	(11,497,425)	1,848,180
Shares issued for private placement	3,893,000	236,762	-	82,672	-	319,434
Share issuance costs – finders' warrants	-	(84,924)	-	84,924	-	-
Share issuance costs – cash	-	(23,000)	-	(8,930)	-	(31,930)
Shares issued on warrant exercise	31,918,985	3,671,142	-	-	-	3,671,142
Fair value of warrants exercised	-	4,651,026	-	(871,618)	-	3,779,408
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	-	155,574	-	-	-	155,574
Common shares subscribed	-	-	160,468	-	-	160,468
Fair value of stock-based compensation	-	-	-	53,979	-	53,979
Net loss for the period	-	-	-	-	(4,314,122)	(4,314,122)
<b>March 31, 2011</b>	145,017,473	19,853,083	160,468	1,666,794	(15,811,547)	5,868,798
Shares issued on warrant exercise	1,445,371	166,218	(160,468)	-	-	5,750
Fair value of warrants exercised	-	99,398	-	(99,398)	-	-
Shares issued for mineral properties – La Cumbre	300,000	67,533	-	-	-	67,533
Fair value of stock-based compensation	-	-	-	218,610	-	218,610
Net loss for the period	-	-	-	-	(2,382,769)	(2,382,769)
<b>September 30, 2011</b>	<b>146,762,844</b>	<b>20,186,232</b>	<b>-</b>	<b>1,786,006</b>	<b>(18,194,316)</b>	<b>3,777,922</b>

The accompanying notes are an integral part of these financial statements

## Rio Cristal Resources Corporation

*(An exploration stage company)*

# Notes to Interim Consolidated Financial Statements

September 30, 2011

*(Expressed in US dollars)*

*(Unaudited – Prepared by Management)*

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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 V1M 4A6 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 \$18,194,316 at September 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.

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## 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 11, 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 11 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.

## Rio Cristal Resources Corporation

(An exploration stage company)

# Notes to Interim Consolidated Financial Statements

September 30, 2011

(Expressed in US dollars)

(Unaudited – Prepared by Management)

The policies applied in the interim consolidated financial statements are based on IFRS effective for the year ended March 31, 2012, as issued and outstanding as of November 29, 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 and the Company's interim consolidated financial statements for the quarter ended June 30, 2011 prepared in accordance with IFRS applicable to interim consolidated financial statements.

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.

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

### 3. Financial Instruments

#### Categories of financial instruments

	September 30, 2011 \$	March 31, 2011 \$
Financial assets		
Held for trading		
Cash and cash equivalents	2,880,367	5,331,379
Loans and receivables		
Amounts receivables	62,447	77,464
	<b>2,942,814</b>	<b>5,408,843</b>
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	398,254	375,395
Derivative liability - warrants	85,750	328,627
	<b>484,004</b>	<b>704,022</b>

#### 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.

**Rio Cristal Resources Corporation***(An exploration stage company)***Notes to Interim Consolidated Financial Statements****September 30, 2011***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

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	September 30, 2011	March 31, 2011
	\$	\$
Level 2		
Cash and cash equivalents	2,880,367	5,331,379
Derivative liability - warrants	85,750	328,627

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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 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 September 30, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

	September 30, 2011	
	Canadian Dollars	Peruvian Soles
	\$	
Cash and cash equivalents	1,210,774	17,165
Amounts receivables	18,957	30,165
Accounts payable and accrued liabilities	(22,220)	(246,980)

Based on the above net exposures as at September 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 \$0.1 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, and receivables.

The Company's cash and cash equivalents 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.

**Rio Cristal Resources Corporation**

*(An exploration stage company)*

**Notes to Interim Consolidated Financial Statements**

**September 30, 2011**

*(Expressed in US dollars)*

*(Unaudited – Prepared by Management)*

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*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 September 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 \$14,400 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 September 30, 2011, the Company had a cash balance of \$2,880,367 to settle accounts payable and accrued liabilities of 398,254.

*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 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 copper and zinc.

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**Rio Cristal Resources Corporation***(An exploration stage company)***Notes to Interim Consolidated Financial Statements****September 30, 2011***(Expressed in US dollars)**(Unaudited – Prepared by Management)***4. Equipment**

	Office Equipment \$	Exploration Equipment \$	Total \$
<b>Cost</b>			
Balance as at March 31, 2011	3,229	195,337	198,566
Additions	911	90,331	91,242
<b>Balance as at September 30, 2011</b>	<b>4,140</b>	<b>285,668</b>	<b>289,808</b>
<b>Accumulated Depreciation</b>			
Balance as at March 31, 2011	1,126	88,912	90,038
Additions	385	15,751	16,136
<b>Balance as at September 30, 2011</b>	<b>1,511</b>	<b>104,663</b>	<b>106,174</b>
<b>Carrying Amounts</b>			
At March 31, 2011	2,103	106,425	108,528
<b>At September 30, 2011</b>	<b>2,629</b>	<b>181,005</b>	<b>183,634</b>

**5. Resource property costs****Cumulative capitalized acquisition costs**

	Bongara \$	Condor \$	La Cumbre \$	Total \$
Balance at March 31, 2011	856,265	-	181,197	1,037,462
Option payments	-	-	67,533	67,533
<b>Balance at September 30, 2011</b>	<b>856,265</b>	<b>-</b>	<b>248,730</b>	<b>1,104,995</b>

**Rio Cristal Resources Corporation**

*(An exploration stage company)*

**Notes to Interim Consolidated Financial Statements**

**September 30, 2011**

*(Expressed in US dollars)*

*(Unaudited – Prepared by Management)*

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***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, Compañía Minera Pilar del Amazonas ("Amazonas"). 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 September 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 September 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.

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.

**Rio Cristal Resources Corporation***(An exploration stage company)***Notes to Interim Consolidated Financial Statements****September 30, 2011***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

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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
<b><u>6,080,000</u></b>	

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.

**La Cumbre Project, Peru**

On November 12, 2010 the Company signed an Option Agreement (the "Agreement") on the La Cumbre Project. 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.

**Rio Cristal Resources Corporation***(An exploration stage company)***Notes to Interim Consolidated Financial Statements****September 30, 2011***(Expressed in US dollars)**(Unaudited – Prepared by Management)*


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

	Three Months		Six Months	
	Ended September 30		Ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Bongara</b>				
Assaying and sampling	16,739	936	28,441	2,296
Drilling	326,525	-	440,282	-
Geophysics	5,355	3,025	16,874	4,461
Mining rights	-	-	124,919	95,879
Salary and consulting	210,867	5,182	386,982	9,156
Supplies and general	89,047	15,387	138,912	32,114
Camp costs	75,084	5,610	117,900	12,604
	<b>723,617</b>	<b>30,140</b>	<b>1,254,310</b>	<b>156,510</b>
<b>Condor</b>				
Option payments	-	-	-	13,624
Assaying and sampling	-	1,030	-	6,921
Drilling	-	-	-	5,982
Geophysics	-	5,256	-	9,299
Salary and consulting	-	6,282	-	29,916
Supplies and general	-	2,986	-	9,317
Travel	-	4,108	-	7,322
	-	19,662	-	82,381
<b>La Cumbre</b>				
Option payments	-	21,008	-	21,008
Assaying and sampling	169	1,857	1,109	1,857
Drilling	20,000	-	22,787	-
Geophysics	-	189	2,028	189
Mining rights	-	-	14,087	-
Salary and consulting	36,621	8,538	88,132	8,538
Supplies and general	41,448	4,811	75,385	4,811
Camp costs	7,959	1,560	46,403	1,560
	<b>106,197</b>	<b>37,963</b>	<b>249,931</b>	<b>37,963</b>
<b>IGV</b>	<b>95,741</b>	<b>24,010</b>	<b>155,541</b>	<b>43,618</b>
<b>Generative</b>	<b>1,119</b>	<b>-</b>	<b>31,564</b>	<b>-</b>
<b>Costs for the Period</b>	<b>926,674</b>	<b>111,775</b>	<b>1,691,346</b>	<b>320,472</b>

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**Rio Cristal Resources Corporation***(An exploration stage company)***Notes to Interim Consolidated Financial Statements****September 30, 2011***(Expressed in US dollars)**(Unaudited – Prepared by Management)***6. 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 September 30, 2011, a total of 1,884,000 have been accounted for using marked-to-market accounting policy.

An additional 272,510 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 a share issuance costs and included in contributed surplus.

Of the remaining warrants, 5,231,469 are denominated in US dollars which is the Company's functional currency and are, therefore, not classified as a financial liability of the Company. The initial fair value of these warrants has been included in contributed surplus.

The changes in warrants during the six months ended September 30, 2011 were as follows:

	Warrants Outstanding	Weighted Average Exercise Price (Cdn\$)
Balance – March 31, 2011	8,833,350	0.14
Exercised	(1,445,371)	0.12
<b>Balance – September 30, 2011</b>	<b>7,387,979</b>	<b>0.15</b>

Number of warrants	Exercise price	Expiry
5,231,469	\$0.12	August 31, 2012
2,156,510	Cdn\$0.22	January 20, 2013
<b>7,387,979</b>		

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.

**Rio Cristal Resources Corporation***(An exploration stage company)***Notes to Interim Consolidated Financial Statements****September 30, 2011***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

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

	September 30, 2011	March 31, 2011
Risk-free interest rate	0.91%	1.77%
Expected dividend yield	Nil	Nil
Expected stock price volatility	127%	156%
Expected life in years	1.3 years	1.8 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.

**7. Capital****Authorized share capital**

Unlimited common shares without par value

As at September 30, 2011 the Company has received \$5,750 for the exercise of 50,000 warrants at \$0.115.

**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 September 30, 2011 a total of 9,989,520 options were reserved under the Plan with 6,770,000 options outstanding.

## a) Movements in share options during the period

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

	September 30, 2011		March 31, 2011	
	Number of options	Weighted Average Exercise Price (Cdn\$)	Number of options	Weighted Average Exercise Price (Cdn\$)
Options outstanding, beginning of the year	4,670,000	0.26	3,245,000	0.31
Granted	2,100,000	0.18	1,425,000	0.15
Exercised	-	-	-	-
Forfeited	-	-	-	-
Options outstanding, end of the period and year	6,770,000	0.24	4,670,000	0.26

**Rio Cristal Resources Corporation***(An exploration stage company)***Notes to Interim Consolidated Financial Statements****September 30, 2011***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

## b) Fair value of share options granted

During the period ended September 30, 2011, the Company granted 2,100,000 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\$316,670 using the Black-Scholes option pricing model. The weighted average grant date value per option was C\$0.15

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.

	<b>Six months ended September 30, 2011</b>	<b>Year ended March 31, 2011</b>
Expected dividend yield	0%	0%
Expected stock price volatility	160% - 188%	146% - 202%
Risk-free interest rate	1.55% - 2.10%	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.

## c) A summary of the Company's options as at September 30, 2011 is as follows:

<b>Outstanding Options</b>	<b>Options Exercisable</b>	<b>Price per Share</b>	<b>Remaining Contractual Life (Years)</b>	<b>Expiry Date</b>
160,000	53,333	Cdn\$0.205	1.12	November 12, 2012
1,175,000	1,175,000	Cdn\$0.50	1.33	January 29, 2013
5,000	5,000	Cdn\$0.64	1.41	February 26, 2013
100,000	33,333	Cdn\$0.27	1.45	March 11, 2013
150,000	150,000	Cdn\$0.50	1.54	April 13, 2013
205,000	205,000	Cdn\$0.50	1.68	June 4, 2013
150,000	150,000	Cdn\$0.50	2.01	October 3, 2013
1,560,000	1,560,000	Cdn\$0.10	2.58	April 30, 2014
965,000	965,000	Cdn\$0.10	3.64	May 20, 2015
200,000	150,000	Cdn\$0.32	4.42	March 1, 2016
1,800,000	600,000	Cdn\$0.18	4.59	May 2, 2016
300,000	100,000	Cdn\$0.17	4.79	July 12, 2016
<b>6,770,000</b>	<b>5,146,666</b>			

The weighted average exercise price of the options exercisable at September 30, 2011 is CDN\$0.25.

**Rio Cristal Resources Corporation***(An exploration stage company)***Notes to Interim Consolidated Financial Statements****September 30, 2011***(Expressed in US dollars)**(Unaudited – Prepared by Management)***8. 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.

## 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.

	<b>Nature of transactions</b>
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	<b>Three Months</b>		<b>Six Months</b>	
		<b>Ended September 30</b>		<b>Ended September 30</b>	
		<b>2011</b>	2010	<b>2011</b>	2010
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Legal fees		<b>4,773</b>	15,688	<b>9,973</b>	27,413
Accounting fees		<b>26,018</b>	14,432	<b>52,354</b>	29,034
Investor relations fees		<b>12,600</b>	-	<b>25,200</b>	500
Rent		<b>4,500</b>	4,500	<b>9,000</b>	9,000
	(i)	<b>47,891</b>	34,620	<b>96,527</b>	65,947

- (i) Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable as at September 30, 2011 included \$13,364 (March 31, 2011 - \$28,468) 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 and six months ended September 30, 2011 and 2010 were as follows:

	Note	<b>Three Months</b>		<b>Six Months</b>	
		<b>Ended September 30</b>		<b>Ended September 30</b>	
		<b>2011</b>	2010	<b>2011</b>	2010
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Salaries		<b>73,518</b>	62,017	<b>147,354</b>	124,034
Share-based compensation	(i)	<b>9,103</b>	2,128	<b>39,451</b>	9,283
	(ii)	<b>82,621</b>	64,145	<b>186,805</b>	133,317

**Rio Cristal Resources Corporation***(An exploration stage company)***Notes to Interim Consolidated Financial Statements****September 30, 2011***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

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- (i) Share-based compensation represents the expense for the three and six months ended September 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 and six months ended September 30, 2011 and 2010.
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**9. Segmented information**

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

	<b>September 30, 2011</b>	March 31 2011
	\$	\$
<b>Total Assets</b>		
Canada	<b>2,642,323</b>	5,079,527
Peru	<b>1,619,603</b>	1,493,293
	<b>4,261,926</b>	6,572,820

	<b>September 30, 2011</b>	March 31 2011
	\$	\$
<b>Total Non-Current Assets</b>		
Canada	<b>2,630</b>	2,103
Peru	<b>1,285,999</b>	1,143,887
	<b>1,288,629</b>	1,145,990

	<b>Three Months Ended September 30</b>		<b>Six Months Ended September 30</b>	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Net Loss (Income)</b>				
Canada	<b>210,409</b>	1,391,274	<b>334,781</b>	997,760
Peru	<b>1,122,270</b>	173,055	<b>2,047,988</b>	463,714
	<b>1,332,679</b>	1,564,329	<b>2,382,769</b>	1,461,474

**10. 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.

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**Rio Cristal Resources Corporation**

*(An exploration stage company)*

**Notes to Interim Consolidated Financial Statements**

**September 30, 2011**

*(Expressed in US dollars)*

*(Unaudited – Prepared by Management)*

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**11. 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.

**c) 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.

**Rio Cristal Resources Corporation***(An exploration stage company)***Notes to Interim Consolidated Financial Statements****September 30, 2011***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

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:

**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.

	March 31, 2011 \$	September 30, 2010 \$
<b>Total Assets under Canadian GAAP and IFRS</b>	6,572,820	3,980,084
<b>Total Liabilities Under Canadian GAAP</b>	375,395	575,092
<b>Adjustments</b>		
Derivative liability	328,627	1,556,812
<b>Total Liabilities Under IFRS</b>	704,022	2,131,904
<b>Total Equity Under Canadian GAAP</b>	6,197,425	3,404,992
<b>Adjustments</b>		
Derivative liability	(328,627)	(1,556,812)
<b>Total Equity Under IFRS</b>	5,868,798	1,848,180
	Year ended March 31, 2011 \$	Six months ended September 30, 2010 \$
<b>Total Net Loss Under Canadian GAAP</b>	(2,669,868)	(734,078)
<b>Adjustment</b>		
Share based payments	39,347	36,772
Derivative liability	(3,145,075)	(764,168)
<b>Total Net Loss Under IFRS</b>	(5,775,596)	(1,461,474)

**Rio Cristal Resources Corporation**

*(An exploration stage company)*

**Notes to Interim Consolidated Financial Statements**

**September 30, 2011**

*(Expressed in US dollars)*

*(Unaudited – Prepared by Management)*

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**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 \$3,145,075 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.

**b) 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 six months ended September 30, 2010, there was a \$36,772 decrease in share-based compensation from \$76,994 to \$40,222, 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.

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