

**RIO CRISTAL RESOURCES CORPORATION**  
*(Formerly Rio Cristal Zinc Corporation)*

**(An Exploration Stage Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2010**

**EXPRESSED IN US DOLLARS**

**(Unaudited – Prepared by Management)**

**Reader's Note:**

These unaudited interim consolidated financial statements for the nine months ended December 31, 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**  
(Formerly Rio Cristal Zinc Corporation)  
(An exploration stage company)

Statement 1

**Interim Consolidated Balance Sheets**

(Expressed in US dollars)  
(Unaudited – Prepared by Management)

	As at December 31 2010 \$	As at March 31 2010 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	3,209,056	835,889
Amounts receivable	16,059	11,407
Prepaid expenses	70,207	15,551
	<u>3,295,322</u>	<u>862,847</u>
<b>Equipment</b> (note 7)	86,246	96,999
<b>Resource Property Costs</b> (note 8)	694,334	570,819
	<u>4,075,902</u>	<u>1,530,665</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 10)	633,609	664,913
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (note 9a)	10,634,178	8,348,700
Shares issuable (note 9a)	598,629	-
Contributed Surplus (note 9a)	3,065,914	1,881,953
Deficit – Statement 2	(10,856,428)	(9,364,901)
	<u>3,442,293</u>	<u>865,752</u>
	<u>4,075,902</u>	<u>1,530,665</u>

Nature of Business and Going Concern (note 1)  
Commitments (note 13)  
Subsequent events (note 14)

ON BEHALF OF THE BOARD:

Signed “Tom Findley” \_\_\_\_\_ Director

Signed “ Charles D. Preble “ \_\_\_\_\_ Director

The accompanying notes are an integral part of the consolidated financial statements.

**Rio Cristal Resources Corporation***Statement 2**(Formerly Rio Cristal Zinc Corporation)**(An exploration stage company)***Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

	For the three months ended December 31		For the nine months ended December 31	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>General and Administrative Expenses</b>				
Amortization	6,152	6,324	18,242	18,971
Exploration expenditures <i>(Exploration Costs Schedule)</i>	568,978	142,914	869,450	434,213
Filing fees	10,078	3,011	49,417	16,340
Financing costs	34	-	5,113	-
General administrative expenses	96,592	6,178	242,918	14,432
Professional fees	30,351	40,653	94,253	152,087
Salaries and consulting	24,292	-	119,292	-
Stock-based compensation <i>(note 9b)</i>	8,953	41,482	85,947	147,385
Travel	4,442	-	9,631	-
Loss before the undernoted	749,872	240,562	1,494,263	783,428
Interest income	(1,026)	(24)	(1,202)	(209)
Foreign exchange loss (gain)	8,603	16,493	(1,534)	40,335
<b>Loss and Comprehensive Loss for the Period</b>	<b>757,449</b>	<b>257,031</b>	<b>1,491,527</b>	<b>823,554</b>
Deficit – Beginning of Period	10,098,979	7,954,872	9,364,901	7,388,349
<b>Deficit – End of Period</b>	<b>10,856,428</b>	<b>8,211,903</b>	<b>10,856,428</b>	<b>8,211,803</b>
<b>Loss per Share – Basic and Diluted</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>\$0.02</b>	<b>\$0.02</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>109,755,803</b>	<b>49,946,748</b>	<b>87,602,968</b>	<b>46,821,116</b>

The accompanying notes are an integral part of the consolidated financial statements.

**Interim Consolidated Statements of Cash Flows**

(Expressed in US dollars)  
(Unaudited – Prepared by Management)

	For the three months ended December 31		For the nine months ended December 31	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Operating Activities</b>				
Loss for the period	(757,449)	(257,031)	(1,491,527)	(823,554)
Items not affecting cash:				
Amortization	6,152	6,324	18,242	18,971
Stock-based compensation	8,953	41,482	85,947	147,385
Changes in current assets and liabilities				
Accounts receivable and prepaid expenses	(64,489)	(5,136)	(59,308)	1,820
Accounts payable and accrued liabilities	58,517	24,443	(31,304)	40,860
Cash used in operating activities	(748,316)	(189,918)	(1,477,950)	(614,518)
<b>Investing Activities</b>				
Purchase of equipment	(5,822)	-	(7,489)	-
Resource acquisition costs	(80,000)	-	(80,000)	(25,000)
Cash used in investing activities	(85,822)	-	(87,489)	(25,000)
<b>Financing Activities</b>				
Proceeds on issuance of shares	-	-	3,284,098	644,004
Proceeds from exercise of warrants	190,706	-	277,934	-
Proceeds from share subscriptions	598,629	-	598,629	-
Share issuance costs	(3,538)	-	(222,055)	(5,166)
Cash provided by financing activities	785,797	-	3,938,606	638,838
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(48,341)</b>	<b>(189,918)</b>	<b>(2,373,167)</b>	<b>(680)</b>
<b>Cash and cash equivalents – Beginning of period</b>	<b>3,257,397</b>	<b>216,162</b>	<b>835,889</b>	<b>26,924</b>
<b>Cash and cash equivalents – End of period</b>	<b>3,209,056</b>	<b>26,244</b>	<b>3,209,056</b>	<b>26,244</b>

Supplemental cash flow information (note 12)

**Rio Cristal Resources Corporation**

*(Formerly Rio Cristal Zinc Corporation)*

*(An exploration stage company)*

**Notes to Interim Consolidated Financial Statements**

**For the nine months ended December 31, 2010 and 2009**

*(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”) was incorporated on November 24, 2006. It is in the business of acquiring and exploring mineral properties located in Peru.

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 unaudited interim 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 current working capital of \$2,661,713 and has incurred losses since inception and has an accumulated deficit of \$10,856,428 at December 31, 2010.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its requirements. The Company has been able to apply cost-cutting measures and was able to obtain \$3.9 million (net of costs) in financing during the nine months ended December 31, 2010. These unaudited interim 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 presentation and consolidation**

These unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods consistent with those used in the preparation of the most recent annual audited consolidated financial statements except as noted below. The interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with The Company’s annual audited consolidated financial statements for the year ended March 31, 2010.

These 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.

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

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## Rio Cristal Resources Corporation

(Formerly Rio Cristal Zinc Corporation)

(An exploration stage company)

# Notes to Interim Consolidated Financial Statements

For the nine months ended December 31, 2010 and 2009

(Expressed in US dollars)

(Unaudited – Prepared by Management)

### 3. New accounting policies

#### a) Accounting Changes

Effective April 1, 2010 the Company adopted CICA handbook section 1506. This Section shall be applied in accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors. CICA 1506 is amended to exclude from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. The amendments apply to interim and annual financial statements for years beginning on or after July 1, 2009. The Company has evaluated the new section and has determined that adoption of these new requirements had no impact on the Company's interim consolidated financial statements.

#### b) Amendment to Financial Instruments – Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. 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 observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair values of financial assets and liabilities of the Company at December 31, 2010 are summarized in the following table:

	<b>Cash and cash equivalents</b>
Fair Value Quoted in Active Markets for Identical Assets (Level 1)	-
Fair Value Significant Other Observable Inputs (Level 2)	3,209,056
Fair Value Significant Unobservable Inputs (Level 3)	-
Total Fair Value	3,209,056
Book Value	3,209,056

#### c) Business Combinations

In October 2008, the CICA issued Handbook section 1582, "Business Combinations", which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company adopted this policy effective April 1, 2010. The adoption has not had an impact on the Company's financial position, earnings or cash flows.

## **Rio Cristal Resources Corporation**

*(Formerly Rio Cristal Zinc Corporation)*

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# **Notes to Interim Consolidated Financial Statements**

**For the nine months ended December 31, 2010 and 2009**

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### **d) Non-Controlling Interest**

In October 2008, the CICA issued Handbook section 1602, “Non-controlling Interests”, to provide guidance on accounting for non-controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after January 2011. The Company adopted this policy effective April 1, 2010. The adoption has not had an impact on the Company’s financial position, earnings or cash flows.

### **e) Consolidated Financial Statements**

In January 2009, the CICA issued Handbook section 1601, “Consolidated Financial Statements”, to provide guidance on the preparation of consolidated financial statements. The section is effective for fiscal years beginning on or after January 1, 2011. The Company adopted this policy effective April 1, 2010. The adoption has not had an impact on the Company’s financial position, earnings or cash flows.

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## **4. Recent accounting pronouncements not yet adopted**

### **a) Comprehensive Revaluation of Assets and Liabilities**

In August 2009, the CICA amended Handbook Section 1625, “Comprehensive Revaluation of Assets and Liabilities” to be consistent with Sections 1582, 1601 and 1602, which were issued in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. This adoption is not expected to have an impact on the Company’s financial position, earnings or cash flows.

### **b) International Financial Reporting Standards**

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. The Company is currently assessing the financial reporting impact of the transition to IFRS and the changeover date.

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## **5. Capital management**

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern (*note 1*) in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the components of shareholders’ equity as well as cash and receivables.

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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, enter into joint venture property arrangements, acquire or dispose of assets.

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.

The Company's investment practice 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.

## 6. 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.

### *Foreign exchange risk*

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

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures that are denominated in US dollars and Peruvian Soles. Also, the Company is exposed to the impact of currency fluctuations on its monetary assets and liabilities.

The operating results and the financial position of the Company are reported in US dollars. Fluctuations in exchange rates will, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

The Company currently does not enter into financial instruments to manage foreign exchange risk.

The Company is exposed to foreign currency risk through the following financial assets and liabilities denominated in currencies other than US dollars:

December 31, 2010	Cash and cash equivalents	Amounts Receivable	Accounts payable and accrued liabilities
Canadian dollars	\$ 854,020	\$ 15,606	\$ 22,993
Peruvian Soles	3,909	-	133,740

March 31, 2010	Cash and cash equivalents	Amounts Receivable	Accounts payable and accrued liabilities
Canadian dollars	\$ 219,246	\$ 11,407	\$ 577,688
Peruvian Soles	24,800	-	87,228

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At December 31, 2010 with other variables unchanged, a +/-10% change in exchange rates for the Canadian dollar against the US dollar would increase/decrease pre-tax loss by +/- \$97,646. A +/- 10% change in exchange rates for the Peruvian Soles against the US dollar would increase/decrease pre-tax loss by +/- \$12,983.

### *Interest rate and credit risk*

The Company has cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's primary exposure is on its bank accounts and guaranteed investment certificates. The Company's current practice is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions within Canada with which it keeps its bank accounts. Management believes the risk of loss to be remote, but its maximum exposure is the full amount of the Company's financial assets.

The Company's secondary exposure is on its receivables that consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to receivables is remote.

### *Liquidity risk*

The Company manages liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at December 31, 2010, the Company had a cash balance of \$3,209,056 (March 31, 2010 - \$835,889) to settle current liabilities of \$633,609 (March 31, 2010 - \$664,913).

### *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.

### *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.

### *Sensitivity analysis*

The Company has designated its cash and cash equivalents as held-for-trading assets, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at December 31, 2010, the carrying amount of accounts receivable and payable equals fair market value. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

- Cash and cash equivalents include deposits which are at variable interest rates. Sensitivity to +/- 1% change in rates would affect net loss by \$32,091.
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**Rio Cristal Resources Corporation***(Formerly Rio Cristal Zinc Corporation)**(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the nine months ended December 31, 2010 and 2009***(Expressed in US dollars)**(Unaudited – Prepared by Management)***7. Equipment**

Details are as follows:

					December 31, 2010
	Cost		Accumulated Amortization		Net Book Value
Office equipment	\$	2,117	\$	833	\$ 1,284
Exploration equipment		167,582		82,620	84,962
	\$	169,699	\$	83,453	\$ 86,246

					March 31, 2010
	Cost		Accumulated Amortization		Net Book Value
Office equipment	\$	1,152	\$	670	\$ 482
Exploration equipment		163,075		66,558	96,517
	\$	164,227	\$	67,228	\$ 96,999

**8. Resource property costs**

Cumulative resource property expenditures, per project under active exploration as at December 31, 2010 are as follows:

**Cumulative capitalized acquisition costs**

	Bongara		Condor		La Cumbre		Total
Balance at March 31, 2009	\$	401,003	\$	-	\$	-	\$ 401,003
Option payments		25,000		25,000		-	50,000
Property escrow shares		106,173		13,643		-	119,816
Balance at March 31, 2010	\$	532,176	\$	38,643	\$	-	\$ 570,819
Option payments		-		60,000		20,000	80,000
Property escrow shares		43,515		-		-	43,515
Balance at December 31, 2010	\$	575,691	\$	98,643	\$	20,000	\$ 694,334

## Rio Cristal Resources Corporation

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# Notes to Interim Consolidated Financial Statements

For the nine months ended December 31, 2010 and 2009

(Expressed in US dollars)

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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, 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 and is measured using Canadian generally accepted accounting principles applicable to a transaction between related parties. 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 (*note 9a(i)*) and subsequent valuation of 5% each six months thereafter for the following eighteen months (*note 9 a(ii) and (iii)*), and 10% each six months thereafter over the next forty-eight months (*note 9a(i)*) and subsequent valuation of 5% each six months thereafter for the following eighteen months (*note 9 a (iii)*), 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 of December 31, 2010, the Company has released 2,000,000 shares from escrow.

If the property lease agreement is terminated, all shares which have not been released from this escrow will be cancelled (*note 9a(iii)*). No value has been attributed to the remaining 3,000,000 shares at December 31, 2010 due to the performance conditions described above. These shares will be fair valued when the performance conditions are met.

Subsequent to the end of the period, the Company issued 500,000 Property escrow shares pursuant to the property lease agreement with CLM (*note 8*). The shares were valued at Cdn\$0.31 per share or Cdn\$155,000 (\$155,574) (*note 14c*)

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.

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**Notes to Interim Consolidated Financial Statements**

For the nine months ended December 31, 2010 and 2009

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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	March 15, 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>\$</b>	<b>6,080,000</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.

On March 15, 2010 a total of 669,696 shares, valued at \$50,000 were issued to satisfy the payment required on that date (note 9a(v)).

**Condor Project, Peru**

On December 10, 2009 the Company signed an option agreement (“Agreement”) to acquire the Condor mineral gold property (“Condor”) located in Southern Peru. The consideration for the transfer of a 100% divided interest in the Condor project is (i) a cash payment of US\$880,000, (ii) 1,700,000 common shares of the Company and (iii) a 1% net smelter return royalty upon commencement of production which may be bought out during the first 60 days of production for US\$3,000,000.

The optional cash payments and share issuances are as follows:

Due Date	Cash payment	Share issuance
Upon signing the Agreement (Year 1) (paid and issued)	\$20,000	200,000
On or before December 10, 2010 (paid and issued subsequent to December 31 (note 14a))	\$60,000	300,000
On or before December 10, 2011	\$300,000	400,000
On or before February 10, 2013	\$500,000	800,000

On March 11, 2010 a total of 200,000 shares valued at \$13,643 were issued.

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To maintain its option in good standing, the Company must complete the “Work Expenditures” on the Condor property as set out in the table below:

<b>Due Date</b>	<b>Work Expenditures</b>
On or before December 10, 2010 <i>(completed)</i>	\$150,000
On or before December 10, 2011	\$200,000
On or before December 10, 2012	\$250,000
On or before December 10, 2013	\$300,000

The Company will have the right to accelerate the Work Expenditures for the property. Any surplus of expenditures in excess of the required level of Work Expenditures in a given year will be carried forward and credited towards Work Expenditures of the following or subsequent years. The Company may exercise the option at any time and pay the balance of the transfer price. To exercise the option, the Company will deliver to the titleholder a written notice of exercise.

The Company will be entitled to terminate the Option at any time with immediate effect by delivering notice in writing to the Titleholder.

**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. The project consists of concessions covering approximately 4,200 hectares located near Chala, 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 a copper oxide project located in southern Peru. 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.

As of December 31, 2010 the Company has paid \$20,000 toward the initial option payment.

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**Rio Cristal Resources Corporation***(Formerly Rio Cristal Zinc Corporation)**(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the nine months ended December 31, 2010 and 2009***(Expressed in US dollars)**(Unaudited – Prepared by Management)***9. Share capital****a) Details of shares issued are as follows:**

Authorized:

Unlimited common shares without par value

Issued and fully paid:

	Common Shares		Shares Subscribed	Contributed Surplus	Deficit	Total
	Shares	Amount				
Balance – March 31, 2009	26,709,100	6,617,587	-	1,002,876	(7,338,349)	232,114
Issuance of shares for:						
Private placements	26,000,001	350,610	-	293,394	-	644,004
Units issued as finders' fees	1,237,647	18,339	-	13,796	-	32,135
Warrant exercise	14,260,094	725,957	-	235,493	-	961,450
Condor Property	200,000	13,643	-	-	-	13,643
Bongara Property	669,696	50,000	-	-	-	50,000
Property shares released from escrow	-	56,173	-	-	-	56,173
Fair value of warrants exercised	-	160,916	-	(160,916)	-	-
Fair value of early incentive option	-	-	-	752,235	-	752,235
Exercise of early incentive option	-	393,828	-	(393,828)	-	-
Share issuance costs – units	-	(18,339)	-	(13,796)	-	(32,135)
Stock-based compensation	-	-	-	179,282	-	179,282
Capital tax on expired warrants	-	-	-	(9,586)	-	(9,586)
Share issuance costs – cash	-	(20,014)	-	(16,997)	-	(37,011)
Loss for the year	-	-	-	-	(1,976,552)	(1,976,552)
Balance – March 31, 2010	69,076,538	8,348,700	-	1,881,953	(9,314,901)	865,752
Issuance of shares for:						
Private placements	38,636,450	2,038,323	-	1,245,775	-	3,284,098
Warrant exercise	2,746,833	342,803	-	(64,869)	-	277,934
Property shares released from escrow	-	43,515	-	-	-	43,515
Common shares subscribed	-	-	598,629	-	-	598,629
Share issuance costs – cash	-	(139,163)	-	(82,892)	-	(222,055)
Stock-based compensation	-	-	-	85,947	-	85,947
Loss for the period	-	-	-	-	(1,491,527)	(1,491,527)
<b>Balance – December 31, 2010</b>	<b>110,459,821</b>	<b>10,634,178</b>	<b>598,629</b>	<b>3,065,914</b>	<b>(10,856,428)</b>	<b>3,442,293</b>

- i. The Company issued 5,000,000 Property escrow shares, which will only be released from escrow upon the completion of certain performance conditions and provided that the property lease agreement with CLM has not been terminated (*note 8*). The shares were issued, in escrow, to a related party of the Company. These shares will be fair valued as they meet their performance criteria. During fiscal 2008, pursuant to the property agreement, 5% of the property shares met their performance criteria. These 250,000 shares have been valued at Cdn\$0.55 per share or Cdn\$137,500 (\$136,428), which is the fair value of the shares on January 29, 2008.

## Rio Cristal Resources Corporation

*(Formerly Rio Cristal Zinc Corporation)*

*(An exploration stage company)*

# Notes to Interim Consolidated Financial Statements

**For the nine months ended December 31, 2010 and 2009**

*(Expressed in US dollars)*

*(Unaudited – Prepared by Management)*

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- ii. During the year ended March 31, 2010, pursuant to the Property escrow share agreement, 250,000 shares were released on July 29, 2009 with these shares valued at Cdn\$0.08 per share or Cdn\$20,000 (\$18,500), which is the fair value of the shares on July 29, 2009. A further 500,000 shares were released on January 29, 2010 with these shares valued at \$0.08 per share or Cdn\$40,000 (\$37,673), which is the fair value of the shares on January 29, 2010.
- iii. During the year ended March 31, 2010, the Company completed a private placement by issuing 26,000,001 units at a price of Cdn\$0.03 per unit for total proceeds of Cdn\$780,000 (\$644,004). Each unit is comprised of one common share and one share purchase warrant, with each warrant entitling the holder to acquire a further common share at a price of Cdn\$0.07 per share for the first year and Cdn\$0.10 per share for the second year. The warrants are exercisable on or before April 22, 2011.

During the year ended March 31, 2010, the Company applied for and received TSX Venture Exchange approval of an incentive program to encourage the early exercise of warrants issued in April, 2009. This incentive offer was applicable to 27,237,647 warrants, which could be exercised at a price of Cdn\$0.07 per share for total gross proceeds of Cdn\$1.9 million. The terms were such that each warrant holder who exercised its April 2009 warrants on or before March 17, 2010, would receive one unit (in lieu of one common share) consisting of one common share and one-half of one warrant. Each 2010 warrant would allow the holder to acquire one common share of the capital of the company at an exercise price of Cdn\$0.12 for a period of 12 months following the date of the issuance of the units.

- iv. During the year ended March 31, 2010 a total of 200,000 shares with a value of Cdn\$14,000 (\$13,643) were issued with respect to the Condor Project.
- v. During the year ended March 31, 2010 a total of 669,696 shares with a value of Cdn\$51,843 (\$50,000) were issued with respect to the amended agreement on the Bongara Project.
- vi. During the nine month period ended December 31, 2010 the Company completed a private placement by issuing 38,636,450 units at a price of \$0.085 per unit for total proceeds of \$3,284,098. Each unit is comprised of one common share and one half of a share purchase warrant, with each full warrant entitling the holder to acquire a further common share at a price of \$0.115 per share. These warrants are exercisable on or before August 31, 2012.
- vii. During the nine month period ended December 31, 2010, pursuant to the Property escrow share agreement, 500,000 shares were released on July 29, 2010 with these shares valued at Cdn\$0.09 per share or Cdn\$45,000 (\$43,515), which is the fair value of the shares on July 29, 2010.
- viii. During the nine month period ended December 31, 2010, the Company received \$277,934 in cash proceeds from the exercise of 2,746,833 warrants.

**Rio Cristal Resources Corporation***(Formerly Rio Cristal Zinc Corporation)**(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the nine months ended December 31, 2010 and 2009***(Expressed in US dollars)**(Unaudited – Prepared by Management)***b) 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.

	Number of options	Weighted average exercise price (in CDN\$)
Options outstanding at March 31, 2009	1,985,000	0.50
Forfeited	(300,000)	0.51
Granted	1,560,000	0.10
Options outstanding at March 31, 2010	3,245,000	0.31
Granted	965,000	0.10
<b>Options outstanding at December 31, 2010</b>	<b>4,210,000</b>	<b>0.26</b>

A summary of the Company's options as at December 31, 2010 is as follows:

	Number	Exercise Price	Expiry Date
Options	1,175,000	Cdn\$0.50	January 29, 2013
	5,000	Cdn\$0.64	February 26, 2013
	150,000	Cdn\$0.50	April 13, 2013
	205,000	Cdn\$0.50	June 4, 2013
	150,000	Cdn\$0.50	October 3, 2013
	1,560,000	Cdn\$0.10	April 30, 2014
	965,000	Cdn\$0.10	May 20, 2015
	<b>4,210,000</b>		

As at December 31, 2010, 3,207,500 options with a weighted average exercise price of \$0.31 had vested.

During the period ended December 31, 2010, the Company granted 965,000 options to employees, officers and directors of the Company at an exercise price of Cdn\$0.10 and with an expiry date of May 20, 2015. These stock options were valued at Cdn\$41,986 using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2011
Expected dividend yield	0.00%
Expected stock price volatility	201.76%
Risk-free interest rate	1.89%
Expected life of options	2.75 years

**Rio Cristal Resources Corporation***(Formerly Rio Cristal Zinc Corporation)**(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the nine months ended December 31, 2010 and 2009***(Expressed in US dollars)**(Unaudited – Prepared by Management)*

During the year ended March 31, 2010, 300,000 options were cancelled due to termination of certain employees and officers of the Company.

During the year ended March 31, 2010, the Company granted 1,560,000 options, with various vesting periods, to employees, officers, directors and consultants of the Company at an exercise price of Cdn\$0.10. The resulting stock based compensation is charged to earnings over the related vesting period.

The options granted during the year ended March 31, 2010 were valued at Cdn\$75,660 using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2010
Expected dividend yield	0.00%
Expected stock price volatility	99.00%
Risk-free interest rate	1.63%
Expected life of options	5 years

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

**c) Share purchase warrants and agent options**

A summary of the Company's share purchase warrants is as follows:

	Warrants outstanding	Weighted average exercise price (in CDN\$)
Balance – March 31, 2009	6,956,716	\$ 0.76
Issued	34,367,694	\$ 0.08
Exercised	(14,260,094)	\$ 0.10
Expired	(6,956,716)	\$ 0.76
Balance – March 31, 2010	20,107,600	\$ 0.11
Issued	19,318,225	\$ 0.12
Exercised	(2,746,833)	\$ 0.10
<b>Balance – December 31, 2010</b>	<b>36,678,992</b>	<b>\$ \$0.11</b>

As at December 31, 2010 the following warrants were outstanding:

	Number	Exercise Price	Expiry Date
Warrants	10,589,053	Cdn\$0.10	February 22, 2011
	6,771,714	Cdn\$0.12	March 17, 2011
	19,318,225	Cdn\$0.12	August 12, 2012
	<b>36,678,992</b>		

## Rio Cristal Resources Corporation

(Formerly Rio Cristal Zinc Corporation)

(An exploration stage company)

# Notes to Interim Consolidated Financial Statements

For the nine months ended December 31, 2010 and 2009

(Expressed in US dollars)

(Unaudited – Prepared by Management)

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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\$0.12 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 (30) days from the date of the notice.

Subsequent to the end of the period, on January 21, 2011 the Company announced that it had elected to accelerate the expiry of the outstanding share purchase warrants that were originally issued by the Company on April 22, 2009 (the "Warrants"). The expiry date of the warrants was advanced to February 22, 2011 (note 14b).

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### 10. Related party transactions

The following represents the details of related party transactions paid or accrued during the period ended December 31, 2010:

	December 31, 2010	December 31, 2009
Legal fees paid or accrued to a firm in which an officer of the Company is a partner	\$ 18,812	\$ 6,029
Accounting fees paid or accrued to a firm in which an officer of the Company is a partner	48,228	15,000
Investor relations fees paid to a director of the Company	500	2,370
Rent paid to a company which is owned by the spouse of a director	13,500	9,500
Property shares released from escrow	43,515	25,000
	<u>\$ 124,555</u>	<u>\$ 57,899</u>

Included in accounts payable and accrued liabilities are \$7,281 (March 31, 2010 - \$112,091) of amounts due to related parties, which pertain to the above amounts including tax, and which are unsecured and non-interest bearing.

These related party transactions are in the normal course of operations, and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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**Rio Cristal Resources Corporation***(Formerly Rio Cristal Zinc Corporation)**(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the nine months ended December 31, 2010 and 2009***(Expressed in US dollars)**(Unaudited – Prepared by Management)***11. Segmented information**

Details of identifiable assets by geographic area are as follows:

	Canada		Peru		Total	
	<b>December 31, 2010</b>	March 31, 2010	<b>December 31, 2010</b>	March 31, 2010	<b>December 31, 2010</b>	March 31, 2010
Capital assets	\$ 1,284	\$ 9,247	\$ 84,962	\$ 87,752	\$ 86,246	\$ 96,999
Total assets	<b>3,235,188</b>	1,176,694	<b>840,714</b>	353,971	<b>4,075,902</b>	1,530,665
<i>Nine months ended:</i>	<b>December 31, 2010</b>	December 31, 2009	<b>December 31, 2010</b>	December 31, 2009	<b>December 31, 2010</b>	December 31, 2009
Net loss	\$ 334,286	\$ 342,904	\$ 1,157,241	\$ 480,650	\$ 1,491,527	\$ 823,554
<i>Three months ended:</i>	<b>December 31, 2010</b>	December 31, 2009	<b>December 31, 2010</b>	December 31, 2009	<b>December 31, 2010</b>	December 31, 2009
Net loss	\$ 63,922	\$ 102,780	\$ 693,527	\$ 154,251	\$ 757,449	\$ 257,031

**Rio Cristal Resources Corporation***(Formerly Rio Cristal Zinc Corporation)**(An exploration stage company)***Notes to Interim Consolidated Financial Statements****For the nine months ended December 31, 2010 and 2009***(Expressed in US dollars)**(Unaudited – Prepared by Management)***12. Supplemental disclosure of cash flow information**

<b>Supplementary disclosure of cash flow information:</b>	<b>December 31, 2010</b>	<b>March 31, 2010</b>
Cash received for interest	\$ 1,202	\$ 334
Cash paid for income taxes	\$ Nil	\$ Nil

  

<b>Supplemental disclosure of non-cash investing and financing transactions:</b>	<b>December 31, 2010</b>	<b>March 31, 2010</b>
Fair value of finders' fee – Share Capital <i>(note 9a)</i>	\$ Nil	\$ 18,339
Fair value of finders' fee – Warrants <i>(note 9a)</i>	\$ Nil	\$ 13,796
Fair value of early incentive option exercised <i>(note 9a)</i>	\$ Nil	\$ 393,828
Fair value of warrants exercised <i>(note 9a)</i>	\$ 64,869	\$ 160,916
Fair value of shares released from escrow <i>(note 9a (vii))</i>	\$ 43,515	\$ 56,173
Fair value of shares issued for property <i>(note 9a (iv and v))</i>	\$ Nil	\$ 63,643

**13. 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.

**14. Subsequent events**

- a) Subsequent to the end of the period, on January 6, 2011 the Company paid \$60,000 and issued 300,000 shares with a value of Cdn\$105,000 (\$105,189) in respect to the Condor property.
- b) Subsequent to the end of the period, on January 21, 2011 the Company announced that it had elected to accelerate the expiry of the outstanding share purchase warrants that were originally issued by the Company on April 22, 2009 (the "Warrants"). The expiry date of the Warrants was advanced to February 22, 2011. The closing price of the Company's common shares on the TSX Venture Exchange was equal to or greater than C\$0.12 for a period of ten consecutive trading days. Accordingly, the Company was permitted under the terms of the Warrants to trigger the early accelerated expiry provisions in the Warrants.
- c) Subsequent to the end of the period, on January 29, 2011 the Company issued 500,000 Property escrow shares pursuant to the property lease agreement with CLM *(note 8)*. The shares were valued at Cdn\$0.31 per share or Cdn\$155,000 (\$155,574).
- d) From January 1, 2011 to February 25, 2011, the Company received \$2,821,034 in cash from the exercise of 25,754,817 warrants.

**Rio Cristal Resources Corporation***(Formerly Rio Cristal Zinc Corporation)**(An exploration stage company)*Schedule**Interim Consolidated Schedules of Exploration Costs****For the nine months ended December 31,***(Expressed in US dollars)**(Unaudited)*

	For the three months ended December 31		For the nine months ended December 31	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Bongara</b>				
Assaying and sampling	4,014	220	6,310	48,588
Geophysics	-	244	4,109	5,449
Mining rights	12,381	16,000	108,260	182,866
Salary and consulting	33,841	3,632	42,997	14,707
Supplies and general	8,277	17,698	40,743	82,461
Travel	10,823	7,742	23,427	26,812
	<b>69,336</b>	<b>45,536</b>	<b>225,846</b>	<b>266,979</b>
<b>Condor</b>				
Assaying and sampling	2,488	-	9,409	-
Drilling	124,179	-	130,161	-
Geophysics	5,982	-	15,281	-
Mining rights	27,215	-	40,839	-
Salary and consulting	102,583	-	132,499	-
Supplies and general	39,721	10,999	49,038	10,999
Travel	94,130	-	101,452	-
	<b>396,298</b>	<b>10,999</b>	<b>478,679</b>	<b>10,999</b>
<b>La Cumbre</b>				
Assaying and sampling	21	-	1,878	-
Geophysics	-	-	189	-
Mining rights	-	-	1,008	-
Salary and consulting	7,841	-	16,379	-
Supplies and general	11,567	-	16,378	-
Travel	-	-	1,560	-
	<b>19,429</b>	<b>-</b>	<b>37,392</b>	<b>-</b>
<b>IGV</b>	<b>83,915</b>	<b>86,379</b>	<b>127,533</b>	<b>156,235</b>
	<b>568,978</b>	<b>142,914</b>	<b>869,450</b>	<b>434,213</b>