

**FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR RIO CRISTAL RESOURCES CORPORATION**

***Our Management's Discussion and Analysis
For the nine month period ended December 31, 2010***

Introduction

The following interim management discussion and analysis (the "MD&A") of Rio Cristal Resources Corporation ("Rio Cristal" or the "Company") has been prepared as of February 28, 2011 and is intended to supplement and complement the Company's unaudited interim consolidated financial statements for the nine month period ended December 31, 2010. This MD&A should also be read in conjunction with the audited annual consolidated financial statements and annual MD&A for the year ended March 31, 2010. All financial information has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and all amounts disclosed are United States dollars unless otherwise stated.

Forward-Looking Information

This management discussion and analysis ("MD&A") contains certain forward-looking statements that are based on the beliefs and assumptions of its management and information currently available to Rio Cristal. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to Rio Cristal or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of Rio Cristal with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Therefore the reader is cautioned not to place undue reliance on forward-looking statements.

Overview

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

The Company's head office is located at Suite 206, 9440 202 Street, Langley, British Columbia V3G 2M6 and the registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia V6C 2T5.

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

The Company has focused much of its resources in the past on the Bongará project, which is its core project. In addition to the Bongará project, the Company is in the process of evaluating a number of other mineral projects, including the Condor Project, where it has acquired an option to explore and develop the property based upon its potential for containing economic grade, near surface, gold oxide mineralization. The Condor project is currently being drilled. The Company has also entered into an option agreement on La Cumbre; an outcropping copper-oxide prospect, which is currently being evaluated by the Company. All of the Company's exploration projects are located in Peru.

Current Developments

On January 28, 2011, the Company announced that it had completed its previously reported, non-brokered private placement of 3,893,000 units (the "Units") of the Company in London. The price of each unit was C\$0.16 per Unit, each Unit consisting of one common share (a "Share") and one-half warrant (each whole such warrant, a "Warrant") for total proceeds of C\$622,880. Each Warrant entitles the holder thereof to purchase one additional Share (a "Warrant Share") at an exercise price of C\$0.22 per Warrant Share for a period of two years, and is subject to acceleration.

On January 21, 2011, the Company announced it had elected to accelerate the expiry of the outstanding \$0.10 share purchase warrants originally issued by the Company on April 22, 2009 (the "Warrants"). The closing price of the Company's common shares on the TSX Venture Exchange has been equal to or greater than C\$0.12 for a period of ten consecutive trading days. Accordingly, the Company is permitted under the terms of the Warrants to trigger the early accelerated expiry provisions in the Warrants. All of the 9,721,136 outstanding warrants that were subject to acceleration were subsequently exercised for net proceeds to the Company of \$972,114.

On January 10, 2011, the Company announced a corporate progress update report including activities at its three exploration projects: Bongará (zinc), Condor (gold) and La Cumbre (copper). On the Condor Gold Project, the Company completed a 987 meter initial drilling program at its Condor gold project in 2010. Four of the five holes drilled at Condor were in Zone 2 where gold mineralization appears to extend over an area approximately 300 meters by 100 meters and open to the north, south and east. One hole was drilled in Zone 3 to test the area after encouraging surface exploration results. At the La Cumbre project, after signing an option agreement, the Company is studying the feasibility of mining copper oxides at surface while exploring for additional oxides and underlying porphyry-style copper sulfide mineralization.

On December 16, 2010, the Company announced the first results from drilling its Condor gold project including:

- 38 meters averaging 0.717 g/t gold, including 4 meters averaging 3.421 g/t gold
- 16 meters averaging 0.559 g/t gold, including 2 meters averaging 2.502 g/t gold
- 20 meters averaging 0.737 g/t gold, including 2 meters averaging 3.605 g/t gold.

On November 12, 2010 the Company announced that it had signed an option agreement on a copper oxide project located near Chala, 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 totaling \$3,250,000 and 3,000,000 Rio Cristal common shares. In addition, the Company must spend \$6,500,000 in exploration and other expenses on the property over the same six year period and complete a prefeasibility study.

BONGARÁ ZINC PROJECT, PERU

Current Operations and Status

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

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

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

- **Cristal Project:** This target covers an area of approximately 2.5 km by 1.5 km. These prospects have seen the majority of exploration to date, including 4,229 meters of drilling to identify high-grade zinc oxides near surface, and to test for sulfides in lower horizons. Additional geochemical sampling and mapping at Cristal was also conducted and helped to identify additional drill targets.
- **Alto Cristal:** This area is situated four kilometers west of the Cristal Project, and was the target of reconnaissance, geological mapping and geochemical sampling for the purpose of identifying zinc sulfide drill targets.
- **San Jose:** This area occurs approximately 10 km south-southwest of Cristal and consists of a previously discovered zinc showing. This project is at an early stage of exploration and has only seen limited mapping, surface sampling and no drilling.
- **Florida:** This area shows similar structural control and stratigraphy observed at Votorantim Metals and Solitario Resources Florida Canyon advanced zinc/lead exploration project. Exploration at the Florida North Project commenced in mid-2008, and consisted of preliminary mapping and sampling to identify to drill targets.

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

Drill Results

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

visible in the drill core indicating potential for economic grade zinc mineralization elsewhere in the formations. Additional drilling to define the extent of the oxide zone and exploration drilling for sulfides beneath the oxide zone or at other targets is therefore warranted.

AMEC, an internationally recognized engineering firm, completed a NI 43-101 report for the Bongará project in January, 2010. The report updates a previous report for the project in 2007 prepared by AMEC.

The AMEC report describes mapping, sampling and diamond drilling on the Property and indicates that at least two main mineral exploration targets exist.

Supergene oxide zinc mineralization overprinting MVT-style zinc-lead mineralization has been defined at the Cristal Prospect on the Bongará Property. The oxide mineralization is similar to that mined at Mina Grande on the adjacent Bongará property. Significant potential exists to discover more oxide zinc mineralization in Condorsinga Formation sediments at the Cristal Prospect and elsewhere in other formations and on other parts of the property.

The report goes on to say that primary MVT-style zinc lead mineralization and anomalous zinc values have been encountered in stream sediment and soil geochemical samples at the Quebrada Seca, Cristal, Alto Cristal and Florida areas. These areas indicate significant potential exists to find sulphide MVT-style mineralization in the Chambará formation.

A two phase exploration program with a budget of approximately \$2.5 million is recommended by the AMEC report. The phases would be independent and thus could be completed in tandem. Phase 1 would include mineral resource delineation and estimation for the zinc oxide mineralization at the Cristal prospect with detailed trenching and drilling to better define a resource for the oxide mineralization encountered in the 2008 drill program. Phase 2 would include regional target development for large sulphide and oxide deposits based on the MVT model and guided by regional stratigraphic and structural interpretation, reconnaissance mapping and prospecting.

Christopher Wright, P.Geo. served as the Qualified Person responsible for the preparation of the AMEC Technical Report as defined in National Instrument 43-101, Standards of Disclosure for Mineral Projects, and in compliance with Form 43 101F1 (the Technical Report).

The Company is finalizing a plan to begin drilling at the Cristal prospect once seasonal rains end in April or early May 2011. Approximately 3,000 meters will be drilled at an average depth of 100 meters in order to quantify a zinc oxide resource. The Company is also developing plans to complete surface geology at its Florida prospect with the expectation of drilling approximately 3,000 meters later in 2011 to discover zinc sulfides.

CONDOR PROJECT, PERU

Condor is a 2,543 hectare gold-silver-base metals prospect located 375 kilometres southeast of Lima in the department of Ayacucho on the western slopes of the Andes. The property comprises 12 contiguous mining claims situated in the traditional artisanal mining district of Otoa. The geologic model for Condor is gold mineralization contained within sandstones.

In the quarter ended 31 December 2010, the Company completed a 987 meter initial drilling program at its Condor gold project in 2010. Four of the five holes drilled at Condor were in Zone 2 where gold mineralization appears to extend over an area approximately 300 meters by 100

meters and open to the north, south and east. One hole was drilled in Zone 3 to test the area after encouraging surface exploration results. Gold intercepts at Condor are as follows:

Zone 2

- Drill Hole C05 - 20 meters of 0.737 g/t gold including 2 meters of 3.605 g/t gold
- Drill Hole C06 - 2 meters of 0.462 g/t gold and 2 meters of .562 g/t gold
- Drill Hole C08 - 30 meters of 0.127 g/t gold
- Drill Hole C09 - 38 meters of 0.717 g/t gold, including 4 meters of 3.421 g/t gold
- Drill Hole C10 - 34 meters of 0.343 g/t gold

Zone 3

- Drill Hole C11 – 10 meters of 0.350 g/t gold, including 2 meters of 1.089 g/t gold.

At least three other anomalous target zones remain untested. The Company has begun, a second drill campaign at Condor to test the continuity of gold mineralization between the target areas defined thus far. Mineralization at the Condor project is hosted within highly fractured and quartz-veined sandstones interbedded with shales intruded by argillically altered andesite dikes. The intercepts are perpendicular to bedding and therefore are believed to approximate true thickness. A geological map identifying drill holes locations, and a table of results are available at www.riocristalresources.com.

Subsequent to the end of the period, the Company paid the second anniversary payment of \$60,000 and issued 300,000 shares with respect to its option on the Condor project.

LA CUMBRE PROJECT, PERU

On November 12, 2010, the Company signed an option agreement on the La Cumbre copper project. La Cumbre is approximately 900 km south of Lima, Peru near the town of Chala at relatively low elevation of 1,000 meters on average. The Company is currently doing surface exploration at La Cumbre and is seeking permits to begin drilling in the second quarter of 2011. The Company is studying the feasibility of mining copper oxides at or near the surface while continuing to explore for additional oxides and an underlying porphyry-style copper sulfide deposit.

The Company plans to commence a 5,000 meter Phase I drilling program at La Cumbre in the quarter ending June 30, 2011.

Results of Operations

For the Three Month Period Ended December 31, 2010

The Company's net loss for the three month period ended December 31, 2010 (the "Current Period") was \$757,449 or \$0.01 per share compared to a net loss of \$257,031 or \$0.01 per share for the three month period ended December 31, 2009 (the "Comparative Period"), an increase of \$500,418.

Exploration, general and administrative expenses were higher in the Current Period at \$749,872 compared with \$240,562 in the Comparative Period due mainly to: higher exploration expenditures (\$568,978 compared to \$142,914) due to increased expenditures on the Condor and La Cumbre properties; higher filing fees (\$10,078 compared to \$3,011) due to filing fees on the Lima stock exchange and costs related to a filing for the La Cumbre property; higher administration expenses (\$96,592 compared to \$6,178) due to increased administration costs in

Peru; higher salaries and consulting expenditures (\$24,292 compared to \$nil) resulting from the compensation arrangement with the Company's President and Chief Executive Officer; and higher travel costs (\$4,442 compared to \$nil). These increases were offset by lower professional fees (\$30,351 compared to \$40,653) resulting from reduced legal expenses during the Current Period; and lower stock-based compensation (\$8,953 compared to \$41,482) as some stock options that were granted in prior periods are now fully vested.

For the Nine Month Period Ended December 31, 2010

The Company's net loss for the nine month period ended December 31, 2010 (the "Current Period") was \$1,491,527 or \$0.02 per share compared to a net loss of \$823,554 or \$0.01 per share for the nine month period ended December 31, 2009 (the "Comparative Period"), an increase of \$667,973.

General and administrative expenses were higher in the Current Period at \$1,494,263 compared with \$783,428 in the Comparative Period due mainly to: higher exploration expenditures (\$869,450 compared to \$434,213) due to increased spending on the Condor and La Cumbre properties; higher filing fees (\$49,417 compared to \$16,340) due mostly to costs relating to the listing on the Lima stock exchange; financing costs (\$5,113 compared to \$nil) due to costs relating to the early exercise of warrants in the first quarter; higher administration expenses (\$242,918 compared to \$14,432) due to increased administration costs in Peru; higher salaries and consulting expenditures (\$119,292 compared to \$nil) resulting from the new compensation arrangement with the Company's President and Chief Executive Officer; and higher travel costs (\$9,631 compared to \$nil). These increases were offset by lower professional fees (\$94,253 compared to \$152,087) resulting from reduced legal expenses and audit fees during the Current Period; and lower stock-based compensation (\$85,947 compared to \$147,385) as some stock options that were granted in prior periods are now fully vested.

Summary of Quarterly Results

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

Period	Revenues	Loss from Continued Operations \$	Basic and Fully Diluted Loss per Share from Continued Operations \$
3 rd Quarter 2009	Nil	(757,449)	(0.01)
2 nd Quarter 2011	Nil	(317,583)	(0.01)
1 st Quarter 2011	Nil	(416,495)	(0.01)
4 th Quarter 2010	Nil	(1,152,998)	(0.02)
3 rd Quarter 2010	Nil	(257,031)	(0.01)
2 nd Quarter 2010	Nil	(277,440)	(0.00)
1 st Quarter 2010	Nil	(289,083)	(0.01)
4 th Quarter 2009	Nil	(487,893)	(0.02)

The increase in loss during the third quarter of the 2011 fiscal year is a result of increased expenditures on the Company's exploration projects.

The decrease in loss during the first quarter of the 2011 fiscal year is a result of a significant reduction in financing costs, as the costs related to the early exercise incentive option were incurred in the fourth quarter of 2010.

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

The decrease in loss during the third quarter of the 2010 fiscal year is a result of a reduction of salaries and consulting, filing fees, professional fees, general and administrative expenses and investor relations.

The decrease in loss during the fourth quarter of the 2009 fiscal year is a result of a reduction of drilling activities and additional exploration costs on the Company's exploration project from the previous quarter.

Liquidity and Capital Resources

The Company had net working capital of \$2,661,713 as at December 31, 2010 compared to net working capital of \$197,934 as at March 31, 2010. The cash balance at December 31, 2010 was \$3,209,056 compared to \$835,889 as at March 31, 2010. As at December 31, 2010 current liabilities were \$633,609 compared to \$664,913 as at March 31, 2010.

Investing Activity

During the nine month period ended December 31, 2010, pursuant to the Property escrow share agreement, 500,000 shares were released from escrow 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. This transaction was a non-cash transaction and the value of the shares was capitalized to resource property costs.

Also during the nine month period ended December 31, 2010, the Company recorded a \$60,000 option payment on the Condor gold project and a \$20,000 payment on the La Cumbre copper project.

Additionally, computer equipment totalling \$4,683 and miscellaneous field equipment totalling \$2,806 was purchased for use by the office in Peru.

Going Concern

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

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

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its requirements, although currently, the Company has enough

working capital which will allow the Company to meet its ongoing exploration and administration costs for the next twelve months. For exploration and administration activities after the next twelve months, the Company will require addition financing to advance its exploration projects.

Financing Activity

During the nine month period ended December 31, 2010 the Company completed a private placement by issuing 38,636,450 shares at a price of \$0.085 for total proceeds of \$3,284,098. Each unit is comprised of one common share and one-half share purchase warrant, with each whole warrant entitling the holder to acquire a further common share at a price of US\$0.115 per share for a period of one year. The warrants are exercisable on or before August 30, 2012.

Additionally, the Company received cash proceeds of Cdn\$281,850 (\$277,934) for the exercise of 2,388,500 warrants at a price of Cdn\$0.10 and 358,333 warrants at a price of Cdn\$0.12.

Outstanding Share Data

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

The table below summarizes the Company's common shares and securities convertible into common shares as at February 25, 2011:

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			128,601,290
Securities convertible into common shares			
Warrants	USD \$0.12	March 17, 2011	4,961,714
	USD \$0.115	August 31, 2010	6,790,545
	USD \$0.22	January 20, 2013	2,156,510
Options	\$0.50	January 29, 2013	1,175,000
	\$0.64	February 26, 2013	5,000
	\$0.50	April 13, 2013	150,000
	\$0.50	June 4, 2013	205,000
	\$0.50	October 3, 2013	150,000
	\$0.10	April 30, 2014	1,560,000
	\$0.10	May 20, 2015	965,000
			146,720,059

During the nine month period ended December 31, 2010, the Company granted 965,000 options to certain employees, directors and consultants of the Company at an exercise price of Cdn\$0.10 exercisable for five years. The options will vest at a rate of 50% over one year, with one half vesting immediately and one half in twelve months from the date of grant.

As at December 31, 2010, 3,207,500 options outstanding had vested.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties for the Nine Month Period ended December 31, 2010

In connection with the approval of related party transactions, the Company has a policy that requires that the terms of all such transactions must be comparable to terms available in arms-length transactions. Each of the transactions described below meet those requirements and occurred during the nine month period ended December 31, 2010.

The Company received legal services totaling \$18,812 (2009: \$6,029) from a law firm in which Corey Dean, an officer of Rio Cristal, is a partner. Legal services were rendered in association with the Company's listing on the Lima Stock Exchange, financings during the period and general legal requirements.

The Company received accounting services from an accounting firm in which Steven Krause, an officer of the Company, is a partner. The total accounting fees paid or accrued were \$48,228 (2009: \$15,000).

The Company paid investor relations fees of \$500 (2009: \$2,370) to a firm in which Thomas Findley, officer of the Company, is a principal.

The Company paid rent expense of \$13,500 (2009: \$9,500) to a company which is owned by the spouse of a director.

The Company released 500,000 shares (2009: 250,000 shares), valued at Cdn\$0.09 per share or Cdn\$45,000 (\$43,515) (2009: Cdn\$20,000 (\$18,500)), pursuant to the Property escrow share agreement, on July 29, 2010.

Included in accounts payable is \$7,281 (March 31, 2010: \$112,091) of amounts due to related parties, which are unsecured and non-interest bearing.

Critical Accounting Policies and Estimates

The details of Rio Cristal's accounting policies are presented in note 2 of the annual consolidated financial statements. The following policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

Resource Properties

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

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

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

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

Estimates

Financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements Not Yet Adopted

IFRS Changeover Plan Disclosure

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards ("IFRS") for all Canadian Publicly Accountable Enterprises ("PAEs"). The effective changeover date is January 1, 2011, at which time Canadian GAAP will cease to apply for Rio Cristal Resources Corporation and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011, including comparative IFRS financial results and an opening balance sheet as at April 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended March 31, 2012 with restated comparatives for the year ended March 31, 2011.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at April 1, 2010, any necessary conversion adjustments and reconciliations, preparation of fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, the IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

Mandatory exceptions:

1. Estimates – An entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date in accordance with GAAP, unless there is objective evidence that those estimates were in error;
2. Derecognition of financial assets and financial liabilities – this is not applicable for Rio Cristal.
3. Hedge accounting – this is not applicable for Rio Cristal.
4. Non-controlling interests – this is not applicable for Rio Cristal.

Optional Exemptions Elected:

1. IFRS 2 Share-Based Payments – Rio Cristal will elect this exemption from retroactive restatement of equity instruments granted before November 2, 2002 and those which were granted after November 2, 2002 but which vested prior to transition.

Set out below are the most significant areas, identified to date by management, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Share Based Payments

Canadian GAAP

- The fair value of share based payments with graded vesting are calculated as one grant and the resulting fair value is recognized on an accelerated or straight line basis over the vesting period.
- Forfeitures of awards are recognized as they occur.

IFRS

- Each tranche of a grant with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective tranches.
- Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

To transition to IFRS, the Company will need to revalue all unvested stock options that were granted prior to the current year so that each tranche is valued separately. Any stock-based compensation adjustment for the year ending March 31, 2010 will be recorded in the deficit while adjustments affecting the year ending March 31, 2011 will be recorded in the appropriate quarter.

Upon adoption of IFRS 2, the Company will be fully compliant with the new standard.

Exploration and Evaluation Assets

Under the Company's current accounting policy, acquisition costs of mineral properties are capitalized, while resource property exploration and evaluation expenditures are expensed until such time that management concludes that a future economic benefit is, more likely than not, capable of being realized. Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation ("E&E") assets which are the exploration expenses incurred subsequent to obtaining the right to explore the resource property.

The comments on the Extractive Industries Discussion Paper published April 2010 indicate that the consensus is to capitalize E&E assets. Based on this, management will most likely elect to begin capitalizing all E&E expenditures.

The classification of the E&E assets will need to be determined to be either tangible or intangible. The latter will most likely be chosen as expenditures reflect an increased knowledge of the property rather than a tangible asset.

There are no IFRS 1 exemptions for this category.

Asset Impairment

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Currently the Company has \$614,334 in Exploration and Evaluation assets for which impairment testing is required.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently the functional currency of the consolidated entity is the United States dollar ("USD") which is also the presentation currency of the Company's financial statements.

As events and conditions relevant to the Company change, it will re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company's consolidated financial statements prepared under IFRS.

Property, Plant and Equipment

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and the revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Currently, the Company has no assets capitalized as property, plant and equipment and as a result, there will be no impact on the adoption of either IFRS model on the Company's financial statements.

In accordance with IAS 16 "Property, Plant and Equipment", upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and account for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

Conclusion

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose the potential impact of the IFRS adoption at the transition date on its financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management's assessment of the information system currently used by the Company, all information required to be reported under IFRS is expected to be available with minimal system changes. In addition, based upon the Company's current operations, it is management's opinion that the adoption of IFRS is not expected to have a significant impact on internal controls and reporting procedures.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosure requirements. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required for its consolidated financial statements.

The Company currently does not have any debt covenants, capital requirements, compensation arrangements, or material contracts that impact its current business activities that would affect the conversion to IFRS.

Management, members of the board of directors and audit committee have the required financial reporting expertise to ensure the adequate organization and transition to IFRS.

Comprehensive Revaluation of Assets and Liabilities

In August 2008, 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.

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.

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.

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

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.

Financial instruments carrying value and fair value

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

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

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning Rio Cristal's general and administrative expenses and resource property costs is provided in the Company's Consolidated Statement of Loss and Deficit contained in its Consolidated Financial Statements for December 31, 2010 and December 31, 2009 that is available on Rio Cristal's website at www.riocristalresources.com or on its SEDAR Page Site accessed through www.sedar.com.

Approval

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

Additional Information

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