

RIO CRISTAL RESOURCES CORPORATION

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011 and 2010

EXPRESSED IN US DOLLARS

Independent Auditor's Report

To the Shareholders of Rio Cristal Resources Corporation

We have audited the accompanying consolidated financial statements of Rio Cristal Resources Corporation, which comprise the consolidated balance sheets as at March 31, 2011 and 2010 and the consolidated statements of loss, comprehensive loss and deficit, shareholders' equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rio Cristal Resources Corporation as at March 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which discloses conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Rio Cristal Resources Corporation to continue as a going concern.

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

July 26, 2011

Vancouver, British Columbia

Rio Cristal Resources Corporation
(An exploration stage company)
Consolidated Balance Sheets
As at March 31,
(Expressed in US dollars)

	2011 \$	2010 \$
ASSETS		
Current		
Cash and cash equivalents	5,331,379	835,889
Amounts receivable	77,464	11,407
Prepaid expenses	17,987	15,551
	<u>5,426,830</u>	<u>862,847</u>
Equipment <i>(note 6)</i>	108,528	96,999
Resource Property Costs <i>(note 7)</i>	1,037,462	570,819
	<u>6,572,820</u>	<u>1,530,665</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities <i>(note 9)</i>	375,395	664,913
SHAREHOLDERS' EQUITY		
Share Capital <i>(note 8a)</i>	15,709,584	8,348,700
Share subscriptions <i>(note 8a)</i>	160,468	-
Contributed Surplus	2,362,142	1,881,953
Deficit	<u>(12,034,769)</u>	<u>(9,364,901)</u>
	<u>6,197,425</u>	<u>865,752</u>
	<u>6,572,820</u>	<u>1,530,665</u>

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

ON BEHALF OF THE BOARD:

Signed "Tom Findley" _____ Director

Signed "Charles D. Preble" _____ Director

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

Rio Cristal Resources Corporation*(An exploration stage company)***Consolidated Statements of Loss, Comprehensive Loss and Deficit
For the years ended March 31,***(Expressed in US dollars)*

	2011 \$	2010 \$
Expenses		
Amortization	24,827	25,294
Exploration expenditures <i>(note 7)</i>	1,582,567	409,025
Financing costs <i>(note 8a(iii))</i>	-	752,235
General and administrative	398,478	217,888
Investor relations	9,961	-
Professional fees	142,700	223,444
Salaries and consulting	192,536	190,000
Stock-based compensation <i>(note 8b)</i>	133,548	179,282
Travel	18,832	1,278
	<hr/>	<hr/>
Loss before the undernoted	2,503,449	1,998,446
Interest income	(4,898)	(334)
Foreign exchange loss (gain)	(48,783)	(11,974)
Write down of acquisition costs <i>(note 7)</i>	220,100	-
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Loss before income taxes	2,669,868	1,986,138
Income tax recovery <i>(note 12a)</i>	-	(9,586)
	<hr/>	<hr/>
Loss and Comprehensive Loss for the Year	2,669,868	1,976,552
Deficit – Beginning of year	9,364,901	7,388,349
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Deficit – End of Year	12,034,769	9,364,901
	<hr/>	<hr/>
Loss per Share – Basic and Diluted	\$0.03	\$0.04
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Weighted Average Number of Shares Outstanding	93,182,040	48,972,736
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The accompanying notes are an integral part of the consolidated financial statements.

Rio Cristal Resources Corporation

(An exploration stage company)

Consolidated Statements of Shareholders' Equity

(Expressed in US dollars)

	Share Capital (Number of Shares)	Share Capital (Amount)	Share Subscriptions	Contributed Surplus Warrants	Contributed Surplus Options	Deficit	Total
March 31, 2009	26,709,100	\$ 6,617,587	\$ -	\$ 581,091	\$ 421,785	\$ (7,388,349)	232,114
Private placement:							
- Units issued for cash	26,000,001	350,610	-	293,394	-	-	644,004
- Units issued as finders' fees	1,237,647	18,339	-	13,796	-	-	32,135
Share issuance costs:							
- Finders' fees units	-	(18,339)	-	(13,796)	-	-	(32,135)
- Cash	-	(20,014)	-	(16,997)	-	-	(37,011)
Units issued for warrants exercised	14,260,094	725,957	-	235,493	-	-	961,450
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)	-	-	-
Shares issued for Condor property	200,000	13,643	-	-	-	-	13,643
Shares issued for Charlotte Bongara property	669,696	50,000	-	-	-	-	50,000
Property shares released from escrow	-	56,173	-	-	-	-	56,173
Stock-based compensation	-	-	-	-	179,282	-	179,282
Capital tax on expired warrants	-	-	-	(9,586)	-	-	(9,586)
Net loss for the year	-	-	-	-	-	(1,976,552)	(1,976,552)
March 31, 2010	69,076,538	8,348,700	-	1,280,886	601,067	(9,364,901)	865,752
Private placement:							
- Units issued for cash	42,529,450	2,275,085	-	1,637,001	-	-	3,912,086
Share issuance costs:							
- Finders' fees warrants	-	(84,924)	-	84,924	-	-	-
- Cash	-	(158,625)	-	(114,263)	-	-	(272,888)
Warrants exercised	32,811,485	3,642,573	-	-	-	-	3,642,573
Fair value of warrants exercised	-	1,261,021	-	(1,261,021)	-	-	-
Shares issued for La Cumbre property	300,000	105,189	-	-	-	-	105,189
Shares issued for Condor property	300,000	121,476	-	-	-	-	121,476
Property shares released from escrow	-	199,089	-	-	-	-	199,089
Common shares subscribed	-	-	160,468	-	-	-	160,468
Stock-based compensation	-	-	-	-	133,548	-	133,548
Net loss for the year	-	-	-	-	-	(2,669,868)	(2,669,868)
March 31, 2011	145,017,473	\$ 15,709,584	\$ 160,468	1,627,527	\$ 734,615	\$ (12,034,769)	6,197,425

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

Rio Cristal Resources Corporation*(An exploration stage company)***Consolidated Statements of Cash Flows****For the years ended March 31,***(Expressed in US dollars)*

	2011 \$	2010 \$
Operating Activities		
Loss for the year	(2,669,868)	(1,976,552)
Items not affecting cash:		
Amortization	24,827	25,294
Stock-based compensation	133,548	179,282
Write down of resource property costs (note 7)	220,100	-
Financing costs (note 8a(iii))	-	752,235
Unrealized foreign exchange loss	19	-
Income tax recovery	-	(9,586)
Changes in current assets and liabilities		
Accounts receivable	(66,057)	(9,316)
Prepaid expenses	(2,436)	(8,678)
Accounts payable and accrued liabilities	(289,518)	369,165
Cash used in operating activities	<u>(2,649,385)</u>	<u>(669,478)</u>
Investing Activities		
Purchase of equipment	(36,356)	-
Resource acquisition costs	(261,008)	(50,000)
Cash used in investing activities	<u>(297,364)</u>	<u>(50,000)</u>
Financing Activities		
Proceeds from private placement	3,912,086	1,605,454
Proceeds from exercise of warrants	3,642,573	-
Proceeds from share subscriptions	160,468	-
Share issuance costs	(272,888)	(37,011)
Funds repaid to related parties (Note 9)	-	(40,000)
Cash provided by financing activities	<u>7,442,239</u>	<u>1,528,443</u>
Net increase in cash and cash equivalents	4,495,490	808,965
Cash and cash equivalents – Beginning of Year	835,889	26,924
Cash and cash equivalents – End of Year	5,331,379	835,889

Supplemental cash flow information (note 11)

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

Rio Cristal Resources Corporation

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2011 and 2010

(Expressed in US dollars)

1. Nature of operations and going concern and other uncertainties

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 Company's activities in Peru are subject to the impact of changes in legal, tax and regulatory regimes at the national level and changes in community relations, labour and political issues at the local level. While the Company actively monitors all such changes and makes plans accordingly, factors beyond the Company's control could adversely impact its operations in Peru or result in material impairment of its properties.

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

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several adverse conditions cast significant doubt on the validity of this assumption. The Company has incurred losses since inception and has an accumulated deficit of \$12,034,769 at March 31, 2011. The Company has limited resources, has no source of operating cash flow and has no assurances that sufficient funding will be available to meet its administrative overhead and conduct further exploration of its properties.

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

2. Significant accounting policies

a) Basis of consolidation and presentation

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

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

c) Equipment

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

Rio Cristal Resources Corporation

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2011 and 2010

(Expressed in US dollars)

d) Income taxes

The Company accounts for income taxes using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years on differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future taxes of a change in tax rates is recognized in income during the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

e) Loss per share

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

f) Management's estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

g) Foreign currency translation

The accounts of the Company's foreign operations are integrated operations and the Canadian parent company have been translated into US dollars as follows:

- Monetary assets and liabilities at year-end rates,
- All other assets and liabilities at historical rates,
- Revenue and expense and exploration and development items at the average rate of exchange prevailing during the year,
- Amortization of assets translated at historical rates is translated at the same rates as the asset to which it relates.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year.

h) Resource property acquisition and exploration costs

The Company expenses all resource property exploration and evaluation expenditures until management concludes that a future economic benefit is more likely than not capable of being realised. In evaluating if expenditures meet this criterion to be capitalised, management utilise several different sources of information depending on the level of exploration. While the criteria for concluding that an item of expenditure should be capitalised is always probable, the information that management uses to make that determination depends on the level of exploration.

Costs relating to property acquisitions are capitalised. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

Rio Cristal Resources Corporation

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2011 and 2010

(Expressed in US dollars)

The recoverability of the amounts capitalised for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

The Company assesses its capitalised resource property costs when events or changes in circumstances suggest they are potentially impaired. Estimated undiscounted future net cash flows for properties are calculated using estimates by reference to the timing of exploration and development work, work programs proposed the explorations results achieved to date and the likely proceeds if the Company sold the properties to third parties. If the estimated undiscounted future net cash flows are less than the carrying value, the estimated fair value is calculated using the discounted future net cash flows and the asset is written down to the fair value with an impairment charge to operations. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history 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.

i) Asset retirement obligations

The Company recognizes a legal liability for obligations relating to retirement of property and equipment, and those arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

As at March 31, 2011 and 2010, the Company does not have any material asset retirement obligations.

j) Property option agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

k) Long-lived asset impairment

The recoverability of long-lived assets are reviewed when changes in circumstances suggest their carrying value may become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

l) Stock-based compensation

The Company accounts for all stock-based awards made to employees and non-employees using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Rio Cristal Resources Corporation

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2011 and 2010

(Expressed in US dollars)

m) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to contractual provisions of the financial instrument. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with gains and losses recognized in the Company's loss for the year. Financial assets held-to-maturity, loans and receivables and financial liabilities, other than those held-for-trading, are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses including changes in foreign exchange rates being recognized in other comprehensive income ("OCI") upon adoption.

The Company has designated each of its significant categories of financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

Amounts due from related parties are carried at cost. Fair value adjustments, if any, are not reasonably determinable by management as comparable interest rate and risk profiles are not available.

3. New accounting policies

a) Business Combinations – Section 1582

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations" ("CICA 1582"), CICA 1582 requires that all assets and liabilities of an acquired business will be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies are also to be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after 1 January 2011. Early adoption is permitted. The Company has elected to early adopt this standard effective on 1 April 2010. The adoption of this standard did not have any impact on the Company's consolidated financial statements.

b) Consolidations and Non-Controlling Interest – Sections 1601 and 1602

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" ("CICA 1601"), and Section 1602, "Non-controlling Interests" ("CICA 1602"). CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after 1 January 2011. Early adoption is permitted. The Company has elected to early adopt these standards effective on 1 April 2010. The adoption of this standard did not have any impact on the Company's consolidated financial statements.

Rio Cristal Resources Corporation

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2011 and 2010

(Expressed in US dollars)

4. Recent accounting pronouncements not yet adopted

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, 2010 requires the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011.

5. Financial Instruments

a) Fair value

Inputs used in making fair value measurements are classified 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 Company’s financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. Cash and cash equivalents is carried at fair value using a level 2 fair value measurement and short term investments are carried at fair value using a level 1 fair value measurement. Accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short term nature of these instruments. 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.

b) Management of capital risk

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

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

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

Additional information regarding capital management is disclosed in note 1.

Rio Cristal Resources Corporation

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2011 and 2010

(Expressed in US dollars)

c) Management of financial risk

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

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Peru and a portion of its expenses are incurred in Canadian dollars and Peruvian Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Sol to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At 31 March 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars and Peruvian Soles:

March 31, 2011	Cash and cash equivalents	Amounts Receivable	Accounts payable and accrued liabilities
Canadian dollars	\$ 2,377,853	\$ 24,522	\$ 74,857
Peruvian Soles	\$ 25,020	75,177	115,214

Based on the above net exposures as at 31 March 2011, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of \$0.2 million in the Company's net earnings. In contrast, a 10% depreciation or appreciation of the US dollar against the Peruvian Sol would have an insignificant impact on the Company's net earnings.

Interest rate and credit risk

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

The Company's cash equivalents are held through large Canadian financial institutions. Other assets consist of HST receivable from the government of Canada and other receivables.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the investments included in cash and cash equivalents is limited because these investments are generally held to maturity. Based on the amount of cash and cash equivalents invested as at 31 March 2011 and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/decrease of \$26,000 in the interest earned by the Company per annum.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its operating commitments. The Company manages liquidity by maintaining adequate cash and cash equivalent and short-term investments balances to meet its short term commitments and by raising equity or debt financing as required to meet long term commitments. The Company has no assurance that such financing will be available or be available on favourable terms. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing from sales of common shares. Additional information regarding liquidity risk is disclosed in note 1.

As at March 31, 2011, the Company had a cash balance of \$5,331,379 (March 31, 2010 - \$835,889) to settle current liabilities of \$375,395 (March 31, 2010 - \$664,913).

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to the Consolidated Financial Statements****For the years ended March 31, 2011 and 2010***(Expressed in US dollars)**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. The Company is subject to price risk from fluctuations in the market price of gold, copper and zinc, which in turn is affected by numerous factors including central bank policies, producer hedging activities, the value of the US dollar relative to other major currencies, global demand and supply and global political and economic conditions. The carrying value of the Company's mineral property costs could be adversely affected by any reductions in the long term prices of gold, copper and zinc.

6. Equipment

Details are as follows:

	Cost		Accumulated Amortization		March 31, 2011 Net Book Value
Office equipment	\$	3,229	\$	1,126	\$ 2,103
Exploration equipment		195,337		88,912	106,425
	\$	198,566	\$	90,038	\$ 108,528

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

7. Resource property costs**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		125,000		181,457		181,197	487,654
Property escrow shares		199,089		-		-	199,089
Write down of costs		-		(220,100)		-	(220,100)
Balance at March 31, 2011	\$	856,265	\$	-	\$	181,197	\$ 1,037,462

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to the Consolidated Financial Statements****For the years ended March 31, 2011 and 2010***(Expressed in US dollars)*

Exploration expenditures	2011	2010
	\$	\$
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Bongara		
Assaying and sampling	17,583	2,324
Drilling	67,592	45,189
Geophysics	9,019	25,572
Mining rights	108,260	116,857
Salary and consulting	186,890	22,238
Supplies and general	55,510	82,857
Travel	46,440	-
	<hr/>	<hr/>
	491,294	295,037
Condor		
Assaying and sampling	10,060	3,824
Drilling	247,588	-
Geophysics	15,781	-
Mining rights	234	-
Salary and consulting	233,931	1,922
Supplies and general	104,370	11,703
Travel	165,003	3,227
	<hr/>	<hr/>
	776,967	20,676
La Cumbre		
Assaying and sampling	1,878	-
Geophysics	13,439	-
Salary and consulting	34,171	-
Supplies and general	22,587	-
Travel	2,758	-
	<hr/>	<hr/>
	74,833	-
IGV	<hr/>	<hr/>
	239,473	93,312
	<hr/>	<hr/>
	1,582,567	409,025

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 8a(i)*) and subsequent valuation of 5% each six months thereafter for the following eighteen months and 10% each six months thereafter over the next forty-eight months, provided that no more than 2,500,000 of the shares may be released pursuant to the foregoing formula until the Issuer has completed a preliminary economic assessment as defined in National Instrument 43-101 in respect of the Project and met certain other conditions. As at March 31, 2011, the Company has released 2,500,000 shares from escrow.

Rio Cristal Resources Corporation

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For the years ended March 31, 2011 and 2010

(Expressed in US dollars)

If the property lease agreement is terminated, all shares which have not been released from this escrow will be cancelled (*note 8a(i)*). No value has been attributed to the remaining 2,500,000 shares at March 31, 2011 due to the performance conditions described above. These shares will be fair valued using the spot price on the day they are issued once the performance conditions are met.

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

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

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

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

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

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

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If CLM elects to make any of the payments in whole or in part in shares, the number of instalment payment shares shall be determined by dividing the dollar amount of such amount that CLM is electing to pay in instalment 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.

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 was (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.

On January 18, 2011 a total of 300,000 shares valued at \$121,476 were issued in conjunction with the Agreement.

During the current year, management of the Company has decided not to renew its option to acquire the Condor project and has written off its acquisition costs totalling \$220,100 related to the project.

La Cumbre Project, Peru

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

On November 12, 2010 the Company signed an Option Agreement (the “Agreement”) on the property. The terms of the Agreement allow the Company to acquire up to a 70% interest in the La Cumbre project through a series of cash and share payments over a six year period totalling \$3,235,000 (\$55,000 payable upon signing of the Agreement, paid) and 4,000,000 Rio Cristal common shares (300,000 shares issuable upon signing of the Agreement). In addition, the Company must spend \$6,500,000 in exploration and other expenses on the property over the same six year period (\$150,000 payable in the first year) and complete a prefeasibility study.

On January 6, 2011 a total of 300,000 shares valued at \$105,189 were issued.

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

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8. Share capital

a) Details of shares issued are as follows:

Authorized:

Unlimited common shares without par value

Issued and fully paid:

- 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 7*). The shares were issued, in escrow, to a related party of the Company. As of March 31, 2010, 1,500,000 shares with a fair value of \$277,176 had been released from escrow. During the year ended March 31, 2011, 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. A further 500,000 shares were released on January 29, 2011 with these shares valued at Cdn\$0.31 per share or Cdn\$155,000 (\$155,574), which is the fair value of the shares on January 29, 2011. The 2,500,000 shares remaining in escrow will be fair valued as they meet their performance criteria. In addition to these escrow shares, an additional 2,500,000 shares will be issued to the founding shareholder if certain conditions are met (*note 7*).
- ii. 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. A total of 1,237,647 finders' fee units were issued in conjunction with this private placement. During the year ended March 31, 2011, the Company received Cdn\$1,297,755 when the remaining 12,977,553 warrants, having a total fair value of \$146,274, were exercised.
- iii. 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. The Company as a result, incurred a non-cash incentive charge of \$752,235 as a financing cost based upon the Black Scholes model. The Company received Cdn\$998,207 (\$961,450) for the exercise of 14,260,094 of the original warrants under the incentive program. During the year ended March 31, 2011, the Company received Cdn\$855,606 when the 7,130,047 incentive warrants with a fair value of \$235,493, were exercised.
- iv. During the year ended March 31, 2011 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.

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to the Consolidated Financial Statements****For the years ended March 31, 2011 and 2010***(Expressed in US dollars)*

The warrants attached to the above private placement have been valued at \$1,328,448 based upon the Black Scholes model which utilizes the following weighted average assumptions:

	2011
Expected dividend yield	0.00%
Expected stock price volatility	209%
Risk-free interest rate	0.25%
Expected life of options	2 years

The Company paid \$222,055 for share issuance costs associated with the above private placement.

As of March 31, 2011, 12,641,385 of these warrants have been exercised having a fair value of \$869,348.

- v. During the year ended March 31, 2011 the Company completed a private placement by issuing 3,893,000 units at a price of Cdn\$0.16 per unit for total proceeds of \$627,988 (Cdn\$622,880). 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 Cdn\$0.22 per share. These warrants are exercisable on or before January 20, 2013. In conjunction with this private placement, a total of 272,510 warrants were issued as finders' fees entitling the holder to acquire a further common share at a price of Cdn\$0.22 per share. These warrants are exercisable on or before January 20, 2013.

The warrants attached to the above private placement have been valued at \$308,553 (Cdn\$306,043). The finders' fee warrants have been valued at Cdn\$0.31 per warrant totalling \$84,924 (Cdn\$84,233). The warrants and the finders' fee warrants were valued based upon the Black Scholes model which utilizes the following weighted average assumptions:

	2011
Expected dividend yield	0.00%
Expected stock price volatility	166%
Risk-free interest rate	1.68%
Expected life of options	2 years

The Company also paid \$45,674 (Cdn\$45,102) for share issuance costs associated with this private placement.

As of March 31, 2011, 62,500 warrants have been exercised having a fair value of \$9,906.

- vi. During the year ended March 31, 2011 a total of 300,000 shares with a value of \$105,189 (Cdn\$105,000) were issued with respect to the La Cumbre Project (*note 7*).
- vii. During the year ended March 31, 2011 a total of 300,000 shares with a value of \$121,476, (Cdn\$120,000) were issued with respect to the Condor Project (*note 7*).
- viii. As of March 31, 2011 cash of \$160,468 had been received for the exercise of 1,395,371 warrants at \$0.115. These shares have been issued subsequent to March 31, 2011.

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to the Consolidated Financial Statements****For the years ended March 31, 2011 and 2010***(Expressed in US dollars)***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. Each set of options granted vests according to its own schedule outlined in the share purchase option plan.

	Number of options	Weighted average exercise price (in CDN\$)
Balance – March 31, 2009	1,985,000	0.50
Forfeited	(300,000)	0.51
Granted	1,560,000	0.10
Balance – March 31, 2010	3,245,000	0.31
Granted	1,425,000	0.15
Balance – March 31, 2011	4,670,000	0.26

The weighted average life of the options outstanding at March 31, 2011 is 2.9 years. A summary of the Company's options as at March 31, 2011 is as follows:

	Number	Exercise Price	Expiry Date
Options	160,000	Cdn\$0.205	November 12, 2012
	1,175,000	Cdn\$0.50	January 29, 2013
	5,000	Cdn\$0.64	February 26, 2013
	100,000	Cdn\$0.27	March 11, 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
	200,000	Cdn\$0.32	March 1, 2016
	4,670,000		

As at March 31, 2011, 3,410,833 options with a weighted average exercise price of \$0.31 had vested and were exercisable.

During the year ended March 31, 2011, the Company granted 1,425,000 options to employees, officers, directors and consultants of the Company at a weighted average exercise price of Cdn\$0.15. These stock options were valued at Cdn\$138,019 with a weighted average fair value of Cdn\$0.10 per option using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2011
Expected dividend yield	0%
Expected stock price volatility	146% - 202%
Risk-free interest rate	1.43% - 1.89%
Expected life of options	1.0 – 2.9 years

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to the Consolidated Financial Statements****For the years ended March 31, 2011 and 2010***(Expressed in US dollars)*

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%
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.

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	21,537,235	\$ 0.13
Exercised	(32,811,485)	\$ 0.11
Balance – March 31, 2011	8,833,350	\$ 0.14

As at March 31, 2011 the following warrants were outstanding:

	Number	Exercise Price	Expiry Date
Warrants	6,676,840	\$0.115	August 31, 2012
	2,156,510	Cdn\$0.22	January 20, 2013
	8,833,350		

In relation to the 6,676,840 warrants granted at \$0.115, 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\$0.20 for a period of ten consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants by giving written notice to the holders of the warrants which will then expire on the date that is not less than thirty days from the date of the notice.

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

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to the Consolidated Financial Statements****For the years ended March 31, 2011 and 2010***(Expressed in US dollars)***9. Related party transactions**

The following represents the details of related party transactions paid or accrued during the period ended March 31, 2011:

	March 31, 2011	March 31, 2010
Legal fees paid or accrued to a firm in which an officer of the Company is a partner	\$ 54,230	\$ 87,208
Accounting fees paid or accrued to a firm in which an officer of the Company is a partner	77,665	55,636
Investor relations fees paid to a spouse of a director	27,735	-
Rent paid to a company which is owned by the spouse of a director	18,000	12,000
Property shares released from escrow paid to a former director	-	56,173
	\$ 150,395	\$ 211,017

Included in accounts payable and accrued liabilities are \$28,468 (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.

On March 6, 2009, the Company entered into loan agreements consisting of certain directors and officers of the Rio Cristal issuer, whereby the Lenders advanced an aggregate of \$40,000. During the year ended March 31, 2010, the loans were repaid in full with the completion of a private placement. No interest amounts were paid on the loan balances.

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.

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to the Consolidated Financial Statements****For the years ended March 31, 2011 and 2010***(Expressed in US dollars)***10. Segmented information**

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

	March 31, 2011	March 31, 2010
Total assets		
Canada	\$ 5,079,527	\$ 1,176,694
Peru	1,493,293	353,971
Total	\$ 6,572,820	\$ 1,530,665
Equipment and property		
Canada	\$ 2,103	\$ 9,247
Peru	1,143,887	658,571
Total	\$ 1,145,990	\$ 667,818
Net Loss		
Canada	\$ 452,872	\$ 1,366,627
Peru	2,216,996	609,925
Total	\$ 2,669,868	\$ 1,976,552

11. Supplemental disclosure of cash flow information

Supplementary disclosure of cash flow information:	March 31, 2011	March 31, 2010
Cash received for interest	\$ 4,898	\$ 334
Cash paid for income taxes	\$ -	\$ -

Supplemental disclosure of non-cash investing and financing transactions:	March 31, 2011	March 31, 2010
Fair value of finders' fee – Share Capital	\$ -	\$ 18,339
Fair value of finders' fee – Warrants <i>(note 8a)</i>	\$ 84,924	\$ 13,796
Fair value of early incentive option exercised	\$ -	\$ 393,828
Fair value of warrants exercised <i>(Note 8a)</i>	\$ 1,261,021	\$ 160,916
Fair value of shares released from escrow <i>(notes 7 and 8a(i))</i>	\$ 199,089	\$ 56,173
Fair value of shares issued for property <i>(notes 7 and 8a(vi) and (vii))</i>	\$ 226,665	\$ 63,643

Rio Cristal Resources Corporation*(An exploration stage company)***Notes to the Consolidated Financial Statements****For the years ended March 31, 2011 and 2010***(Expressed in US dollars)***12. Income Tax**

a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2011	2010
Loss before income taxes	\$ (2,669,868)	\$ (1,986,138)
Federal and provincial statutory income tax rates	28.00%	29.63%
Income tax recovery based on the above rates	\$ (747,563)	\$ (588,493)
Increase (decrease) due to:		
Non-deductible expenses	96,786	325,319
Foreign tax rates different from statutory rates	(42,405)	(2,257)
Change in valuation allowance	773,876	198,963
Current/deferred tax rate differential	11,587	48,922
Foreign exchange and other	(92,281)	7,960
Total income tax recovery	\$ -	\$ (9,586)

b) The components of the Company's future income tax assets are as follows:

	2011	2010
Future income tax assets		
Non-capital losses	\$ 1,067,014	\$ 810,616
Resource properties	1,641,077	1,219,637
Other	333,656	237,617
Total future tax assets	3,041,747	2,267,870
Valuation allowance	(3,041,747)	(2,267,870)
Net future income tax assets	\$ -	-

The Company has non-capital loss carry-forwards of approximately \$4,035,000 that may be available for tax purposes. The loss carry-forwards are all in respect of Canadian and Peruvian operations and expire as follows:

2027	\$ 39,000
2028	716,000
2029	896,000
2030	679,000
2031	547,000
No expiry	1,158,000
	<u>\$ 4,035,000</u>

A full valuation allowance has been recorded against the net potential future income tax assets associated with all the loss carry-forwards and certain other deductible temporary differences as their utilization is not considered more likely than not at this time.

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Notes to the Consolidated Financial Statements

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13. Subsequent events

On May 2, 2011 the Company granted 1,800,000 stock options to directors and officers and certain employees and consultants of the Company. These 5 year options were issued at a price of Cdn\$0.18 per option. One third of the options will vest immediately, one third will vest May 2, 2012 and the remaining one third will vest May 2, 2013.

From April 1, 2011 to July 26, 2011, 1,327,724 warrants were exercised for total cash proceeds of \$152,688.

On May 24, 2011, the Company issued 300,000 common shares for its La Cumbre project.

On July 12, 2011, the Company granted 300,000 options to a director and two employees of the Company.
