

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

***Our Management's Discussion and Analysis
For the year ended March 31, 2011***

Introduction

The following management discussion and analysis (the "MD&A") of Rio Cristal Resources Corporation ("Rio Cristal" or the "Company") has been prepared as of July 26, 2011 and is intended to supplement and complement the Company's audited consolidated financial statements for the year ended March 31, 2011. 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

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

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

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

Overview

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

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

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

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

Current Developments

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

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

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

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

On April 7, 2011, the Company provided a corporate progress report on its three exploration projects. At Bongará, the Company reported that it had started a 4,000 meter drilling program at Cristal where excellent drill results were obtained in 2008. The program was completed by the end of July 2011. The Company is also doing surface work in preparation for obtaining permits to drill in the southern part of its 18,000 hectares of concessions to discover zinc sulfides. At La Cumbre, initial studies of the property are underway and application for drill permits will be made as quickly as possible. At Condor, the Company announced that it had completed 1,796 meters of drilling and that the results were disappointing. Relatively small, dispersed lens of gold were discovered with limited continuity and no additional drilling is warranted. The Company has cancelled its option agreement on the Condor project as the intersected mineralization did not meet the Company's investment requirements.

On March 6, 2011, the Company announced that it has entered into agreements (the "Agreements") whereby Bernie Kennedy Consulting Inc. and Global Vista S.A. will provide investor relations services to the Company. Both Agreements are effective March 1, 2011, have a term of twelve months and are subject to acceptance by the TSX Venture Exchange.

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. 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.

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. Drilling was completed in July 2011.
- Alto Cristal: This area is situated four kilometers west of the Cristal Project and was the target of early reconnaissance, geological mapping and geochemical sampling. To date, no drilling has been planned.
- San Jose: This area is 10 km south-southwest of Cristal and consists of previously discovered zinc sulfide showings. Mapping and surface sampling is currently underway to identify zinc sulfide targets. Permitting is beginning and drilling is expected to begin in October 2011.
- Florida: This area shows similar structural control and stratigraphy observed at Votorantim Metals and Solitario Resources Florida Canyon advanced zinc/lead exploration project. Exploration at the Florida North Project commenced in mid-2008, and consisted of preliminary mapping and sampling to identify to drill targets. Additional surface work and drilling may take place in 2011.

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 has completed drilling at the Cristal prospect.. Approximately 3,000 meters was 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 and San Jose

prospects with the expectation of drilling approximately 3,000 meters later in 2011 to discover zinc sulfides.

LA CUMBRE PROJECT, PERU

On November 12, 2010, the Company signed an option agreement on the La Cumbre copper project near Chala, Peru. The terms of the Agreement allows the Company, at its option, to acquire up to a 70% interest in the La Cumbre project through a series of cash and share payments over a six year period totaling \$3,250,000 and 4,000,000 Rio Cristal common shares. In addition, the Company must spend \$6,500,000 in exploration and other expenses on the property over the same six year period and complete a prefeasibility study.

La Cumbre is approximately 900 km south of Lima, Peru near the town of Chala at relatively low elevation of 1,000 meters on average. The Company has submitted its drilling permit applications to the Ministry of Energy and Mines and there are no remaining observations from the Ministry. However, during the transition to a new national government in Peru, final approval of permits has slowed as some members of the Ministry prepare to leave office at the end of July. The Company expects to have final approval and to begin drilling in mid-August.

The Company plans to drill approximately 4,000 meters at La Cumbre to identify near surface copper oxides which could be mined while the Company explores for an underlying porphyry-style copper sulfide type deposit.

Results of Operations

For the Year Ended March 31, 2011

The Company's net loss for the year ended March 31, 2011 (the "Current Period") was \$2.7 million or \$0.03 per share compared to a net loss of \$2.0 million or \$0.04 per share for the year ended March 31, 2010 (the "Comparative Period"), an increase of \$0.7 million.

Expenses were higher in the Current Period at \$2.5 million, compared with \$2.0 million in the Comparative Period due mainly to: higher exploration expenditures (\$1.6 million compared to \$0.4 million) due to increased expenditures on all of the Company's mineral properties, particularly the Condor project and Bongará project; higher administration expenses (\$0.4 million compared to \$0.2 million) due to increased administration costs in Peru. These increases were offset by decreases in: professional fees (\$0.1 million compared to \$0.2 million) resulting from reduced legal expenses incurred on new option agreements during the Current Period; and lower stock-based compensation (\$0.1 million compared to \$0.2million) due to fewer option grants in the current period as well as many stock options that were granted in prior periods have now fully vested. In the prior year, the Company incurred a non-cash financing expense of \$0.8 million as a result of an early warrant exercise program, this early warrant exercise program was a 2010 event only.

For the Three Month Period Ended March 31, 2011

The Company's net loss for the three month period ended March 31, 2011 (the "Current Period") was \$1.2 million or \$0.01 per share compared to a net loss of \$1.1 million or \$0.02 per share for the three month period ended March 31, 2010 (the "Comparative Period"), an increase of \$0.1 million.

Expenses were lower in the Current Period at \$1.0 million compared with \$1.2 million in the Comparative Period. Significant costs during the three months ended March 31, 2011 were exploration expenditures of \$0.7 million which related to increased exploration costs including drilling on the Bongará, and salaries and consulting of \$0.1 million. In the period ended March 31, 2010, that Company main costs was financing costs of \$0.8 million related to the early exercise incentive option for warrant holders that was recorded in the Company and salaries and consulting of \$0.2 million.

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 \$
4 th Quarter 2011	Nil	(1,178,341)	(0.01)
3 rd Quarter 2011	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)

The increase in loss during the fourth quarter of the 2011 fiscal year is a result of increased administrative expenses and expenditures on the Company's exploration projects including drilling expenses.

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

Selected Annual Information

The following table sets out selected annual financial information of the Company and is derived from the Company's audited consolidated financial statements for the years ended March 31, 2011, 2010 and 2009.

	Years Ended March 31, (audited)		
	2011 \$	2010 \$	2009 \$
Total revenues	Nil	Nil	Nil
Loss for the year	2,669,868	1,976,552	4,829,379
Basic and diluted loss per share	0.03	0.04	0.22
Total assets	6,572,820	1,530,665	567,862
Total current liabilities	375,395	664,913	335,748
Cash dividends declared	Nil	Nil	Nil

Liquidity and Capital Resources

The Company had net working capital of \$5.1 million as at March 31, 2011 compared to net working capital of \$0.2 million as at March 31, 2010. The cash balance at March 31, 2011 was \$5.3 million compared to \$0.8 million as at March 31, 2010. As at March 31, 2011 current liabilities were \$0.4 million compared to \$0.7 million as at March 31, 2010. The Company expects to use its net working capital balance to fund its 2012 exploration programs.

Investing Activity

During the year ended March 31, 2011, 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. A further 500,000 shares were released from escrow on January 29, 2011 with these shares valued at Cdn\$0.31 per share of Cdn\$155,000 (\$155,574). These transactions were non-cash transactions and the value of the shares was capitalized to resource property costs.

Also during the year ended March 31, 2011, the Company recorded a \$125,000 cash option payment on the Bongará project, \$60,000 of option payments on the Condor gold project and the issuance of 300,000 shares. On the La Cumbre copper project, the Company incurred \$80,000 of option payments and the issuance of 300,000 shares.

Going Concern

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's activities in Peru are subject to the impact of changes in legal, tax and regulatory regimes at the national level and changes in community relations, labor and political issues at the local level. While the Company actively monitors all such changes and makes plans accordingly, factors beyond the Company's control could adversely impact its operations in Peru or result in material impairment of its properties. The Company believes that the current

conditions in Peru are stable and conducive to conducting business, the Company's current and future mineral exploration and mining activities could be impacted by adverse political or economic developments. The adverse developments may include the imposition of unfavourable government regulations on foreign investment. There exists a risk that the newly elected president may begin strengthening nationalization policies in relation to mining activities in Peru.

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

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

Financing Activity

During the year ended March 31, 2011 the Company completed a private placement by issuing 38,636,450 shares at a price of \$0.085 for total proceeds of \$3.3 million. 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 \$0.115 per share for a period of two years. The warrants are exercisable on or before August 26, 2012.

During the year ended March 31, 2011 the Company completed a private placement by issuing 3,893,000 shares at a price of Cdn\$0.16 for total proceeds of Cdn\$622,880 (\$627,988). 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 Cdn\$0.22 per share for a period of two years. The warrants are exercisable on or before January 20, 2013.

Additionally, the Company received cash proceeds of \$3.6 million for the exercise of 12,977,553 warrants at a price of Cdn\$0.10, 12,641,385 warrants at a price of \$0.115, 7,130,047 warrants at a price of \$0.12 and 62,500 warrants at a price of Cdn\$0.22.

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 July 26, 2011:

		Price	Expiry date	Number of common shares
Common shares, issued and outstanding				146,645,197
Securities convertible into common shares				
Warrants	USD	\$0.115	August 26, 2012	5,349,116
	CDN	\$0.22	January 20, 2013	2,156,510
Options	CDN	\$0.205	November 12, 2012	160,000
		\$0.50	January 29, 2013	1,175,000
		\$0.64	February 26, 2013	5,000
		\$0.27	March 13, 2013	100,000
		\$0.50	April 13, 2013	150,000
		\$0.50	June 4, 2013	205,000
		\$0.50	October 3, 2013	150,000
		\$0.10	April 30, 2014	1,560,000
		\$0.10	May 20, 2015	965,000
		\$0.32	March 1, 2016	200,000
		\$0.18	May 2, 2016	1,800,000
		\$0.17	July 12, 2016	300,000
				160,920,823

Subsequent to the year ended March 31, 2011, the Company granted 2,100,000 options to certain employees, directors and consultants of the Company at exercise price between Cdn\$0.17 and Cdn\$0.18 exercisable for five years.

As at March 31, 2011, 3,410,833 options outstanding had vested.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties for the Year ended March 31, 2011

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 year ended March 31, 2011.

The Company received legal services totaling \$54,230 (2010: \$87,208) from a law firm in which Corey Dean, an officer of Rio Cristal, is a partner. Legal services were rendered in association with 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 \$77,665 (2010: \$55,636).

The Company paid investor relations fees of \$27,735 (2010: \$nil) to a firm in which Thomas Findley, officer of the Company, is a principal.

The Company paid rent expense of \$18,000 (2010: \$12,000) to a company which is owned by the spouse of a director.

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

The Company released 500,000 shares (2010: 500,000 shares), valued at Cdn\$0.31 per share or Cdn\$155,000 (\$155,574) (2010: Cdn\$40,000 (\$37,673)), pursuant to the Property escrow share agreement, on January 29, 2011.

Included in accounts payable is \$27,891 (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 was April 1, 2011, at which time Canadian GAAP ceased to apply for Rio Cristal Resources Corporation and was 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 2012, 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 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 assessed the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which included a detailed analysis of the conversion process and implementation plan required for disclosure for the Company’s first quarter; 3) Transition phase which included 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 the Scoping phase and the Planning phase and is advancing through phase three, the Transition phase. 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. A timeline has been prepared outlining the timing of completion for various steps in the conversion process.

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. The following IFRS 1 mandatory exceptions and optional exemptions apply to Rio Cristal.

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.

Optional Exemptions Elected:

1. IFRS 2 Share-Based Payments – Rio Cristal has elected 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.

The AcSB has ongoing projects and was issuing new accounting standards during the conversion period. Management has continued to review new standards, as well as the impact of the new accounting standards, 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.

The Company is in the process of revaluing 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 determined that it will continue with its current accounting policy for exploration and evaluation ("E&E") assets as this is acceptable under IFRS.

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.

During the year ended March 31, 2011 the Company conducted an evaluation of its resource property costs and determined that \$220,100 related to the Condor Property should be written off, as the Company has decided not to renew its option to acquire the project. Based on the Company's assessment of its resource property costs, there will be no impairment charge on transition to IFRS.

Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. There will be no impact on the financial statements upon implementation of IAS 12, Income Taxes.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates 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.

Management has determined that the functional currency of the parent company, Rio Cristal Resources Corporation, is the USD and that the functional currency of all of its subsidiaries is

also the USD. The functional currencies were determined by an analysis of the primary and secondary indicators identified in IAS 21.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities based in a foreign currency are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the consolidated income statements.

The presentation currency of the Company's financial statements will continue to be the United States dollar.

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.

The Company has elected to use the cost model. Currently, the Company only has a small of exploration and office equipment capitalized as property, plant and equipment and, as a result, there will be no impact on the Company's financial statements upon the adoption of IFRS.

Information Systems, Internal Controls and Reporting Procedures

Based on management's assessment of the information systems 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.

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.

Financial Statement Presentation and Disclosure

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 currently preparing draft financial statements for the quarter ending June 30, 2011.

The Company is now in the IFRS transition phase which includes the quantification of the IFRS differences, completion of the final IFRS compliant accounting policies, quantification of the IFRS opening balance sheet as at April 1, 2010 and preparation of the comparative interim financial statements.

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.

Financial instruments carrying value and fair value

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

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

Capital management

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

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

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

Management of financial risk

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

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Peru and a portion of its expenses are incurred in Canadian dollars and Peruvian Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Sol to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At March 31, 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 March 31, 2011, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of \$0.2 million in the Company's net earnings. Likewise, a 10% depreciation or appreciation of the US dollar against the Peruvian Sol would have an insignificant impact on the Company's net earnings.

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. Short-term and long-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks. These investments mature at various dates over the current operating period. Other assets consist of HST receivable from the government of Canada and other receivables.

Interest rate risk 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 March 31, 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 \$26,657 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.

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).

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.

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 March 31, 2011 and March 31, 2010 that is available on Rio Cristal's website at www.riocristalresources.com or on its SEDAR Page Site accessed through www.sedar.com.

Approval

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

Additional Information

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