Caracara Silver Inc.

(formerly Ansue Capital Corp.)

Consolidated Financial Statements

As at and for the years ended

June 30, 2012 and 2011

MANAGEMENT'S RESPONSIBILITY FOR ANNUAL CONSOLIDATED FINANCIAL REPORTING

The accompanying audited annual consolidated financial statements of Caracara Silver Inc. (formerly Ansue Capital Corp.) (“Caracara or the "Company") are the responsibility of the management and Board of Directors of the Company.

The audited annual consolidated financial statements (the “Financial Statements”) have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgements and estimates in accounting for transactions that were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the Financial Statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the Financial Statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the Financial Statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

The Financial Statements have been audited by Smythe Ratcliffe LLP, Chartered Accountants, who were appointed by the shareholders. The auditors’ report outlines the scope of their examination and gives their opinion on the Financial Statements.

“Nick Tintor”
President and Chief Executive Officer
October 15, 2012

“Stephen Gledhill”
Chief Financial Officer
October 15, 2012

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CARACARA SILVER INC.
(formerly Ansue Capital Corp.)

We have audited the accompanying consolidated financial statements of Caracara Silver Inc., which comprise the consolidated statements of financial position as at June 30, 2012 and June 30, 2011 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years ended June 30, 2012 and June 30, 2011, and 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditors' judgement, 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 Caracara Silver Inc. as at June 30, 2012 and June 30, 2011 and its financial performance and its cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with International Financial Reporting Standards.

Smythe Ratcliffe LLP

Vancouver, British Columbia
October 15, 2012

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Vancouver, BC V6C 2G8

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smytheratcliffe.com

Caracara Silver Inc.

(formerly Ansue Capital Corp.)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	**June 30, 2012**	June 30, 2011
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 9)*	**2,929,525**	-
Accounts receivable *(note 10)*	**46,968**	-
	2,976,493	-
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 11)*	**200,422**	144,230
Due to Southern Andes Energy Inc. *(note 12)*	**-**	1,623,273
	200,422	1,767,503
Equity		
Share capital *(note 14)*	**7,340,622**	3,973
Reserve for warrants *(note 14)*	**1,637,888**	-
Reserve for share-based payments *(note 14)*	**1,121,239**	-
Deficit	**(7,323,678)**	(1,771,476)
	2,776,071	(1,767,503)
	2,976,493	-

Approved by the Board on October 15, 2012:

"Robert Boaz" — Director

"Stephen Coates" — Director

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

Caracara Silver Inc.
(formerly Ansue Capital Corp.)

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars except weighted-average share information)

Years ended	**June 30, 2012**	June 30, 2011
	$	$
Exploration and evaluation expenditures *(note 15)*	**2,712,807**	622
Administrative expenses		
Consulting and professional fees	**185,717**	-
General and administrative	**183,656**	-
Investor relations *(note 13)*	**85,535**	-
Listing costs *(note 4)*	**751,984**	-
Management fees and salaries *(note 13)*	**472,301**	-
Share-based compensation *(notes 13 and 14)*	**761,874**	-
Shareholder and public company expenses	**111,681**	-
Total administrative expenses	**2,552,748**	-
Total expenses and expenditures	**(5,265,555)**	(622)
Other items		
Foreign exchange gain (loss)	**(125,896)**	5,770
Interest and other income	**205,437**	-
Net income (loss) and comprehensive income (loss)	**(5,186,014)**	5,148
Basic and fully diluted earnings (loss) per share	**(0.12)**	0.52
Weighted average number of common shares outstanding	**44,434,881**	10,000

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

Caracara Silver Inc.

(formerly Ansue Capital Corp.)

Consolidated Statements of Changes in Equity

Years ended June 30, 2012 and 2011

(Expressed in Canadian dollars)

	Share Capital		Reserves			
	Number of Shares	**Amount**	**Share-based payments**	**Warrants**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**
Balance at July 1, 2010 of Solex	**10,000**	**3,973**	**-**	**-**	**(1,776,624)**	**(1,772,651)**
Net income for the year	-	-	-	-	5,148	5,148
Balance at June 30, 2011, of Solex	**10,000**	**3,973**	**-**	**-**	**(1,771,476)**	**(1,767,503)**
Transactions pursuant to Corporate Merger *(note 4)*:						
Shares acquired by Ansue	(10,000)	-	-	-	-	-
Issued to Ansue shareholders	1,353,334	814,204	69,533	-	-	883,737
CSI Princesa deficit	-	-	-	-	(379,721)	(379,721)
Expired agent options	-	-	(13,533)	-	13,533	-
Issued on Transaction to SAE shareholders	33,333,333	1,640,401	-	-	-	1,640,401
Offering (net of costs) *(note 14)*	14,242,501	5,971,897	-	-	-	5,971,897
Issued for property payment	1,892,000	851,400	-	-	-	851,400
Shares issued as finder's fees	100,000	45,000	-	-	-	45,000
Recapitalization of finder's fee shares	-	(45,000)	-	-	-	(45,000)
Fair value of issued warrants	-	(1,637,888)	-	1,637,888	-	-
Fair value of issued broker warrants	-	(303,365)	303,365	-	-	-
Share-based compensation	-	-	761,874	-	-	761,874
Net loss for the year	-	-	-	-	(5,186,014)	(5,186,014)
Balance at June 30, 2012	**50,921,168**	**7,340,622**	**1,121,239**	**1,637,888**	**(7,323,678)**	**2,776,071**

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

Caracara Silver Inc.

(formerly Ansue Capital Corp.)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Years ended	**June 30, 2012**	June 30, 2011
	$	$
Operating activities		
Net income (loss)	**(5,186,014)**	5,148
Adjustments to reconcile net loss to cash flow from operating activities:		
Share-based compensation	**761,874**	-
Shares issued for property payment	**851,400**	-
Listing costs	**751,984**	-
Net change in non-cash working capital items:		
Accounts receivable	**(46,968)**	-
Accounts payable and accrued liabilities	**(301,886)**	(15,344)
Due to Southern Andes Energy Inc.	**-**	10,196
Cash used in operating activities	**(3,169,610)**	-
Financing activities		
Issuance of common shares (net of issuance costs of $437,229 (2011 - $nil))	**5,971,896**	-
Cash provided from financing activities	**5,971,896**	-
Investing activities		
Cash acquired on corporate merger	**127,239**	-
Cash provided from investing activities	**127,239**	-
Increase in cash and cash equivalents at end of year	**2,929,525**	-
Supplemental cash flow information:		
Interest paid	**-**	-
Income taxes paid	**-**	-

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

1. General

Ansue Capital Corp. ("Ansue") was incorporated under the laws of British Columbia on December 3, 2009. Ansue was a capital pool company ("CPC") as defined by the rules of the TSX Venture Exchange ("TSXV") in Policy 2.4 of the TSXV. On July 18, 2011, Ansue announced that at the Annual Meeting of the shareholders of Ansue, all matters regarding a Qualifying Transaction with Southern Andes Energy Inc. ("SAE") were approved including the proposed name change of Ansue to Caracara Silver Inc.

The Qualifying Transaction with SAE provided that Ansue would acquire (the "Corporate Merger") all of the issued and outstanding shares of Caracara Silver Inc. ("CSI"), Alpaca Exploraciones SAC ("Alpaca") and Solex del Peru SAC ("Solex"), thereby acquiring all of SAE's silver assets in exchange for 100,000,000 pre-Consolidation (as defined in *note 4* to these Financial Statements) common shares of Ansue. On January 1, 2012, Alpaca was amalgamated with Solex to reduce administrative burden. The silver assets of SAE comprise 24,600 hectares of concessions located north of Juliaca, Peru. On August 19, 2011, Ansue and the Company announced the closing of the Corporate Merger. Upon closing, CSI's name was changed to CSI Princesa Inc. ("Princesa") and Ansue's name was changed to Caracara Silver Inc. ("Caracara" or the "Company"). Please refer to (*note 4*) for further details of the Corporate Merger.

The principal business activity of the Company is the acquisition, exploration and development of mineral properties in Peru. The Company's main and registered office is located at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, Canada, M5H 1T1.

2. Continuance of operations

The Financial Statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2012, the Company has not generated any revenues from operations and used $3,169,610 (2011 – ($5,148)) funds for operating activities for the year ended June 30, 2012. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that it has sufficient working capital to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing may be required but will not be available on a timely basis or on terms acceptable to the Company. The Financial Statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The reader is also directed to review *note 7 (ii)*.

3. Basis of preparation

3.1 Statement of compliance

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Financial Statements were approved by the Company's Board of Directors on October 15, 2012.

3.2 Basis of presentation

The Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in *note 5*. The Financial Statements are presented in Canadian dollars, the Company's functional currency.

3.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, and amendments that are effective for the Company's financial year beginning on or after July 1, 2013, except as indicated, with early adoption permitted.

- **IFRS 9 *Financial Instruments: Classification and Measurement*** – introduces new requirements for the classification and measurement of financial instruments, effective on July 1, 2015.

- **IFRS 10 *Consolidated Financial Statements*** – establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- **IFRS 11 *Joint Arrangements*** – provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

- **IFRS 12 *Disclosure of Interests in Other Entities*** – requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

- **IFRS 13 *Fair Value Measurement*** – provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the Financial Statements.

4. Corporate merger

On April 13, 2011, SAE and Ansue entered into a Qualifying Transaction (as such term is defined under TSXV Policy 2.4), pursuant to which Ansue agreed to acquire from SAE, by issuing 100,000,000 pre-Consolidation (or 33,333,333 post-consolidation) shares to SAE (as hereinafter defined), all of the issued and outstanding shares in the capital of Caracara, Alpaca, Solex and the SAE silver assets. In exchange, Ansue agreed to undertake the settlement of the intercompany debt *(note 12)* and the acceptance of obligations of Caracara to issue 3.0 million common shares as set forth in the agreement dated September 27, 2010 among Cybersonic Ltd. ("Cybersonic"), Caracara and Alpaca, which will, pursuant to an amendment agreement dated as of April 8, 2011, on completion of the Corporate Merger, become an obligation of Ansue to issue an aggregate of 8.6 million pre-Consolidation common shares) on behalf of SAE and Caracara, respectively.

(Expressed in Canadian Dollars)

Immediately prior to the completion of the Qualifying Transaction, Ansue completed a 1-for-3 share consolidation (the "Consolidation") of its capital, after which, Ansue will have 1,353,334 shares outstanding.

Based on the relative ownership percentages of the combined company by the shareholders of SAE prior to the transaction and former Ansue shareholders, and the composition of the Board of Directors of the newly-combined Company, from an accounting perspective, Solex is considered to be the accounting acquirer and, therefore, the Corporate Merger has been accounted for similar to a reverse takeover. For financial reporting purposes, the Company is considered a continuation of Solex, a legal subsidiary, except with regard to authorized and issued share capital, which is that of Ansue, the legal parent. Consequently, comparative amounts in these restated Financial Statements are those of Solex only. Ansue was not considered to be an acquired business under accounting guidance as it was a CPC. Therefore, the Corporate Merger has been accounted for as a capital transaction and not a business combination. Further, under IFRS, as the transaction is not considered to be a business acquisition, IFRS 3 *Business Combinations*, is not applicable, and such transactions have been accounted for pursuant to IFRS 2 *Share-based Payment*. Pursuant to IFRS 2, an equity-settled, share-based payment is to be measured based on the value of the goods or services received along with the corresponding increase in equity. If the value of the goods or services cannot be measured reliably, the fair value of the equity instruments given up should be used. The fair value of Caracara equity issued has been determined as follows:

	$
1,353,334[1] common shares issued to Ansue shareholders at $0.33 per share[2] *(note 14)*	446,600
SAE intercompany debt assumed by Ansue shareholders	367,604
Fair value of common shares issued to Ansue shareholders	814,204
133,333[1] options issued to Ansue optionholders at $0.42 per option[3] *(note 14)*	56,000
46,667[1] broker warrants issued to Ansue brokers at $0.29 per broker warrant[3] *(note 14)*	13,533
Fair value of share-based payments issued to Ansue shareholders	69,533
Fair value of common shares and warrants issued	**883,737**

Allocated to Ansue's net assets as follows:

	$
Cash	127,112
HST receivable	4,641
Net assets	**131,753**
Listing costs	751,984
Fair value of common shares and warrants issued	**883,737**

[1] Subsequent to a 1-for-3 share Consolidation.
[2] Note 14 discloses the Black-Scholes variables used to determine the fair value of the warrants ($0.12 each) included as part of the Units that were issued at $0.45 each.
[3] Note 14 discloses the Black-Scholes variables used to determine the fair value of the options and broker warrants.

5. Summary of significant accounting policies

5.1 Basis of consolidation

The Financial Statements include the financial statements of the Company and its wholly-owned controlled subsidiaries, Solex and Princesa. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

5.2 Mineral properties

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

5.3 Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As of the date of the Financial Statements, the Company has no ARO.

5.4 Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options and warrants is reflected as additional dilution in the computation of earnings per share.

5.5 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises 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 the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

5.6 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the year ended June 30, 2012, all the outstanding stock options and warrants were antidilutive. There were no stock options outstanding as at June 30, 2011.

5.7 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss), except for losses in value that are considered other than temporary.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

5.8 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables and accrued liabilities, and due to related party are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss). As at June 30, 2012, the Company has not classified any financial liabilities as FVTPL.

5.9 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to accounts receivable, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

5.10 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income (loss), unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

5.11 Cash

Cash in the statement of financial position comprises cash at banks and on hand.

5.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

5.13 Related-party transactions and balances

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related-party transaction when there is a transfer of resources or obligations between related parties. Related-party transactions are measured at the fair values.

5.14 Foreign currency transactions

Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and presentation currency of the Company is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations.

5.15 Significant accounting judgements and estimates

The preparation of the Financial Statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates, when applicable, relate to asset retirement obligations; recoverability of accounts receivable, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements, when applicable, relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

6. Capital management

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts and deficit, which as at June 30, 2012 totaled $2,776,071 (June 30, 2011 – deficit of $1,767,503). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company completed the Qualifying Transaction with Ansue on August 19, 2011, and intends to raise additional funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The ability of the Company to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended June 30, 2012. The Company is not subject to externally imposed capital restrictions.

7. Financial instruments

Fair value

The Company has designated its cash as FVTPL, which is measured at fair value. Accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost that approximates fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value. Fair values of accounts receivable and accounts payable and accrued liabilities are determined from transaction values that were derived from observable market inputs. Fair values of other financial assets are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at June 30, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a. **Cash** – Cash and cash equivalents are held with major Canadian and Peruvian banks and therefore the risk of loss is minimal.

b. **Accounts receivable** – The Company is not exposed to significant credit risk as the majority of this amount is due from the Canadian government and major Canadian banks. Loss associated with amounts not due from the Canadian government or banks is limited to $34,354.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at June 30, 2012, the Company had working capital of $2,776,071 (June 30, 2011 – deficiency of $1,767,503). The long-term continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. In addition, in order to meet its longer-term working capital requirements and property exploration expenditures, the Company intends on securing further financing to ensure that those obligations are properly discharged.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term is invested in short-term guaranteed investment certificates, as appropriate.

b. Currency risk

Although the Company's operations are conducted in Canadian dollars, it has entered into contracts and/or agreements that require payment in United States dollars or Peruvian nuevo sols. Management believes that foreign currency risk derived from currency conversions is negligible and, therefore, does not hedge its foreign currency risk.

c. Price risk

The Company holds no investments and is therefore not subject to price risk.

8. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one-year period.

The Company's funds are kept in Canadian and US dollars at a major Canadian financial institution. As at June 30, 2012 and 2011, the Company's exposure to foreign currency balances is as follows:

Account	Foreign Currency	Exposure ($CDN)	
		June 30, 2012	June 30, 2011
Cash	US dollar	221,378	-
Accounts receivable	US dollar	16,676	-

The Company believes that a change of 10% in foreign exchange rates would not have a material effect on net loss and comprehensive loss for the years ended June 30, 2012 and 2011.

(Expressed in Canadian Dollars)

9. Cash and cash equivalents

The balance at June 30, 2012, consists of cash amounting to $231,589 and GIC for $2,500,000 (June 30, 2011 - $nil) on deposit with a major Canadian bank and $197,936 (June 30, 2011 - $nil) on deposit with a major Peruvian bank.

10. Accounts receivable

The Company's accounts receivable balances consist of Harmonized Sales Tax ("HST") recoverable from the Canadian government taxation authorities.

Below is an aged analysis of the Company's accounts receivables:

	As at,	
	June 30, 2012	June 30, 2011
	$	$
1 – 30 days	**21,524**	-
30 – 60 days	**7,653**	-
61 – 90 days	**590**	-
> 90 days	**17,201**	-
Total accounts receivable	**46,968**	-

At June 30, 2012, the Company anticipates full recovery of these amounts and, therefore, no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in *note 7*.

11. Accounts payable and accrued liabilities

Accounts payable of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period for trade purchases is between 30 to 90 days.

The following is an aged analysis of the accounts payable and accrued liabilities:

	As at,	
	June 30, 2012	June 30, 2011
	$	$
1 – 30 days	**183,787**	-
30 – 60 days	**695**	-
61 – 90 days	**780**	-
> 90 days	**15,160**	144,230
Total accounts payable and accrued liabilities	**200,422**	144,230

(Expressed in Canadian Dollars)

12. Due to Southern Andes Energy Inc.

There were no payables due to SAE as at June 30, 2012 (June 30, 2011 - $1,623,273). Such amounts were repaid to SAE upon the completion of the Corporate Merger.

13. Related-party transactions

The Financial Statements include transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. Share-based compensation expenses were recorded at fair value estimated using the Black-Scholes model *(note 14)*. The Company incurred the following fees and expenses in the normal course of operations in connection with companies controlled by executive officers and directors as follows:

Year ended	June 30, 2012	June 30, 2011
	$	$
Management fees	**405,350**	-
Investor relations	**7,500**	-
Share-based compensation	**27,210**	-

The remuneration of directors and other key management personnel was as follows:

Year ended	June 30, 2012	June 30, 2011
	$	$
Share-based compensation	**734,664**	-
Directors' fees	**60,076**	-

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended June 30, 2012 and 2011.

14. Share capital

(i) Authorized share capital consists of an unlimited number of common shares.

(ii) Issued and outstanding share capital:

The number of shares outstanding represents the legal number of outstanding shares of Ansue, but the book value associated with them for accounting purposes is based upon Caracara's share capital account as at August 19, 2011, the date of the Corporate Merger that affected the reverse takeover transaction plus Ansue's share activity since that date. The dollar amount of the legal stated capital of Ansue therefore differs from the amounts reflected in the statement of changes in equity.

(Expressed in Canadian Dollars)

Ansue initial public offering

In May 2010, Ansue completed its initial public offering by issuing 2,000,000 common shares at a purchase price of $0.10 per share for gross proceeds to Ansue of $200,000. Financing costs totaled $78,094. Mackie Research Capital Corporation acted as agent in respect of the offering and received a cash commission of $20,000, an administration fee of $10,000 and an option to acquire an aggregate 200,000 common shares for a period of two years from the date of listing of the common shares of the Company on the TSXV at an exercise price of $0.10 per common share. In August 2010, 60,000 agent options were exercised for gross proceeds to Ansue of $6,000, leaving a balance of 140,000 agent options outstanding.

Offering

On May 31, 2011, 14,242,501 Ansue subscription receipts were issued to subscribers pursuant to the Offering for aggregate gross proceeds of $6,409,125. Each Ansue subscription receipt sold at the offering price of $0.45 (the "Offering Price"), and consisted of one Ansue common share and one-half of one Ansue share purchase warrant (a "Unit"). Each Unit was automatically converted for no further consideration into one common share of the Company and one-half of one share purchase warrant (a "Warrant") on a post-Consolidation basis immediately upon completion of the Qualifying Transaction. Each whole Warrant is exercisable for one common share at an exercise price of $0.60 (post-Consolidation basis) until May 31, 2013, provided that, if after the date that is four months and a day from May 31, 2011, the weighted average closing price of the Company's common shares, as traded on the TSXV equals or exceeds $0.90 per common share, subject to adjustment, for any period of 20 consecutive trading days, the right to exercise the Warrant expires within 30 days after notice of such event is mailed to the warrantholders.

In connection with the Offering, agents and selling group members appointed by the agents received a cash commission of $384,547. Additional cash costs of the Offering totaled $52,682, for total aggregated cash costs of $437,229. The agents and selling group members appointed by the agents also received 854,550 broker warrants (each a "Broker Warrant"). Each Broker Warrant is exercisable until May 31, 2013, for one Unit on a post-Consolidation basis at the Offering Price.

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the Broker Warrant fair values:

Weighted average information	
Exercise price	$0.45
Risk-free interest rate	2.7%
Expected life	2.0 years
Expected volatility	171%
Expected dividends	-
Fair value	$0.35

Shares issued for property payment

The Company issued 1,892,000 common shares in consideration of a property payment pursuant to the amended Purchase Agreement with Cybersonic *(note 15)*.

(Expressed in Canadian Dollars)

(iii) Escrowed shares:

On January 18, 2010, Ansue issued 2,000,000 common shares at $0.05 per share to its directors and officers for cash proceeds of $100,000. These shares are subject to an escrow agreement, and are to be released in accordance with the TSXV CPC policy guidelines. Pursuant to TSXV policies, all seed shares issued at a price lower than the price of the initial public offering shares and all securities acquired by non-arm's length parties to Ansue, and all securities acquired by a control person are held in escrow and will be released over a period of three years from the acceptance of the Company's Qualifying Transaction.

On August 19, 2011, the Corporate Merger (and thereby, the Qualifying Transaction) was completed. Final TSXV approval of the Corporate Merger was received effective the start of trading on August 25, 2011. Subject to the policies of the TSXV, the following table summarizes the common shares of the Company (both shares issued pursuant to the Offering and shares issued in exchange for old Ansue shares pursuant to the Corporate Merger) that were issued subject to under escrow and the dates of release therefrom:

		Release dates			
Issuance	**Total**	**Aug. 25, 2011[1]**	**Feb. 25, 2012[1]**	**Aug. 25, 2012[2]**	**Feb. 25, 2012[2]**
Ansue initial public offering	666,665	166,666	166,666	166,666	166,667
Corporate Merger	33,333,333	8,333,333	8,333,333	8,333,333	8,333,334
Total escrowed common shares	**33,999,998**	**8,499,999**	**8,499,999**	**8,499,999**	**8,500,001**

[1] These common shares were released to shareholders.

[2] On April 13, 2012, Macusani Yellowcake Inc. and SAE announced the completion of a merger of the two companies. Prior to completion of the merger, the TSXV agreed to the release of the remaining escrowed shares belonging to SAE and, as a result, SAE completed the distribution to its shareholders, as a return of capital, 33,333,333 common shares it held in the capital of Caracara. As at June 30, 2012, the remaining escrowed shares from Ansue's initial public offering totalling 166,667 shares remain under escrow and will be released according to the above schedule.

Warrants

A summary of warrant activity for the years ended June 30, 2012 and 2011 is as follows:

	No. of warrants	**Weighted average exercise price**
		$
Balance, June 30, 2010 and 2011	-	-
Issued	7,975,800	0.58
Balance, June 30, 2012	**7,975,800**	**0.58**

(Expressed in Canadian Dollars)

Details of warrants outstanding as of June 30, 2012 are as follows:

Date of expiry	No. of warrants	Exercise price
		$
May 31, 2013	854,550	0.45
May 31, 2013	7,121,250	0.60
	7,975,800	**0.58**

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the warrants fair values:

Weighted average information	
Exercise price	$0.58
Risk-free interest rate	2.7%
Expected life	2.0 years
Expected volatility	171%
Expected dividends	-
Fair value	$0.24

Options

Caracara has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. The plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at June 30, 2012, the Company had 2,058,784 (June 30, 2011 – nil) options available for issuance.

A summary of options activity for the year ended June 30, 2012 is as follows:

Grant date	Expiry date	Exercise price	Opening balance	Granted	Expired	Closing balance	Vested and exercisable
Aug 19, 2011	May 21, 2012	$0.30	-	46,667	46,667	-	-
Aug 19, 2011	Jun 2, 2015	$0.30	-	133,333[1]	-	133,333	133,333
Sept 20, 2011	Sept 20, 2016	$0.60	-	2,800,000	-	2,800,000	2,800,000
			-	**2,980,000**	**46,667**	**2,933,333**	**2,933,333**
Weighted Average Exercise Price			**-**	**$0.58**	**$0.30**	**$0.59**	**$0.59**

[1]Reflects the 1-for-3 Consolidation. The options, when exercised, are subject to the escrow provisions as noted above.

(Expressed in Canadian Dollars)

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the option fair values:

Weighted average information	
Exercise price	$0.60
Risk-free interest rate	1.44%
Expected life	5.0 years
Expected volatility	102%
Expected dividends	-
Fair value	$0.33

Share-based compensation that has vested during the year ended June 30, 2012 totaled $761,874 (2011 - $Nil), with such amount expensed in the consolidated statements of operations.

15. Exploration and evaluation expenditures

The evaluation and exploration expenses for the Company are broken down as follows:

	Year ended June 30, 2012	Year ended June 30, 2011	Cumulative to June 30, 2012
	$	$	$
Acquisition costs	**1,117,247**	-	1,610,914
Exploration costs:			
Drilling	**296,609**	-	296,609
Environmental and community relations	**137,988**	-	222,040
Assaying and sampling	**36,759**	-	92,870
Field and camp supplies	**393,924**	-	449,654
Consulting and professional fees	**300,757**	-	526,494
General exploration expenditures	**429,523**	622	1,281,728
	1,595,560	622	2,869,395
Total exploration and evaluation expenditures	**2,712,807**	622	4,480,309

Mineral projects

Caracara controls 43 mineral claims along the Princesa-Pilunani mineralized trend located 1,000 kilometers southeast of Lima, the capital of Peru or 210 kilometres north of Juliaca, within the administrative department of Puno, in southern Peru. As of June 30, 2012, all of the 43 mineral claims were in good legal standing and were being held by Solex, a wholly-owned Peruvian subsidiary of the Company.

The Company operates four mineral exploration projects as follows:

Princesa Project: The key Princesa silver-zinc-lead project consists of 8 mining concessions.

Pilunani Project: The Pilunani silver-zinc-lead project originally consisted of 18 mining concessions. During the year ended June 30, 2012, the Company did not renew the licenses of four of these claims. The Pilunani project currently consists of 14 mining concessions.

Potoni Project: The Potoni silver-zinc-lead project consists of 8 mining concessions. The properties lie to the east of the Princesa-Pilunani Belt.

Cullquimayo Project: The Cullquimayo project consisted of 13 mining concessions. Ten of these claims were originally acquired by staking while three of the claims were acquired in May 2005 under an option agreement that required an initial payment of US$5,000 per property (paid), payments of US$10,000 per property in years two (paid) and three (paid), and US$50,000 per property in year four. In year four, the Optionor of the three optioned properties showed unwillingness to conclude the transaction and receive the final option payment. Subsequently, the Optionor requested completion of the final payment of US$150,000 and, pursuant to an arbitration process in Peru, the Company has been considered to still owe this amount. The Company set aside US$150,000 as accrued liabilities towards the payment. In April 2012, the Company paid the Optionor a total of US$176,173 consisting of US$150,000 towards the final option payments and US$26,173 toward legal fees.

Commitments

The terms of the amended agreement *(note 4)* provide for the following:

i) Payment of US$30,000 upon execution of the letter of intent (paid by SAE, July 16, 2010);
ii) Payment of US$65,000 upon execution and closing of the Purchase Agreement (paid by SAE, September 28, 2010)
iii) Payment of US$120,000 upon the first anniversary of the closing of the Qualifying Transaction;
iv) Payment of US$280,000 upon the second anniversary of the closing of the Qualifying Transaction;
v) Issuance of 1,892,000 common shares of the Company upon the closing of the Qualifying Transaction (issued October 6, 2011);
vi) Issuance of 974,666 common shares of the Company upon the first anniversary of the closing of the Qualifying Transaction.

16. Segmented information

Operating segments

At June 30, 2012, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Peru. The Company's corporate division only earns revenues (interest income) that are considered incidental to the activities of the Company and, therefore, does not meet the definition of an operating segment as defined in IFRS 8 *Operating Segments*. As the operations comprise a single reporting segment, amounts disclosed in the Financial Statements also represent the single reporting segment.

(Expressed in Canadian Dollars)

Geographic segments

Caracara is in the business of mineral exploration and production in Canada and Peru. As such, management has organized the Company's reportable segments by geographic area. The Peru segment is responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. Information concerning Caracara's reportable segments is as follows:

		Year ended June 30, 2012	Year ended June 30, 2011
Consolidated net loss		**$**	$
	Canada	**(3,356,954)**	-
	Peru	**(1,829,060)**	5,148
		(5,186,014)	5,148

Significant non-cash items	**$**	$
Canada:		
Share-based compensation	**761,874**	-
Shares issued for property payments	**851,400**	-
	1,613,274	-

As at	June 30, 2012	June 30, 2011
Identifiable assets	**$**	$
Canada	**2,761,880**	-
Peru	**214,613**	-
	2,976,493	-

(Expressed in Canadian Dollars)

17. Deferred income taxes

A reconciliation of income taxes computed at Canadian statutory rates to the reported income taxes is provided as follows:

	2012	2011
	$	$
Net income (loss) for the year	**(5,186,014)**	5,148
Canadian statutory tax rate	**25.75%**	27.50%
Income tax expense (recovery) computed at the statutory rate	**(1,335,399)**	1,416
Foreign tax rates different from statutory rates	**(6,038)**	606
Items not deductible for income tax purposes	**196,194**	-
Effect of change in tax rate	**262,852**	-
Change in timing differences	**16,230**	119,290
Unused tax offsets not recognized in tax asset	**866,161**	(121,312)
	-	-

Effective January 1, 2011, the Canadian federal corporate tax rate decreased from 18.00% to 16.50% and the British Columbia provincial tax rate decreased from 10.50% to 10.00%. The overall reduction in tax rates has resulted in a decrease in the Company's statutory tax rate from 28.50% to 26.25%.

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts as at June 30, 2012 and 2011:

	2012	2011
	$	$
Non-capital losses carried forward	4,119,503	2,445,162
Exploration and evaluation assets	3,106,796	1,538,147
Deferred share issue costs	412,261	78,097
Equipment and others	240	-
Unrecognized deductible temporary differences	7,638,800	4,061,406

The Company has accumulated non-capital losses for Canadian income tax purposes of approximately $3,055,000 and net operating loss for Peruvian tax purposes of approximately Sol 1,098,200 available for carry-forward to reduce future years' taxable income. Canadian non-capital losses expire as follows:

	$
2030	32,000
2031	107,000
2032	2,916,000
	3,055,000