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**Management Information Circular
Dated November 2, 2012**

CARACARA SILVER INC.
NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that Caracara Silver Inc. (the “**Corporation**”) will hold its annual and special meeting of shareholders (the “**Meeting**”) at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, Canada, on Friday December 7, 2012, at 10:00 am (Toronto Time) for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the years ended June 30, 2012 and 2011, and the auditors’ report thereon;
2. to elect the directors of the Corporation for the ensuing year;
3. to appoint the auditors of the Corporation and authorize the directors to fix the auditors’ remuneration;
4. to consider, and if deemed advisable, to pass, without variation, an ordinary resolution confirming the Corporation’s stock option plan;
5. to transact any other business properly brought before the Meeting.

Holders of common shares are invited to attend the Meeting. Shareholders of record as at the close of business on Friday November 2, 2012, will be entitled to notice of and to vote at the Meeting.

A detailed description of the matters to be acted upon at the Meeting is set forth in the accompanying management information circular of the Corporation dated November 2, 2012 (the “**Information Circular**”).

Copies of: (a) this notice of annual and special meeting of shareholders; (b) the Information Circular; and (c) a management form of proxy and instructions in relation thereto (the “**Management Proxy**”) may be obtained at the following office: Caracara Silver Inc., 120 Adelaide Street West, Suite 2400, Toronto, Ontario, Canada, M5H 1T1, or will be sent to a shareholder without charge upon request by calling 416.637.3523.

DATED the 2nd day of November, 2012.

By Order of the Board of Directors

(Signed) “*Nick Tintor*”

President & CEO



CARACARA SILVER INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular (the “**Information Circular**”) is furnished in connection with the solicitation by management (“**Management**”) of Caracara Silver Inc. (the “**Corporation**”), of proxies to be used at the annual and special meeting of shareholders (the “**Meeting**”) of the Corporation to be held at 120 Adelaide Street West, Suite 2400 Toronto, Ontario, Canada, on Friday December 7, 2012, at 10:00 am (Eastern Standard Time) for the purposes set forth in the accompanying notice of annual and special meeting (the “**Notice**”).

Except as otherwise indicated, information herein is given as at November 2, 2012. In this Information Circular, all references to dollar amounts are to Canadian dollars, unless otherwise specified. All references herein to the Corporation shall include its subsidiaries as the context may require.

The board of directors of the Corporation (the “**Board**”) has by resolution fixed the close of business on November 2, 2012 as the record date (the “**Record Date**”) for the Meeting. Only shareholders of the Corporation (each a “**Shareholder**” and collectively, the “**Shareholders**”) of record as at 5:00 pm (Eastern Standard Time) as at the Record Date will be entitled to receive the Notice and related documents and to vote at the Meeting or at any adjournment thereof, but failure to receive such Notice does not deprive Shareholders of their right to vote their shares at the Meeting.

If a Shareholder has transferred any of his/her/its common shares in the Corporation (the “**Common Shares**”) after the Record Date, and the transferee of these shares produces properly endorsed share certificates or otherwise establishes that he/she/it owns such shares, as the case may be, and demands, at least ten (10) days before the Meeting, that his/her/its name be registered on the list of Shareholders entitled to vote, the transferee is entitled to vote such shares at the Meeting.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. Each Shareholder has the right to appoint a person or company, who need not be a Shareholder, other than the persons named in the enclosed form of proxy, to represent such Shareholder at the Meeting or any adjournment(s) thereof. Such right may be exercised by inserting such person’s name in the blank space provided and striking out the names of Management’s nominees in the Management Proxy or by completing another proper form of proxy. All proxies must be executed by the Shareholder or

his or her attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized. The completed form of proxy must be deposited at the office of the Corporation's transfer agent, Computershare Investor Services, 100 University Ave., 9th Floor, North Tower, Toronto, Ontario M5J 2Y1 Canada, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment(s) thereof.

A Shareholder forwarding the enclosed Management Proxy may indicate the manner in which the appropriate appointee is to vote with respect to any specific item by checking the appropriate space. If the Shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The Common Shares represented by the proxy submitted by a Shareholder will be voted in accordance with the directions, if any, given in the proxy.

In addition to revocation in any other manner permitted by law, a Management Proxy or other form of proxy may be revoked if it is received not later than 4:00 pm (Eastern Standard Time) on Tuesday December 5, 2012 or, if the Meeting is adjourned, not later than 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting, by completing and signing a proxy bearing a later date and depositing it with Computershare Investor Services on behalf of the Corporation.

If you are a registered shareholder of the Corporation, whether or not you are able to attend the Meeting, you are requested to complete, execute and deliver the enclosed form of proxy in accordance with the instructions set forth on the form to the Corporations, c/o Computershare Investor Services Inc., Attn.: Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the Meeting or any adjournment(s) or postponement(s) thereof. The time limit for the deposit of proxies may be waived by the board of directors at its discretion without notice. Registered Shareholders may also vote their proxies via telephone or the internet in accordance with the instructions set forth on the proxy.

EXERCISE OF DISCRETION BY PROXIES

Common Shares represented by properly executed proxies in favour of the persons named in the enclosed Management Proxy will be either voted or withheld from voting, as applicable, in accordance with the instructions given by the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. **Where Shareholders have properly executed proxies in favour of the persons named in the enclosed Management Proxy and have not specified in the Management Proxy the manner in which the named proxies are required to vote the Common Shares represented thereby, such Common Shares will be voted in favour of the passing of the matters set forth in the Notice.** The enclosed Management Proxy confers discretionary authority with respect to amendments or variations to the matters identified in the Notice and with respect to other matters that may properly come before the Meeting. At the date hereof, neither Management nor the directors of the Corporation (each a "**Director**" and collectively, the "**Directors**") are aware of any such amendments, variations or others matters to come before the Meeting. However, if any other matters which at present are not known to Management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgement of the named proxies.

INFORMATION FOR BENEFICIAL HOLDERS OF SECURITIES

Registered Holders of Common Shares or the persons they validly appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary (an "**Intermediary**") (including banks, trust companies, securities dealers or brokers and trustees or administrators of self-

administered RRSPs, RRIFFs, RESPs and similar plans) that the Non-Registered Holder deals with in respect of the Common Shares; or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant.

Distribution to NOBOs

In accordance with the requirements of the Canadian Securities Administrators and National Instrument 54-101, *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), the Corporation will have caused its agent to distribute copies of the Notice and this Information Circular (collectively, the “**meeting materials**”) as well as a proxy directly to those Non-Registered Holders who have provided instructions to an Intermediary that such Non-Registered Holder does not object to the Intermediary disclosing ownership information about the beneficial owner (“**Non-Objecting Beneficial Owner**” or “**NOBO**”).

These security holder materials are being sent to both registered holders of the securities and Non-Registered Holders of the securities. If you are a Non-Registered Holder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf.

By choosing to send these materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for proxy enclosed with mailings to NOBOs.

The meeting materials distributed by the Corporation’s agent to NOBOs include a proxy. Please carefully review the instructions on the proxy for completion and deposit.

Distribution to OBOs

In addition, the Corporation will have caused its agent to deliver copies of the meeting materials to the clearing agencies and Intermediaries for onward distribution to those Non-Registered Holders who have provided instructions to an Intermediary that the beneficial owner objects to the Intermediary disclosing ownership information about the beneficial owner (“**Objecting Beneficial Owner**” or “**OBO**”).

Intermediaries are required to forward the meeting materials to OBOs unless an OBO has waived his or her right to receive them. Intermediaries often use service companies such as Broadridge Financial Solutions, Inc. to forward the meeting materials to OBOs. Generally, those OBOs who have not waived the right to receive meeting materials will either:

1. be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number of shares beneficially owned by the OBO, but which is otherwise uncompleted. This form of proxy need not be signed by the OBO. In this case, the OBO who wishes to submit a proxy should properly complete the form of proxy and deposit it with Computershare in the manner set out above in this Information Circular, with respect to the Common Shares beneficially owned by such OBO; or
2. more typically, be given a voting registration form which is not signed by the Intermediary and which, when properly completed and signed by the OBO and returned to the Intermediary or its service company, will constitute authority and instructions (often called a “**Voting Instruction Form**”) which the Intermediary must follow. Typically, the Voting Instruction Form will consist of a one page pre-printed form. The purpose of this procedure is to permit the OBO to direct the

voting of the shares he or she beneficially owns.

Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the persons named in the form and insert the Non-Registered Holder's name in the blank space provided. In either case, Non-Registered Holders should carefully follow the instructions, including those regarding when and where the proxy or voting instruction form is to be delivered.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed herein, Management is not aware of any person who may have an interest, whether such interest is by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting. The officers of the Corporation (each an "Officer") and Directors since the beginning of the last financial year, each proposed Director and each associate or affiliate of such persons, have an interest in the ratification of the Corporation's stock option plan (the "Stock Option Plan"), as such persons may be granted stock options (the "Options") under the Stock Option Plan.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value of which, as at the date hereof, 50,921,168 Common Shares are issued and outstanding as fully paid and non-assessable Common Shares. Each issued and outstanding Common Share entitles its holder to one vote.

To the knowledge of the Directors and Officers, there are three persons or companies, who beneficially own, directly or indirectly, or exercises control or direction over, voting securities of the Corporation carrying more than ten percent (10%) of the voting rights.

Name	Number of Caracara Shares	Percentage of Issued and Outstanding Caracara Shares
Robert Disbrow	7,313,717	14.36%
Sheldon Inwentash	8,806,347	17.29%
Pinetree Capital Inc.	8,297,347	16.29%

MATTERS TO BE ACTED UPON AT THE MEETING

1. PRESENTATION OF FINANCIAL STATEMENTS FOR 2012 AND 2011

A copy of the audited consolidated financial statements of the Corporation for the years ended June 30, 2012 and 2011, can be found on the Corporation's SEDAR profile at www.sedar.com. A copy can also be obtained on request by contacting the Corporation at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, Canada, M5H 1T1, Attention: Leslie Haddow, Corporate Secretary.

2. ELECTION OF DIRECTORS

The articles of incorporation provide that the Board consist of a minimum of three (3). The number of Directors is currently set at five (5). The nominees are, in the opinion of the Board, well qualified to act as Directors for the coming year. Each nominee has established his eligibility and willingness to serve as Director, if elected. Each duly elected Director will hold office until the next annual meeting of

Shareholders or until a successor is duly elected, unless his or her office is earlier vacated in accordance with the articles of the Corporation.

Corporate Cease Trade Orders

Except as otherwise disclosed herein, no proposed director of the Corporation is, as of the date of this Circular, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, issued either while that person was acting in that capacity or after that person ceased to act in that capacity if it resulted from an event that occurred while that person was acting in that capacity.

Nick Tintor was an officer and director of New Inca Gold Limited which was subject to a cease trade order from February 2002 to January 2004 for failure to file financial statements.

John Cook served as a director of MBMI Resources Inc. (“**MBMI**”) since March 31, 2003 until July 30, 2012. On September 21, 2007, the Executive Director of the British Columbia Securities Commission made an order (the “**MBMI Cease Trade Order**”) that all trading in the securities of MBMI cease until: (i) MBMI filed a current, independent technical report under National Instrument 43-101 on its properties in the Philippines; and (ii) the Executive Director revoked the MBMI Cease Trade Order. On October 5, 2007, MBMI issued and filed a press release retracting and restating scientific and technical disclosure that it made about its Alpha and other mineral properties. On November 8, 2007, MBMI filed an amended technical report on its Alpha mineral property. The Executive Director of the British Columbia Securities Commission revoked the MBMI Cease Trade Order on November 8, 2007.

At the relevant time, John Cook was a director of GLR Resources Inc. (“**GLR**”) which was subject to cease trade orders issued by the Ontario Securities Commission and the British Columbia Securities Commission, on April 14, 2009, the Autorité des marchés financiers du Québec on April 15, 2009 and the Alberta Securities Commission on November 13, 2009. Such orders against GLR were issued as a result of GLR’s failure to file certain continuous disclosure materials including the audited annual financial statements, management’s discussion and analysis, CEO and CFO certificates and its annual information form for the year ended December 31, 2008, which was caused by financial difficulties experienced by GLR as a result of its inability to raise funds given 2008 market conditions. Effective March 22, 2010, GLR had filed all outstanding continuous disclosure materials required to be filed under applicable securities laws and the cease trade orders were each lifted by the Ontario Securities Commission in an order dated September 27, 2010, the British Columbia Securities Commission in an order dated September 28, 2010 and the Alberta Securities Commission in an order dated September 30, 2010.

Bankruptcies

- (a) Except as otherwise disclosed herein, no proposed director of the Corporation is, as of the date of this Circular, or has been within 10 years before the date hereof, a director or executive officer of any company that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or

insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

- (b) Except as otherwise disclosed herein, no proposed director of the Corporation has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

John Cook was a director of GLR during the time of June 5, 2009, when GLR filed a proposal (the “Proposal”) under the *Bankruptcy and Insolvency Act* (Canada). Some minor amendments were made to the Proposal which were filed on July 20, 2009. The sale of certain of GLR’s assets under the Proposal was 20 completed on August 20, 2009. Effective on the close of trading on January 7, 2009, GLR’s common shares were delisted from the Toronto Stock Exchange (the “TSX”) for failure to meet certain continued listing requirements of the TSX.

Penalties or Sanctions

No proposed director of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Following approval of these appointments by the Shareholders as the case may be, the Board of Directors will be composed of four (4) independent Directors, and one (1) non-independent Director who is an employee of the Corporation, for a total of five (5) Directors.

The following table sets out the names and municipalities of residence of each member of the Board, their principal occupation or employment, and the number of Common Shares and any other securities of the Corporation beneficially owned by each, directly or indirectly or over which they exercise control or direction. Each elected nominee will hold office until the close of the next annual meeting of Shareholders or until a successor is elected or appointed, unless such nominee’s office is earlier vacated.

Name and Position with Corporation	Province and Country of Residence	Principal Occupation	Director Since	Caracara Silver Shares Beneficially Owned or Controlled or Directed (#)
Robert Boaz, Chairman ⁽¹⁾	Mississauga, Ontario,	President, CEO and Director of Aura Silver Resources a mineral	July 15, 2011	Nil ⁽³⁾

Name and Position with Corporation	Province and Country of Residence	Principal Occupation	Director Since	Caracara Silver Shares Beneficially Owned or Controlled or Directed (#)
(2)	Canada	exploration company.		
Anne Chopra, Director ⁽²⁾	Vancouver, British Columbia, Canada	Lawyer; Corporate/Legal Consultant; VP Corporate & International Affairs for Potash One Inc from November 2007, and President, Director, CEO, CFO and Secretary to Harvest One Capital Inc., a TSX-V Capital Pool Company.	July 15, 2011	266,667 ⁽³⁾
Stephen Coates, Director ⁽¹⁾	Toronto, Ontario, Canada	Founder and Principal of Grove Capital Group, a merchant banking group specializing in the incubation and development of new resources and environmental companies. He previously founded and served as CEO of TSX-listed Homeland Energy Group.	July 15, 2011	224,521 ⁽³⁾⁽⁴⁾
John Cook, Director ⁽¹⁾⁽²⁾	Roslin, Ontario, Canada	President and CEO of Tormin Resources, a private mining consulting company.	July 15, 2011	Nil ⁽³⁾

Name and Position with Corporation	Province and Country of Residence	Principal Occupation	Director Since	Caracara Silver Shares Beneficially Owned or Controlled or Directed (#)
Nick Tintor, President & CEO, Director	Mississauga, Ontario, Canada	President & CEO, Director of the Corporation, and President and Managing Director of RG Mining Investments Inc., a management company to mineral exploration companies.	July 15, 2011	727,200 ⁽⁵⁾

Notes:

(1) Member of the Audit Committee of the Corporation

(2) Member of the Compensation and Corporate Governance Committees of the Corporation.

(3) The reported amount does not include 200,000 options to purchase Caracara Shares.

(4) The reported amount does not include 45,000 Warrants to purchase Caracara Shares. (5) The reported amount does not include 600,000 options to purchase Caracara Shares.

Management, and the Directors do not contemplate that any of the nominees will be unable to serve as a Director, but if that should occur for any reason prior to the Meeting, the persons named in the Management Proxy reserve the right to vote FOR another nominee in their discretion.

If you complete and return the Management Proxy, the persons designated in the Management Proxy intend to vote at the Meeting, or any adjournment thereof, FOR the election of Robert Boaz, Anne Chopra, Stephen Coates, John Cook and Nick Tintor as Directors, unless you specifically direct that your vote be withheld.

RE-APPOINTMENT AND REMUNERATION OF AUDITORS

Management of the Corporation will recommend at the Meeting that Caracara Shareholders appoint SmytheRatcliffe LLP Chartered Accountants as auditors of the Corporation, to hold office until the next annual meeting of shareholders of the Corporation, and to authorize the directors to fix their remuneration.

If you complete and return the Management Proxy, the persons designated in the Management Proxy intend to vote at the Meeting, or any adjournment thereof, FOR the appointment of SmytheRatcliffe LLP as auditors of the Corporation and to authorize the Board to fix the auditor's remuneration, unless you specifically direct that your vote be withheld.

CONFIRMATION OF THE STOCK OPTION PLAN

In June, 2010 the Anstue Capital Directors adopted the Stock Option Plan, in substantially its current form, which was subsequently approved by the Shareholders. The purpose of the Stock Option Plan is to attract, retain and motivate Directors, Officers, employees and consultants (collectively, the “**Participants**”) by providing them with the opportunity, through the granting of Options, to acquire a proprietary interest in the Corporation and benefit from its growth. In Management’s view, the ability to grant Options as a means of compensating Participants contributes to the Corporation’s overall financial performance. As such, Management considers that the Stock Option Plan is beneficial to the Corporation as it provides the Corporation with greater flexibility to compensate eligible Participants with grants of Options and encourage Participant ownership of the Corporation.

The Stock Option Plan is a “rolling” plan. The policies of the TSX Venture Exchange (“**TSX-V**”) require that a “rolling” stock option plan (where a specific maximum number of shares issuable under the plan is not fixed), such as that of the Corporation, be ratified by the Shareholders at each annual and special meeting.

The Stock Option Plan provides that eligible persons there under include any Director, employee, (full-time or part-time), Officer or consultant of the Corporation or any subsidiary thereof, may be granted Options by the Corporation. A consultant means an individual (including an individual whose services are contracted through a personal holding company) with whom the Corporation or a subsidiary has a contract for substantial services.

Summary of Stock Option Plan

The full Stock Option Plan is available from the Corporation upon request. The material terms of the Stock Option Plan are as follows:

1. The number of Common Shares which may be reserved for issuance to eligible persons (as defined in the Stock Option Plan) is a maximum of 10% of the issued and outstanding Common Shares.
2. No one person shall be issued Options representing more than 5% of the issued and outstanding Common Shares in any 12 month period.
3. All Options will be non-assignable and non-transferable and may be granted for a term not exceeding five years, unless the Corporation is listed on Tier 1 of the TSX-V in which case the Options may be granted for a term not exceeding ten years.
4. The exercise price of Options issued may be issued at the market price of the Common Shares as listed on the TSX-V, subject to any discounts permitted by applicable legislative and regulatory requirements.
5. No financial assistance can be provided by the Corporation to Option holders to facilitate the purchase of Common Shares under the Stock Option Plan.
6. The Stock Option Plan also contains anti-dilution provisions usual to plans of this type.
7. If an optionholder ceases to be a Director, Officer, or employee or consultant of the Corporation (other than by reason of death), then the Options will expire no later than 90 days following that date.

8. Investor relations persons may not be granted Options exceeding 2% of outstanding Common Shares and such Options must vest over one year with no more than 25% of the Options vesting in each quarter.

The Shareholders will be requested at the Meeting to pass the following resolution, without variation:

“IT IS HEREBY RESOLVED, THAT:

1. The Stock Option Plan, the material terms of which are summarized in this Information Circular is hereby ratified and the Board is hereby authorized, without further approval of the Shareholders, to make any further amendments to the Stock Option Plan as may be required by the TSX-V.
2. Any director or officer of the Corporation is hereby authorized for, on behalf of, and in the name of the Corporation to do and perform or cause to be done or performed all such things, to take or cause to be taken all such actions, to execute and deliver or cause to be executed and delivered all such agreements, documents and instruments, contemplated by, necessary or desirable in connection with the Stock Option Plan and the foregoing resolutions, as may be required from time to time and contemplated and required in connection therewith, or as such director or officer in his or her discretion may consider necessary, advisable or appropriate in order to give effect to the intent and purposes of the foregoing resolutions, and the doing of such things, the taking of such actions and the execution of such agreements, documents and instruments shall be conclusive evidence that the same have been authorized and approved hereby.”

MANAGEMENT RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOUR OF THE STOCK OPTION PLAN RESOLUTION. IN ORDER TO BE PASSED, A MAJORITY OF THE VOTES CAST AT THE MEETING IN PERSON OR BY PROXY MUST BE VOTED IN FAVOUR OF THE STOCK OPTION PLAN RESOLUTION.

If you complete and return the Management Proxy, the persons designated in the Management Proxy intend to vote at the Meeting, or any adjournment thereof, FOR the Stock Option Plan Resolution, unless you specifically direct that your vote be voted against the Stock Option Plan Resolution.

OTHER MATTERS

The Corporation knows of no other matters to be brought before the Meeting. If any amendment, variation or other business is properly brought before the Meeting, the enclosed form of Management Proxy and voting instruction confers discretion on the persons named on the form of Management Proxy to vote on such matters in accordance with their best judgment.

EXECUTIVE COMPENSATION

For purposes of this Information Circular, a **“Named Executive Officer”** of the Corporation means an individual who, at any time during the year, was:

- (a) the Corporation’s chief executive officer (**“CEO”**);
- (b) the Corporation’s chief financial officer (**“CFO”**);
- (c) each of the Corporation’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation was, individually, more than \$150,000 for that financial year; and

- (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year.

Based on the foregoing definition, during the last completed financial year of the Corporation, there were two (2) Named Executive Officers.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis focuses on the design of the compensation program for the Corporation's Named Executive Officers as provided for in National Instrument 51-102. For the 2011-2012 financial year, the Named Executive Officers are:

Named Executive Officer	Position
Nick Tintor	President and Chief Executive Officer ⁽¹⁾
Stephen Gledhill	Chief Financial Officer ⁽²⁾

Notes:

⁽¹⁾ Mr. Tintor was appointed the President and CEO of the Corporation on August 19, 2011.

⁽²⁾ Mr. Gledhill was appointed the CFO of the Corporation on August 19, 2011.

Objectives of Compensation Program

The Corporation's principal goal is to create value for its Shareholders. The Corporation believes that the compensation policies and practices of the Corporation should reflect the interests of its Shareholders in achieving this goal and is sufficiently attractive to recruit, retain and motivate high performing individuals to assist the Corporation in achieving its goals.

Elements of Executive Compensation

The Corporation's current executive compensation program has two principal components: base salary and Options.

Base salaries for all employees of the Corporation are established for each position based on industry standards and performance based on expectations and goals. Both individual and corporate performances are also taken into account. Base salaries form an essential component of the Corporation's compensation mix as they are the first base measure to compare and remain competitive relative to peer groups. Base salaries are fixed and therefore not subject to uncertainty and are used as the base to determine other elements of compensation and benefits. To ensure the Corporation attracts and retains qualified and experienced executives, adjustments are made to the base salaries of executive officers.

Options are granted to provide an incentive to the Participants to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. The Corporation awards Options to the Participants based upon the decision of the Board which decision is based upon the review of a proposal from the Chair of the Corporate Governance and Compensation Committee. Previous grants of Options are taken into account when considering new grants.

There are no perquisites, or deferred payments payable to Named Executive Officers, and the Corporation has no other awards, bonuses, or other compensation other than the base salaries and participation in the Stock Option Plan.

Compensation Philosophy

The Corporation's compensation philosophy is based upon the following principles and objectives:

1. attracting, motivating and retaining individuals with exceptional executive, technical, financial, and other relevant skills;
2. aligning the interests of the executive officers of the Corporation with the interests of the Corporation and its Shareholders; and
3. linking executive compensation to the performance of the Corporation and each particular officer of the Corporation.

Performance Criteria

The Corporation has not yet established a formal compensation program, however discussions are on-going in this regard. Until a formal compensation program is established, compensation of the executive officers is as determined by the Board at its discretion. The Corporation intends to implement a formalized compensation program that will seek to tie individual goals to the executive officer's area of primary responsibility. In the interim the criteria considered in determining performance vary in accordance with the position and responsibilities of the executive officer of the Corporation. While not solely based on any one item, key considerations in determining performance for executives of the Corporation include acquisition and management of mineral properties with geological merit as well as the operating performance of the Corporation, the guidance and strategic vision for growth and business goals of the Corporation, the performance of the Corporation's Common Shares and other organizational indicators, as well as individual achievements that demonstrate a contribution by the executive officers to the Corporation.

Consideration of Risks of Compensation Policies and Practices

In light of the Corporation's size and the balance between long-term objectives and short-term financial goals with respect to the Corporation's compensation program, the Board does not deem it necessary to consider at this time the implications of the risks associated with its compensation policies and practices.

Purchase of Financial Instruments

The Corporation does not currently have a policy that restricts Named Executive Officers or Directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or Director. However, to the knowledge of the Corporation as of the date of hereof, no Named Executive Officer or Director has participated in the purchase of such financial instruments.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year Ended June 30	Salary (\$)	Share-based awards	Option-based awards (\$) ⁽³⁾	Non-equity incentive plan compensation		Pension value	All other compensation (\$)	Total compensation (\$)
					Annual Incentive Plans	Long-term incentive plans			
Nick Tintor ⁽¹⁾ President and Chief Executive Officer	2012	\$Nil	\$Nil	\$198,000	N/A	N/A	N/A	\$Nil	\$198,000
	2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Stephen Gledhill ⁽²⁾ Chief Financial Officer	2012	\$Nil	\$Nil	\$165,000	N/A	N/A	N/A	\$Nil	\$165,000
	2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

⁽¹⁾ Mr. Tintor has served as President & CEO since August 19, 2011. Mr. Tintor does not receive compensation directly from Caracara, except for grants of options. Mr. Tintor is a managing director of RG Mining Investments Inc. (“RGMI”), a company which provides management services to the Corporation. RGMI invoices the Corporation on a monthly basis for fees for management services provided by Mr. Tintor. Mr. Tintor currently serves as a director of the Corporation but he does not receive any additional compensation for his services as a director.

⁽²⁾ Mr. Gledhill has served as CFO since August 19, 2011. Mr. Gledhill does not receive compensation directly from Caracara, except for grants of options. Mr. Gledhill is a managing director of RGMI. RGMI invoices the Corporation on a monthly basis for fees for management services provided by Mr. Gledhill.

⁽³⁾ The value of the option-based awards reflects the fair value of options granted on the date of grant, which was September 20, 2011. The fair value was computed using the Black Scholes option pricing model.

OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

Set forth in the table below is a summary of all share-based and option-based awards held by each of the Named Executive Officers outstanding as of June 30, 2012.

Name	Option-Based Awards				Share-Based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (CDN\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Nick Tintor	600,000	\$0.50	September 20, 2016	Nil	300,000	Nil
Stephen Gledhill	500,000	\$0.50	September 20, 2016	Nil	250,000	Nil

⁽¹⁾ The market value of the Corporation’s common shares was \$0.12 based on the closing market price of the common shares on the TSX-V on June 29, 2012.

INCENTIVE PLAN AWARDS – VALUE VESTED DURING THE YEAR

Set forth below is a summary of the value vested during the financial year of the Corporation ended June 30, 2012 in respect of all option-based and share-based awards and non-equity incentive plan compensation granted to the Named Executive Officers.

Name	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – value earned during the year (\$)
Nick Tintor	\$157,000	N/A	N/A
Stephen Gledhill	\$131,000	N/A	N/A

For further details concerning the incentive plans of the Corporation, please see “*Summary of Stock Option Plan*” below.

MANAGEMENT AGREEMENTS

The Corporation has an agreement with RGMI of Suite 2400, 120 Adelaide St. W., Toronto, ON M5H 1T1, to provide management services and facilities to the Corporation. RGMI is a private company. Nick Tintor and Stephen Gledhill are the founding directors of RGMI. RGMI provides the Corporation with administrative, and management services. The services provided by RGMI include shared facilities, geological, technical, accounting, and corporate development services. The fees for these management services are on fixed monthly. During the financial year ended June 30, 2012, the Corporation incurred management fees of \$405,350 to RGMI.

TERMINATION AND CHANGE OF CONTROL BENEFITS

RGMI's Agreement

The agreement with RGMI, through which Mr. Tintor provides President & CEO services, and Mr. Gledhill provides CFO services to the Corporation, does not provide for termination and change of control benefits upon termination without cause or in the event of a change of control.

Estimated Incremental Payment on Termination

There have been no incremental payments from the Corporation to Messrs. Tintor or Gledhill upon termination without cause in accordance with the above provisions, or upon termination without cause, assuming a triggering event occurs on June 30, 2012.

Estimated Incremental Payment on Change of Control

There have been no incremental payments from the Corporation to Messrs. Tintor or Gledhill upon termination in connection with a change of control in accordance with the above provisions, or upon termination without cause, assuming a triggering event occurs on June 30, 2012.

PENSION PLAN BENEFITS

No benefits were paid, and no benefits are proposed to be paid to any of the Named Executive Officers under any pension or retirement plan.

No deferred compensation plans were paid, and no benefits are proposed to be paid to any of the Named Executive Officers under a deferred compensation plan.

COMPENSATION OF DIRECTORS

Directors are reimbursed for all reasonable travel and other expenses incurred by them in the performance of their duties and receive an annual retainer. Directors are entitled to participate in the Stock Option Plan. There were no long-term incentive awards or pension plan benefits paid to the Directors during the fiscal year ended June 30, 2012.

Director Compensation

The following table provides a summary of all annual and long-term compensation for services rendered in all capacities to the Corporation for the fiscal year ended June 30, 2012, in respect of the individuals who were, during the fiscal year ended June 30, 2012, Directors other than the Named Executive Officers.

Name	Fees Earned	Share-based awards	Option-based awards ⁽¹⁾ (\$)	Non-equity incentive plan compensation	Pension value	All other compensation	Total (\$)
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Name	Fees Earned	Share-based awards	Option-based awards ⁽¹⁾ (\$)	Non-equity incentive plan compensation	Pension value	All other compensation	Total (\$)
Robert Boaz	\$18,331	N/A	\$66,000	\$Nil	\$Nil	\$Nil	\$84,331
Anne Chopra	\$12,999	N/A	\$66,000	\$Nil	\$Nil	\$Nil	\$78,999
Stephen Coates	\$12,915	N/A	\$66,000	\$Nil	\$Nil	\$Nil	\$78,915
John Cook	\$15,831	N/A	\$66,000	\$Nil	\$Nil	\$Nil	\$81,831

Notes:

⁽¹⁾ The value ascribed to option grants represents non-cash consideration and has been estimated using the Black-Scholes Model as at the date of grant.

Outstanding Share-Based Awards and Option-Based Awards

Set forth in the table below is a summary of all share-based and option-based awards held by each of the Directors other than the Named Executive Officers as of June 30, 2012.

Option-Based Awards					Share-Based Awards	
Name	Number of securities underlying unexercised options (#)	Option exercise price (CDN\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Robert Boaz	200,000	\$0.50	September 20, 2016	Nil	100,000	Nil
Anne Chopra	200,000	\$0.50	September 20, 2016	Nil	100,000	Nil
Stephen Coates	200,000	\$0.50	September 20, 2016	Nil	100,000	Nil
John Cook	200,000	\$0.50	September 20, 2016	Nil	100,000	Nil

Notes:

⁽¹⁾ Based on the closing market price of \$0.12 of the Common Shares on June 30, 2012.

Incentive Plan Awards – Value Vested During the Year

Set forth below is a summary of the value vested during the financial year of the Corporation ended June 30, 2012 in respect of all option-based and share-based awards and non-equity incentive plan compensation granted to the Directors, other than the Named Executive Officers.

Name	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – value earned during the year (\$)
Robert Boaz	\$52,000	N/A	N/A
Anne Chopra	\$52,000	N/A	N/A
Stephen Coates	\$52,000	N/A	N/A
John Cook	\$52,000	N/A	N/A

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Set forth below is a summary of securities issued and issuable under all equity compensation plans of the Corporation as at June 30, 2012. As at June 30, 2012, the Stock Option Plan was the only equity compensation plan of the Corporation. See “Matters to Be Acted Upon - *Summary of Stock Option Plan*”.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Equity compensation plans approved by security holders	2,933,333	\$0.49	2,158,783 ⁽¹⁾
Total	2,933,333	\$0.49	2,158,783 ⁽¹⁾

Note:

⁽¹⁾ Calculated based upon 10% of the number of issued and outstanding Ordinary Shares as at June 30, 2012 (50,921,168 Common Shares), less the number of Options outstanding at such date.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Directors or Officers were indebted to the Corporation as of June 30, 2012 or at any time during 2011 and 2012.

CORPORATE GOVERNANCE PRACTICES

Corporate governance refers to the way the business and affairs of a reporting issuer are managed and relates to the activities of the Board, the members of whom are elected by and are accountable to the Shareholders. Corporate governance takes into account the role of the individual members of Management who are appointed by the Board and who are charged with the day-to-day management of the Corporation. The Board is committed to sound corporate governance practices which are both in the interest of its Shareholders and contribute to effective and efficient decision-making.

Pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), the Corporation has established its corporate governance practices. The Corporation’s “Statement of Corporate Governance Practices”, approved by the Directors, is attached to this Information Circular as Appendix “A”.

Board of Directors

The Board currently consists of five members, as noted herein, four of whom are independent pursuant to National Instrument 52-110 - *Audit Committees* (“**NI 52-110**”). Pursuant to NI 52-110, a director is independent if the director has no direct or indirect relationship with the issuer which could, in the view of the issuer’s Board, be reasonably expected to interfere with the exercise of a member’s independent judgment. In assessing whether a Director is independent for these purposes, the circumstances of each Director have been examined in relation to a number of factors.

Five of the Directors serve as a director of another reporting issuer. Currently, the following Directors serve on the board of directors of other public companies as listed below.

Name of Director	Name of Other Reporting Issuers
Robert Boaz	AuEx Ventures, Inc. Ur-Energy Inc. Macusani Yellowcake

Anne Chopra	Harvest One Capital Inc.
Stephen Coates	Exploratus Limited Galahad Metals Inc. Homeland Uranium Inc. Telferscot Resources Inc.
John Cook	Nord Resources Inc., Aldridge Minerals Inc., Cerro Resources Inc., TB Mining Ventures Strategic Resources Inc.
Nick Tintor	DNI Metals Inc., Ferrum Americas Mining Inc. Macusani Yellowcake Inc. Altai Resources Inc. Cerro Resources Inc. Aura Silver Inc.

Audit Committee

As a TSX-V listed Corporation, the Corporation is required to have an Audit Committee for the purpose of monitoring and enhancing the quality of the financial information disclosed by the Corporation. The Audit Committee's charter (the "**Charter**") is attached as Appendix "B" hereto.

Composition of Audit Committee

As at June 30, 2012, the Audit Committee was composed entirely of independent Directors who meet the independence requirement set out in National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). The Audit Committee members were Robert Boaz, Stephen Coates, and John Cook. All current members of the Audit Committee are "financially literate" within the meaning given to such term in the Charter and NI 52-110, and have the ability to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements.

The Audit Committee is currently composed of Robert Boaz, Stephen Coates, and John Cook. Each member of the Audit Committee is financially literate.

Relevant Education and Experience

Each member of the Audit Committee has acted as a director and/or audit committee member of a number of public issuers in the past and, as such, obtained experience in performing his responsibilities as a member of the Audit Committee. As well, Mr. Cook owns his own business and in such capacity has experience in the preparation, analysis and/or evaluation of financial statements generally and an understanding of internal controls and procedures for financial reporting. Given the scope and nature of the Corporation's business, its financial statements and the accounting issues arising there from are relatively uncomplicated. Mr. Gledhill is a Certified Management Accountant with over 20 years of business experience in a financial capacity. Mr. Gledhill is currently the Chief Financial Officer of the Corporation and has been, or is currently, the chief financial officer of a number of publicly-traded companies. Based on the foregoing, it is the Board of Directors' conclusion that each of the members of the Audit Committee has an

understanding of the accounting principles used by the Corporation to prepare its financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves and experience in evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably expected to be raised by the Corporation's financial statements.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

External Auditor Service Fees (by category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending June 30,	Audit Fees	Audit Related Fees	Tax Fees ⁽¹⁾	All Other Fees
2012	\$30,000	\$Nil	\$12,000	\$Nil
2011	\$31,000	\$Nil	\$Nil	\$Nil
2010	N/A	N/A	N/A	N/A

Notes:

(1) Fees billed for professional services rendered by the Corporation's external auditor for tax compliance, tax advice and/or tax planning.

Exemption

The Corporation is relying on section 6.1 of NI 52-110, which exempts the Corporation from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*)

Assessments

The Corporate Governance and Compensation Committee, together with the Board is responsible for ensuring that a process is in place for assessing the effectiveness of the Board and each of its committees, along with assessing the contribution of each individual Director at least on an annual basis.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Corporation, proposed Director, or any associate or affiliate of an informed person or proposed Director, has or had any material interest, direct or indirect, in any transaction since the commencement of 2011 or any proposed transaction which has materially affected or will materially affect the Corporation or any of its subsidiaries.

ADDITIONAL INFORMATION

Financial information regarding the Corporation is provided in the Corporation's audited annual consolidated financial statements for the financial year ended June 30, 2012 and the accompanying management's discussion and analysis. Copies of the foregoing of the Corporation for the financial year ended June 30, 2012 may be obtained on written request addressed to the CFO. Written requests for a copy of the above documents should be directed to Leslie Haddow, Corporate Secretary, at 120 Adelaide Street West, Suite 2400, Toronto, Ontario M5H 1T1.

Additional information concerning the Corporation is also available online at www.sedar.com.

DIRECTORS' APPROVAL OF CIRCULAR

The contents and the sending of this Information Circular to the Shareholders have been approved by the Board.

DATED at Toronto, Ontario this 30th day of October, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "*Robert Boaz*"

Robert Boaz
Chairman

APPENDIX “A”
STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Caracara Silver Inc., including all its subsidiary and associated companies (referred to herein jointly as “Caracara” or the “Corporation”), is committed to operating in accordance with the best standards of professional and business ethics. The Corporation has the responsibility to protect and enhance its value to its shareholders through responsible management and by being a good corporate citizen. To support this objective the Board of Directors and adopted the following standards as its Corporate Governance Committee Mandate:

- (a) The board of directors (the “Board”) shall elect annually from among its members at the first meeting of the Board following the annual meeting of the shareholders, a committee to be known as the corporate governance committee (“Corporate Governance Committee”) to be composed of three Independent Directors or such other number of Independent Directors not less than three as the Board may from time to time determine. A majority of the Corporate Governance Committee shall constitute a quorum.
- (b) Any member of the Corporate Governance Committee may be removed or replaced at any time by the Board. Any member of the Corporate Governance Committee ceasing to be a director shall cease to be a member of the Corporate Governance Committee. Subject to the foregoing, each member of the Corporate Governance Committee shall hold office as such until the next annual appointment of members after his election. Any vacancy occurring in the Corporate Governance Committee shall be filled at the next meeting of the Board.
- (c) The Board of Directors assumes responsibility for the stewardship of the Corporation, and as part of this stewardship, through the Corporate Governance Committee, assumes responsibility for the following:

With respect to the general management of the Corporation, the Corporate Governance Committee will oversee:

- 1. the strategic planning process and the development of the strategic plan for the Corporation. *Timing: annually.*
- 2. the development of the Code of Conduct and related policies to ensure the organization has a consistent frame of reference for dealing with complex issues relating to compliance with the laws of all jurisdictions within which it operates, confidentiality, integrity and individual responsibility and provide for accountability if employees or members of senior management or the Board fail to meet the Code’s standards. *Timing: annual review of policies and as required for compliance issues.*
- 3. the establishment of a succession plan for the Corporation including the appointing, training and assessment of employees, senior management and the Board. *Timing: annually and as required.*
- 4. the development of a communications policy to ensure that public disclosure of the Corporation is timely and complete. *Timing: as required.*

5. and support the senior management team and the Board in keeping abreast of changes occurring or proposed to regulatory and market requirements to ensure the Corporation's approach to corporate governance issues, including, among other things, the Corporation's response to the guidelines set out by the Toronto Venture Stock Exchange (as may be modified from time to time), such that, the Corporation adopts "best in class" corporate governance policies and practices. *Timing: on-going*

With respect to the Risk Management of the Corporation, the Corporate Governance Committee will conduct:

1. a review of the risks inherent in all of the business activities of the Corporation. *Timing: at the first meeting of the committee and thereafter on an on-going basis.*
 2. an assessment of the integrity and adequacy of the internal control policies and procedures and information systems of the Corporation to ensure the Corporation adequately mitigates the risks of its business activities. *Timing: at the first meeting of the committee and thereafter on an on-going basis.*
 3. the development of the authorities of senior management and the board regarding the major business activities of the Corporation to ensure a common understanding of these key authorities including which activities require pre-approval and post approval requirements. *Timing: at the first meeting of the committee and thereafter on an on-going basis.*
- (d) In addition, the Board may refer to the Corporate Governance Committee such matters and questions relating to the Corporation and its affiliates as the Board may from time to time see fit.
- (e) Any member of the Corporate Governance Committee may require experts to attend a meeting of the Corporate Governance Committee.
- (f) The Corporate Governance Committee shall elect annually a chairman from among its director members.
- (g) The times of and the places where meetings of the committee shall be held and the calling of and procedure at such meetings shall be determined from time to time by the Corporate Governance Committee.
- (h) All prior resolutions of the Board relating to the constitution and responsibilities of the Corporate Governance Committee are hereby repealed.

**APPENDIX “B”
CARACARA SILVER INC.
CODE OF CONDUCT**

Introduction Policy

Caracara Silver Inc. (the “**Corporation**”) is committed to fair dealing and integrity in the conduct of its business. This commitment is based on a fundamental belief that business should be conducted honestly, fairly and in compliance with both the spirit and the letter of applicable laws. The Corporation expects all its Advisors, members of its Board of Directors, and all its Employees to share its commitment to high standards.

This Policy outlines the Corporation’s Code of Business conduct (the “**Code**”) which applies to all Employees, Advisors, and members of the Board of Directors. For purposes of this Code, “Employee” means any person holding a full-time, part-time or contracted salaried or paid position with the Corporation or a person who is receiving other forms of compensation for time and or services.

The Code is in place to ensure that everyone at the Corporation is working with the sole purpose of doing what is best for our shareholders with no real or perceived conflict of interest. In the exploration and development business, there are no higher ethical values than truth, honesty and professionalism.

This Code also covers all matters related to any potential conflict that could result from knowledge of insider information and the confidentiality that is implicit within the release of insider information other than through recognized public vehicles for disseminating information to the public. The Code also implies a “blackout” period with respect to the buying and selling of shares where insider information is a factor. The Code also covers the obligation that each employee, advisor or member of the board has to report any business practice or behaviour that is unbecoming of Caracara Silver Inc.

Our reputation is our most important asset and it has taken many years to build that. As such, we cannot allow our reputation and hence the livelihood of everyone working at the Corporation to be put at risk by actions of any one individual. The Code is designed to inform you about the Corporation’s principles and values and what the Corporation considers appropriate business practice and behaviour.

Compliance with this Code by Advisors, members of the Board of Directors, Officers and all Employees of the Corporation is mandatory and is one of the conditions of employment, association and membership to the Corporation’s Board of Directors.

Understanding the Code

Please study the Code carefully so that you understand the expectations and obligations inherent in the Corporation’s commitment to conducting business ethically.

Each person should apply the Code using common sense and with the intention of complying fully with both the written words and the spirit underlying those word.

If a person is in doubt about the application of the Code, the person should discuss the matter with the Chief Executive Officer or with the Chief Financial Officer in a timely manner.

Monitoring Procedures

If a person becomes aware of, or suspects, a contravention of the Code, the person must promptly and confidentially advise the Corporation. The matter will be investigated and dealt with.

Each year, every Employee and members of the Board of Directors will be asked to review the Code and will be reminded of their responsibility to advise the Corporation if they are not in compliance with the Code or if they are aware of any contravention of the Code.

SOCIAL RESPONSIBILITY AND ENVIRONMENTAL POLICY

The Corporation is a junior gold explorer and its exploration objective is the discovery and development of mineral resources that can be mined profitably. The Corporation works to minimize the social and environmental impact in all its exploration activities and puts the health and safety of its employees first and foremost.

The Corporation interacts well and effectively with the host and local communities to ensure that its work does not compromise local community values. The Corporation is committed to its policy on Environment, Health and Safety (“EHS”) issues and it undertakes to:

Comply with EHS regulatory requirements in Canada and in the countries in which the Corporation operates;

Provide information on EHS to locally hired personnel;

Develop and use EHS practices that are efficient and apply these in all its exploration activities;

Require contractors to comply with applicable legislation and local regulatory requirements

Reclaim exploration and mining sites in compliance with applicable regulations and site specific requirements in the countries in which the Corporation is operating

Such EHS practices will be reviewed from time to time to take into account technical and economic developments.

APPENDIX “C” AUDIT COMMITTEE CHARTER

Purpose

To assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Corporation’s process for monitoring compliance with laws and regulations and the code of conduct.

Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees - all of whom are directed to cooperate with the committee’s requests or external parties.
- Meet with the Corporation’s officers, external auditors, or outside counsel, as necessary.

Composition

The audit committee will consist of at least three and no more than six members of the board of directors. The board or its nominating committee will appoint committee members and the committee chair.

Each committee member will be both independent and financially literate. At least one member shall be designated as the “financial expert,” as defined by applicable legislation and regulation.

Meetings

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

Responsibilities

The committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.

- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

Internal Control

- Consider the effectiveness of the Corporation's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Review with management and the chief audit executive the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Corporation, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the Code of Conduct to Corporation personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and corporate legal counsel regarding compliance matters.
- Reporting Responsibilities
- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the corporate issues that relate to committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.