

EARLY WARNING REPORT

**Made Pursuant To
Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* and
National Instrument 62-103 – *The Early Warning System and Related Take-Over bid and
Insider Reporting Issues***

**RELATING TO THE ACQUISITION OF SECURITIES IN THE CAPITAL OF
CARACARA SILVER INC.**

The undersigned hereby certifies:

1. Name and address of offeror:

Robert Disbrow
c/o Suite 700 – 200 Burrard Street
Vancouver, British Columbia V6C 3L6.

2. The designation and number or principal amount of securities and the offeror's securityholding percentage in the class of securities of which the offeror acquired ownership or control in the transaction or occurrence giving rise to the obligation to file this Report, and whether it was ownership or control that was acquired in those circumstances:

- (a) On November 19, 2012, the offeror acquired ownership of 46,000 common shares in the capital of Caracara Silver Inc. ("Caracara") and acquired exercise of control or direction over 46,000 common shares of Caracara, for a total of 92,000 shares representing approximately 0.2% of Caracara's then issued and outstanding common shares.
- (b) On January 4, 2013, the offeror acquired ownership of 730,000 common shares in the capital of Caracara and acquired exercise of control or direction over 100,000 common shares of Caracara, for a total of 830,000 shares representing approximately 1.6% of Caracara's then issued and outstanding common shares.

3. The designation and number or principal amount of securities and the offeror's securityholding percentage in the class of securities immediately after the transaction or occurrence:

- (a) After the acquisitions referred to in item 2(a) above, the offeror owned 6,190,756 common shares and exercised control or direction over an aggregate 1,329,961 common shares in the capital of Caracara for a total of 7,520,717 common shares or approximately 14.5% of Caracara's issued and outstanding common shares. In addition, the offeror owned warrants entitling the purchase of 150,000 common shares of Caracara and exercised control or direction over warrants entitling the purchase of an aggregate 152,133 common shares of Caracara. Assuming

exercise of the warrants, these securities represented in the aggregate 7,822,850 common shares in the capital of Caracara or approximately 15% of Caracara's issued shares on a post-conversion (partially diluted) beneficial ownership basis.

- (b) After the acquisitions referred to in item 2(b) above, the offeror owns 7,253,256 common shares and exercises control or direction over an aggregate 1,512,961 common shares in the capital of Caracara for a total of 8,766,217 common shares or approximately 16.9% of Caracara's issued and outstanding common shares. In addition, the offeror owns warrants entitling the purchase of 150,000 common shares of Caracara and exercises control or direction over warrants entitling the purchase of an aggregate 152,133 common shares of Caracara. Assuming exercise of the warrants, these securities represent in the aggregate 9,068,350 common shares in the capital of Caracara or approximately 17.4% of Caracara's issued shares on a post-conversion (partially diluted) beneficial ownership basis.

4. Value, in Canadian dollars, of any consideration offered per security if the offeror acquired ownership of a security in the transaction or occurrence:

\$0.06 per share.

5. Name of the market in which the transaction or occurrence took place:

TSX Venture Exchange.

6. The purpose of the offeror and any joint actors in effecting the transaction or occurrence, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer:

In effecting the transactions giving rise to the obligation to file this Report, securities were acquired for investment purposes by the offeror and for investment purposes on behalf of beneficial holders through various discretionary accounts over which the offeror exercises control or direction. These security holdings will be evaluated and the investments increased or decreased as circumstances warrant.

7. The general nature and the material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer entered into by the offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence, including agreements with respect to the acquisition, holding, disposition or voting of any of the securities:

Not applicable.

8. The names of any joint actors in connection with the disclosure required herein:

Not applicable.

- 9. In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value of the consideration paid by the offeror:**

Not applicable.

- 10. If applicable, a description of any change in any material fact set out in a previous report by the entity under the early warning requirements or Part 4 of National Instrument 62-103 in respect of the reporting issuer's securities:**

Not applicable.

- 11. If applicable, a description of the exemption from securities legislation being relied on by the offeror and the facts supporting that reliance:**

Not applicable.

Dated: January 7, 2013.

(signed) "*Robert Disbrow*"

Robert Disbrow