



(formerly Ansue Capital Corp.)

**Unaudited Interim  
Consolidated Financial Statements**

**As at and for the three and six months ended  
December 31, 2012 and 2011**

**NOTICE TO READER**

*The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three and six months ended December 31, 2012 and 2011 have not been reviewed by the Company's auditors.*

## **MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING**

The accompanying unaudited interim 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 unaudited interim 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 unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent 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 unaudited interim consolidated 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 unaudited interim consolidated 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 unaudited interim consolidated 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.

*"Nick Tintor"*  
President and Chief Executive Officer

February 26, 2013

*"Stephen Gledhill"*  
Chief Financial Officer

February 26, 2013

**Caracara Silver Inc.**  
(formerly Ansue Capital Corp.)

**Unaudited Interim Consolidated Statements of Financial Position**

*(expressed in Canadian dollars)*

<i>As at</i>	December 31, 2012	June 30, 2012
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>(note 8)</i>	1,540,273	2,929,525
Amounts receivable and prepaid expenses <i>(note 9)</i>	37,483	46,968
<b>Total current assets</b>	<b>1,577,756</b>	<b>2,976,493</b>
<b>Total assets</b>	<b>1,577,756</b>	<b>2,976,493</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables <i>(note 10)</i>	128,663	170,422
Accrued liabilities	17,500	30,000
<b>Total current liabilities</b>	<b>146,163</b>	<b>200,422</b>
<b>Total liabilities</b>	<b>146,163</b>	<b>200,422</b>
<b>Shareholders' equity</b>		
Share capital <i>(note 12)</i>	7,413,722	7,340,622
Reserve for warrants <i>(note 12)</i>	1,637,888	1,637,888
Reserve for share-based payments <i>(note 12)</i>	1,244,716	1,121,239
Deficit	<b>(8,864,733)</b>	<b>(7,323,678)</b>
<b>Total shareholders' equity</b>	<b>1,431,593</b>	<b>2,776,071</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,577,756</b>	<b>2,976,493</b>

***Continuance of operations (note 2)***

***Commitments (note 13)***

***Restatement (note 15)***

Approved by the Board on February 26, 2013:

"Robert Boaz"

Director

"Stephen Coates"

Director

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

**Caracara Silver Inc.**  
(formerly Ansue Capital Corp.)

**Unaudited Interim Consolidated Statements of Operations and  
Comprehensive Loss**

*(expressed in Canadian dollars except weighted-average share information)*

	Three months ended		Six months ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	\$	\$	\$	\$
				<i>(Restated - note 15)</i>
<b>Exploration and evaluation expenditures</b> <i>(note 13)</i>	<b>508,958</b>	1,399,574	<b>998,654</b>	1,585,736
<b>Administrative expenses</b>				
Consulting and professional fees	<b>24,321</b>	19,550	<b>32,780</b>	222,541
General and administrative	<b>58,668</b>	39,622	<b>109,015</b>	61,316
Investor relations	<b>11,911</b>	13,933	<b>22,555</b>	28,942
Listing costs <i>(notes 4 and 15)</i>	-	-	-	751,984
Management fees and salaries <i>(note 11)</i>	<b>128,050</b>	73,700	<b>256,100</b>	191,125
Share-based compensation <i>(notes 11 and 12)</i>	<b>33,362</b>	221,483	<b>123,477</b>	484,807
Shareholder and public company expenses	<b>3,808</b>	28,110	<b>4,692</b>	68,194
<b>Total administrative expenses</b>	<b>260,120</b>	396,398	<b>548,619</b>	1,808,909
<b>Total operating expenses</b>	<b>769,078</b>	1,735,972	<b>1,547,273</b>	3,394,645
<b>Net loss before other items</b>	<b>(769,078)</b>	(1,735,972)	<b>(1,547,273)</b>	(3,394,645)
<b>Other items</b>				
Foreign exchange loss	<b>2,641</b>	(7,056)	<b>(4,209)</b>	(122,638)
Interest and other income	<b>3,821</b>	176,263	<b>10,427</b>	190,265
<b>Net loss and comprehensive loss</b>	<b>(762,616)</b>	(1,566,765)	<b>(1,541,055)</b>	(3,327,018)
<b>Basic and fully diluted loss per share</b>	<b>(0.01)</b>	(0.03)	<b>(0.03)</b>	(0.09)
<b>Weighted average number of common shares outstanding</b>	<b>51,662,763</b>	50,818,241	<b>51,291,966</b>	36,867,047

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

**Caracara Silver Inc.**  
(formerly Ansue Capital Corp.)

**Unaudited Interim Consolidated Statements of Changes in Equity**

Three months ended September 30, 2012 and 2011

(expressed in Canadian dollars)

	Share Capital		Reserves			Total
	Number of shares	Amount \$	Share-based payments \$	Warrants \$	Deficit \$	
		(Restated - note 15)	(Restated - note 15)	(Restated - note 15)	(Restated - note 15)	
<b>Balance at June 30, 2011 of Solex</b>	<b>10,000</b>	<b>3,973</b>	-	-	<b>(1,771,476)</b>	<b>(1,767,503)</b>
Transactions pursuant to Corporate Merger (note 4):						
Shares acquired by Ansue	(10,000)	-	-	-	-	-
Issued to Ansue shareholders (note 15)	1,353,334	814,204	69,533	-	-	883,737
CSI Princesa deficit (note 15)	-	-	-	-	(375,748)	(375,748)
Solex deficit (note 15)	-	-	-	-	(3,973)	(3,973)
Issued on Transaction to SAE shareholders	33,333,333	1,640,401	-	-	-	1,640,401
Offering (net of costs) (note 13)	14,242,501	5,971,897	-	-	-	5,971,897
Shares issued for property payments	1,892,000	851,400	-	-	-	851,400
Shares issued as finder's fees	100,000	45,000	-	-	-	45,000
Recapitalization of finder's fees	-	(45,000)	-	-	-	(45,000)
Fair value of issued warrants	-	(1,637,888)	-	1,637,888	-	-
Issuance of broker warrants (note 15)	-	(303,365)	303,365	-	-	-
Share-based compensation	-	-	484,807	-	-	484,807
Net loss (note 15)	-	-	-	-	(3,327,018)	(3,327,018)
<b>Balance at December 31, 2011</b>	<b>50,921,168</b>	<b>7,340,622</b>	<b>857,705</b>	<b>1,637,888</b>	<b>(5,478,215)</b>	<b>4,358,000</b>
Expired Agent Options	-	-	(13,533)	-	13,533	-
Share-based compensation	-	-	277,067	-	-	277,067
Net loss	-	-	-	-	(1,858,996)	(1,858,996)
<b>Balance at June 30, 2012</b>	<b>50,921,168</b>	<b>7,340,622</b>	<b>1,121,239</b>	<b>1,637,888</b>	<b>(7,323,678)</b>	<b>2,776,071</b>
Shares issued for property payments	974,667	73,100	-	-	-	73,100
Share-based compensation	-	-	123,477	-	-	123,477
Net loss	-	-	-	-	(1,541,055)	(1,541,055)
<b>Balance at December 31, 2012</b>	<b>51,895,835</b>	<b>7,413,722</b>	<b>1,244,716</b>	<b>1,637,888</b>	<b>(8,864,733)</b>	<b>1,431,593</b>

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

**Caracara Silver Inc.**  
(formerly Ansue Capital Corp.)  
**Consolidated Statements of Cash Flows**  
*(expressed in Canadian dollars)*

<b>Six months ended</b>	<b>December 31, 2012</b>	December 31, 2011
	\$	\$
		<i>(Restated – note 15)</i>
<b>Operating activities</b>		
Net income (loss)	<b>(1,541,055)</b>	(3,327,018)
Adjustments to reconcile net loss to cash flow from operating activities:		
Share-based compensation	<b>123,477</b>	484,807
Listing costs	-	751,984
Shares issued for property payment <i>(note 12)</i>	-	851,400
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	<b>9,485</b>	(70,933)
Accounts payable and accrued liabilities	<b>(54,259)</b>	(190,476)
<b>Cash used in operating activities</b>	<b>(1,462,352)</b>	(1,500,236)
<b>Financing activities</b>		
Issuance of common shares net of issuance costs	<b>73,100</b>	5,971,896
<b>Cash provided from financing activities</b>	<b>73,100</b>	5,971,896
<b>Investing activities</b>		
Cash acquired on Corporate Merger	-	127,239
Advances from Southern Andes Energy Inc.	-	1,034
<b>Cash provided from investing activities</b>	-	128,273
<b>Increase in cash and cash equivalents at end of three months</b>	<b>(1,389,252)</b>	4,599,933
<b>Cash and cash equivalents, beginning of year</b>	<b>2,929,525</b>	-
<b>Cash and cash equivalents, end of period</b>	<b>1,540,273</b>	4,599,933
<b>Supplemental cash flow information:</b>		
Interest paid	-	-
Income taxes paid	-	-

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

**Caracara Silver Inc.**  
(formerly Ansue Capital Corp.)

**Notes to the Unaudited Interim Consolidated Financial Statements**  
**As at and for the three and six months ended December 31, 2012 and 2011**  
(expressed in Canadian dollars)

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**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. Continuation 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 December 31, 2012, the Company has not generated any revenues from operations and has used \$1,462,352 (2011 – \$1,500,236) for operating activities for the six months ended December 31, 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 6 (ii)*.

**3. Basis of preparation**

**3.1 Statement of compliance**

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with *International Accounting Standards 34 'Interim Financial Reporting'*.

The Financial Statements were approved by the Company's Board of Directors on February 26, 2013.

**Caracara Silver Inc.**  
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**Notes to the Unaudited Interim Consolidated Financial Statements**  
**As at and for the three and six months ended December 31, 2012 and 2011**  
(expressed in Canadian dollars)

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### 3.2 Basis of presentation

The Financial Statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's June 30, 2012 audited annual consolidated financial statements. 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 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 (the "Amendment Agreement"), 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.



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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 <sup>1</sup> common shares issued to Ansue shareholders at \$0.33 per share <sup>2</sup> (note 12)	446,600
SAE intercompany debt assumed by Ansue shareholders	367,604
Fair value of common shares issued to Ansue shareholders	814,204
133,333 <sup>1</sup> options issued to Ansue optionholders at \$0.42 per option <sup>3</sup> (note 12)	56,000
46,667 <sup>1</sup> broker warrants issued to Ansue brokers at \$0.29 per broker warrant <sup>3</sup> (note 12)	13,533
Fair value of share-based payments issued to Ansue shareholders	69,533
<b>Fair value of common shares and warrants issued</b>	<b>883,737</b>

**Allocated to Ansue's net assets as follows:**

	\$
Cash	127,112
HST receivable	4,641
<b>Net assets</b>	<b>131,753</b>
Listing costs (note 15)	751,984
<b>Fair value of common shares and warrants issued</b>	<b>883,737</b>

<sup>1</sup> Subsequent to a 1-for-3 share Consolidation.

<sup>2</sup> Note 12 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.

<sup>3</sup> Note 12 discloses the Black-Scholes variables used to determine the fair value of the options and broker warrants.

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**Notes to the Unaudited Interim Consolidated Financial Statements**  
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(expressed in Canadian dollars)

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**5. Capital management**

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts and deficit, which as at December 31, 2012 totaled \$1,431,593 (June 30, 2012 – \$2,776,071). 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 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 six months ended December 31, 2012. The Company is not subject to externally imposed capital restrictions.

**6. Financial instruments**

**Fair value**

The Company has designated its cash as FVTPL, which is measured at fair value. Amounts 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 December 31, 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:

**Caracara Silver Inc.**  
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**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 and cash equivalents** – Cash and cash equivalents are held with major Canadian and Peruvian banks and therefore the risk of loss is minimal.
- b. **Amounts receivable of \$29,355 (2011 - \$44,478)** – The Company is not exposed to significant credit risk as \$21,350 (2011 - \$12,428) is due from the Canadian government. Potential loss associated with amounts not due from the Canadian government is limited to \$8,005 (2011 - \$32,050).
- c. **Prepaid expenses of \$8,128 (2011 - \$2,490)** – The Company's prepaid expenses are not exposed to significant credit risk as these amounts have been pre-paid to a major Canadian insurance company.

**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 December 31, 2012, the Company had working capital of \$1,431,593 (June 30, 2012 – \$2,776,071). 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 soles. Management believes that foreign currency risk derived from currency conversions is negligible and, therefore, does not hedge its foreign currency risk.

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**c. Price risk**

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

**7. Sensitivity analysis**

The Company's funds are kept in Canadian dollars, US dollars at a major Canadian financial institution and in nuevo soles and US dollars at a major Peruvian financial institution. As at December 31, 2012 and June 30, 2012, the Company's exposure to foreign currency balances is as follows:

Account	Foreign Currency	Exposure (\$Cdn)	
		December 31, 2012	June 30, 2012
Cash	US dollar	40,263	219,587
Cash	Nuevo soles	2,266	1,791
Accounts receivable	US dollar	8,005	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 three months ended December 31, 2012 and 2011.

**8. Cash and cash equivalents**

The balance at December 31, 2012, consists of cash amounting to \$282,652 (June 30, 2012 - \$231,589) and GIC for \$1,223,659 (June 30, 2012 - \$2,500,000) on deposit with a major Canadian bank and \$33,962 (June 30, 2012 - \$197,936) on deposit with a major Peruvian bank.

**9. Amounts receivable and prepaid expenses**

The Company's amounts receivable and prepaid expenses balance consists amounts receivable of \$29,355 (June 30, 2012 - \$44,478) and prepaid expenses of \$8,128 (June 30, 2012 - \$2,490). Harmonized Sales Tax ("HST") recoverable from the Canadian government taxation authority comprises \$21,350 (June 30, 2012 - \$12,428) of the amounts receivable as at December 31, 2012.

Below is an aged analysis of the Company's amounts receivable:

	As at,	
	December 31, 2012	June 30, 2012
	\$	\$
1 – 30 days	16,114	19,034
30 – 60 days	-	7,653
61 – 90 days	-	590
> 90 days	13,241	17,201
<b>Total amounts receivable</b>	<b>29,355</b>	<b>44,478</b>
Prepays	8,128	2,490
<b>Total amounts receivable and prepaids</b>	<b>37,483</b>	<b>46,968</b>

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As at December 31, 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 6*.

**10. Trade payables**

Trade payables 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 trade payables:

	As at,	
	December 31, 2012	June 30, 2012
	\$	\$
1 – 30 days	47,929	153,787
30 – 60 days	-	695
61 – 90 days	-	780
> 90 days	80,734	15,160
<b>Total trade payables</b>	<b>128,663</b>	<b>170,422</b>

**11. 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 12*). The Company incurred the following fees and expenses in the normal course of operations in connection with executive officers and directors or companies controlled by them:

	Three months ended 31-Dec-12	Three months ended 31-Dec-11	Six months ended 31-Dec-12	Six months ended 31-Dec-11
	\$	\$	\$	\$
Management fees	110,550	110,550	221,100	184,250
Investor relations	-	7,500	-	7,500
Director fees (included in general and administrative)	17,500	-	35,000	-
Share-based compensation	26,364	145,110	87,513	317,632

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Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the six months ended December 31, 2012 and 2011.

## 12. 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 (the legal acquirer), 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 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.

### 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 warrant holders.

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:

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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 13*).

(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:

Issuance	Total	Release dates				
		Aug. 25, 2011 <sup>1</sup>	Feb. 25, 2012 <sup>1</sup>	April 12, 2012 <sup>1,2</sup>	Aug. 25, 2012 <sup>1,2</sup>	Feb. 25, 2013 <sup>1,2</sup>
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	16,666,666	-	-
<b>Total escrowed common shares</b>	<b>33,999,998</b>	<b>8,499,999</b>	<b>8,499,999</b>	<b>16,666,666</b>	<b>166,666</b>	<b>166,667</b>

<sup>1</sup> These common shares were released to shareholders.

<sup>2</sup> 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 December 31, 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.

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**Warrants**

A summary of warrant activity is shown in the table below. There were no transactions during the six months ended December 31, 2012:

	No. of warrants	Weighted average exercise price
		\$
<b>Balance, June 30, 2011</b>	-	-
Issued	7,975,800	0.58
<b>Balance, June 30, 2012 and December 31, 2012</b>	<b>7,975,800</b>	<b>0.58</b>

Details of warrants outstanding as of December 31, 2012 is 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
	<b>7,975,800</b>	<b>0.58</b>

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the fair value of the warrants issued in fiscal 2012:

**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 December 31, 2012, the Company had 2,256,250 (June 30, 2012 – 2,158,784) options available for issuance.

A continuity of the unexercised options to purchase common shares is as follows:



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	December 31, 2012		June 30, 2012	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
	\$		\$	
Outstanding at beginning of period/year	0.59	2,933,000	-	-
Transactions during the period/year:				
Granted	-	-	0.58	2,980,000
Expired	-	-	0.30	(46,667)
Forfeited	-	-	-	-
<b>Outstanding at end of period/year</b>	<b>0.59</b>	<b>2,933,000</b>	<b>0.59</b>	<b>2,933,333</b>

The following table provides additional information about outstanding stock options at December 31, 2012:

No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
133,333 <sup>1</sup>	2.4	0.30
2,800,000	3.7	0.50
<b>2,933,333</b>	<b>3.7</b>	<b>0.49</b>

<sup>1</sup>Reflects the 1-for-3 Consolidation. The options, when exercised, are subject to the escrow provisions as noted above.

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the fair values of the options issued in fiscal 2012:

**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

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Share-based compensation that has vested during the three and six months ended December 31, 2012 totaled \$33,362 (2011 - \$221,483) and \$123,477 (2011 - \$484,807), respectively, with such amounts expensed in the consolidated statements of operations.

**13. Exploration and evaluation expenditures**

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

	<b>Three months ended December 31, 2012</b>	Three months ended December 31, 2011	<b>Six months ended December 31, 2012</b>	Six months ended December 31, 2011	Cumulative to December 31, 2012
	\$	\$	\$	\$	\$
<b>Acquisition costs</b>	<b>356,560</b>	851,400	<b>356,560</b>	971,400	1,967,474
<b>Exploration costs:</b>					
Drilling	<b>28,336</b>	104,105	<b>219,603</b>	104,105	516,212
Environmental and community relations	<b>15,995</b>	-	<b>17,404</b>	-	239,444
Assaying and sampling	<b>19,710</b>	15,500	<b>38,147</b>	16,613	131,017
Field and camp supplies	<b>54,687</b>	27,500	<b>131,977</b>	32,310	581,631
Consulting and professional fees	<b>14,821</b>	265,169	<b>37,113</b>	298,804	563,607
General exploration expenditures	<b>18,849</b>	75,900	<b>197,850</b>	162,504	1,479,578
	<b>152,398</b>	488,174	<b>642,094</b>	614,336	3,511,489
<b>Total exploration and evaluation expenditures</b>	<b>508,958</b>	1,339,574	<b>998,654</b>	1,585,736	5,478,963

**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 December 31, 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:

The silver-zinc-lead **Princesa Project** that consists of 8 mining concessions; the silver-zinc-lead **Pilunani Project** that consists of 14 mining concessions; the silver-zinc-lead **Potoni Project** that consists of 8 mining concessions (these properties lie to the east of the Princesa-Pilunani Belt) and the **Cullquimayo Project** that consists of 13 mining concessions. Ten of these claims were acquired by staking while three of the claims were acquired in May 2005 under an option agreement that required an total payments of US\$75,000 per property (all paid) during a 4-year period.

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**Commitments**

The terms of the Amendment 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 (paid October 5, 2011);
- iv) Payment of US\$280,000 upon the second anniversary of the closing of the Qualifying Transaction (paid October 29, 2012);
- 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 (issued October 22, 2012).

**14. Segmented information**

**Operating segments**

At December 31, 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.

**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:

	<b>Three months ended December 31, 2012</b>	Three months ended December 31, 2011	<b>Six months ended December 31, 2012</b>	Six months ended December 31, 2011
	\$	\$	\$	\$
<b>Consolidated net loss</b>				<i>(Restated - note 15)</i>
Canada	<b>(530,354)</b>	(227,191)	<b>(872,570)</b>	(1,741,282)
Peru	<b>(232,261)</b>	(1,339,574)	<b>(668,485)</b>	(1,585,736)
	<b>(762,615)</b>	(1,566,765)	<b>(1,541,055)</b>	(3,327,018)

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	Three months ended December 31, 2012	Three months ended December 31, 2011	Six months ended December 31, 2012	Six months ended December 31, 2011
	\$	\$	\$	\$
<b>Significant non-cash items</b>				(Restated - note 15)
Canada:				
Share-based compensation	33,362	221,483	123,477	484,807
Listing fees (restated – note 15)	-	-	-	751,984
	<b>33,362</b>	221,483	<b>123,477</b>	1,236,791
<b>As at</b>			<b>December 31, 2012</b>	June 30, 2012
<b>Identifiable assets</b>			\$	\$
Canada			1,535,789	2,761,880
Peru			41,967	214,613
			<b>1,577,756</b>	2,976,493

## 15. Restatement

Comparative amounts for the 6 months ended December 31, 2011, have been restated for accounting modifications and adjustments resulting from its recently completed audit for the years ended June 30, 2012 and 2011 (the "Audited Financial Statements"). The Audited Financial Statements reflected an adjustment to the previously reported listing fee that the Company incurred in completion of the Corporate Merger with Ansue and for a shareholders' equity reallocation of broker options. The listing fee was increased by \$367,604 representing loans due and paid to SAE pursuant to the transaction and broker options with a fair value of \$316,898 were reallocated to reserve for options from reserve for warrants.

The following adjustments and restatements have been made and are reflected in the Financial Statements:

Corrections to the comparative information:

- (i) Consolidated statement of operations:  
Net loss and comprehensive loss for the 6 months ended December 31, 2011, has been restated from \$ 2,959,414 to \$3,327,018 to account for the additional listing fee of \$367,604.

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- (ii) Consolidated statement of changes in equity:
  - (a) Share capital – CSI's deficit (\$375,748) and Solex's deficit (\$3,973) previously recapitalized has been reallocated to deficit.
  - (b) Agent options issued to Ansue option holders (\$13,533) and broker options issued pursuant to the Financing (\$303,365) have been reclassified from reserve for warrants to reserve for share-based payments.
  - (c) Deficit has been restated from \$4,730,891 to \$5,478,215 to account for the reallocation per (ii) (a), above and the additional listing fee ((i), above).