Caracara Silver Inc.

Management's Discussion and Analysis

of the Financial Condition and Results of Operations

Three months ended September 30, 2013

November 29, 2013

This management discussion and analysis ("MD&A") has been prepared based on information available to Caracara Silver Inc. ("Caracara" or the "Company") as at November 29, 2013. The MD&A of the operating results and financial condition of the Company for the quarter ended September 30, 2013, should be read in conjunction with the Company's unaudited interim consolidated financial statements (the "Financial Statements") and the related notes as at and for the three months ended September 30, 2013 and 2012 and the Company's audited consolidated financial statements for the years ended June 30, 2013 and 2012. The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this MD&A has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company may be found under its profile on SEDAR at www.sedar.com.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

As the Company is a Venture Issuer (as defined under under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109. The reader is directed to disclosure of the inherent limitations of ICFR for small to mid-size companies under the ***Risks and uncertainties*** section of this MD&A with regards to segregation of duties.

CAUTIONARY NOTE

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law. See the section entitled ***Risks and uncertainties***.

Corporate

Caracara Silver Inc. is focused on acquiring, exploring and developing silver, zinc and lead resources to meet the world's growing demand. The Company holds 43 concessions totalling 29,099 hectares in Southern Peru. The Company is the continuing entity of Ansue Capital Corp. ("Ansue"), which 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. On August 19, 2011, the Company closed on a qualifying transaction and completed the Corporate Merger (see note 4 of the Financial Statements). Based on the relative ownership percentages of the combined Company by the shareholders of Southern Andes prior to the transaction, former Ansue shareholders and the composition of the Board of Directors of the newly-combined Company, from an accounting perspective, Solex del Peru S.A.C. ("Solex") (a former Southern Andes subsidiary) is considered to be the accounting acquirer and therefore the Qualifying Transaction has been accounted for as 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.

The head office, principal address and registered and records office of the Company is located at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1.

The Financial Statements were approved for issuance by the Board of Directors on November 28, 2013.

Option agreement

On May 3, 2013, the Company announced that it had signed an option agreement with Inversiones Collodi SAC ("IC") with respect to Caracara's Peruvian exploration properties. IC is a private Peruvian mineral exploration and development company based in Lima. Under the terms of the agreement, IC would have the right to earn a 65% interest in the Company's concessions by making exploration expenditures totalling US$12.5 million over a four-year period. In addition, IC would make cash payments to the Company's wholly-owned affiliate company in Peru, totalling $1.85 million. The Company received the first $242,370 payment owing.

However, on October 4, 2013, the Company reported that it had received notice from IC terminating its option agreement with Caracara. During the four month period of the agreement, IC carried out a limited 2,400-m drilling program on the Princesa silver-zinc-lead project and did not conduct any drilling on Caracara's principal Pilunani zinc-lead project or the Parcuyo project, as was originally contemplated.

The Company did benefit from a $242,370 option payment and the payment of all concession land fees which will allow the Company to maintain its large 29,000-hectare land position in Peru to May, 2015. As a result of the termination of the option agreement, Caracara retains a 100% interest in these highly prospective concessions.

Project update (Q1-2014, 3 months ended September 30, 2013)

The Company controls two groups of claims located in the southeast part of Peru. The first group is the Princesa-Pilunani project which consists of 30 (2013 – 30) mineral claims totaling 20,699 hectares located within the Puno Department at approximately 1,000 kilometers to the southeast from Lima, the capital of Peru. This lead-zinc-silver project has been the focus of most of the exploration work carried out by the Company since the Ansue merger. The second group is the Cullquimayo project which consists of 3 (2013 – 13) claims covering 2,400 hectares located within the Cusco Department. In May 2013, 10 claims totaling 6,000 hectares were dropped following a small reconnaissance geological survey. As of September 30, 2013, all of these clams were in good standing and were being held by Solex Del Peru SAC, a wholly-owned Peruvian subsidiary of the Company.

The Princesa-Pilunani project is divided into three sub-groups named Princesa, Pilunani and Potoni, all located within a 45 kilometers long metallogenic belt underlined by several lead-zinc+/-silver showings and old mines which are associated with cross cutting structures and diatreme breccia. Twenty of these base metals occurrences are located within the Company's claims including the Princesa mineralized zone which hosts a NI 43-101 inferred resources of 4.6 million tonnes grading 90.88 g/t Ag, 1.69% Zn and 1.66% Pb.

During the first quarter ended on September 30th, 2013, the Company continued to explore its Princesa-Pilunani lead-zinc-silver project under the option agreement signed with IC in May 2013. Under this work agreement, 16 ddh's totaling 3,048.90 meters were completed at the Princesa property and a preliminary Semi Detailed Environmental Impact Study (EIAsd) was undertaken at the Pilunani property. On October 1st, 2013 Caracara received a notification that IC decided to terminate the option agreement. No reasons for the termination were given to the Company.

Exploration works and more particularly drilling, requires permitting from the Peruvian authorities which has become more constrained for the mining sector since the introduction of a new law named "Consulta Previa". Permitting from the communities is mandatory and must be obtained legitimately in order to acquire access rights and use of the lands to conduct any field program. The Company has strict corporate policies enforcing the mandate respecting the inhabited land, the residents and the environment. The Company makes also every effort to participate in economical, educational and social development by encouraging local community involvement.

The following paragraphs describe summarily the exploration program and results obtained during the last fiscal year and the latest developments from the exploration program with IC.

Pilunani project: Drilling at the Nilda and Marcia property

A surface drilling program comprised of 9 ddh's totaling 1,498.90 meters was executed from May 14, 2012 to July 09, 2012. The program aimed at testing some existing and new lead-zinc showings and some Induced Polarization anomalies. The most significant results were:

Nilda property: Hole NIL12-04: 18 meters grading 2.4 g/t Ag, 0.60% Zn and 0.17% Pb
Marcia property: Hole MAR12-05: 89 meters grading nil Ag, 0.39% Zn and 0.10% Pb

The properties were put in care and maintenance and the Environmental Closure Plan was completed prior to year end to comply with the Peruvian regulations regarding the end of the exploration activities.

Princesa project: Princesa property

In 2012, two ddh's totaling 344.6 meters were completed to test the vertical continuity of the mineralization cut in holes PRIN07-61 and 62. Mineralization cut in ddh PRIN12-01 and 02 consisted in fine disseminations and hairline veinlets of pyrite-galena-sphalerite, locally as semi massive blebs, which is associated to a fault zone within sediments. This mineralization is geochemically characterized by an enrichment of barium and manganese. The best results of these two holes:

Hole PRIN12-01: 9.2 meters grading 47.4 g/t Ag, 1.10% Zn and 1.47% Pb
Hole PRIN12-02: 33.7 meters grading 9.2 g/t Ag, 0.38% Zn and 0.34% Pb

During the option agreement with IC, a drilling program comprised of 16 ddh's totaling 3,048.90 meters tested the westernmost and the down dip extensions of the Princesa Structure (13 ddh's) and some IP anomalies (3 ddh's). Among these results, the most significant are:

Hole PRIN13-04: Princesa Structure: 17.9 meters grading 14.7 g/t Ag, 0.86% Zn and 0.84% Pb
Hole PRIN13-07: Princesa Structure: 15.2 meters grading 86.1 g/t Ag, 0.77% Zn and 2.56% Pb
Hole PRIN13-08: Princesa Structure: 19.4 meters grading 64.4 g/t Ag, 1.56% Zn and 0.75% Pb
Hole PRIN13-10: Princesa Structure: 31.3 meters grading 25.6 g/t Ag, 1.48% Zn and 0.79% Pb
Hole PRIN13-16: IP Anomaly: 2.1 meters grading 129.6 g/t Ag, 0.3% Zn and 0.62% Pb

Since no more drilling was to be completed from the JV partner, the property was put in care and maintenance and the Environmental Closure Plan is being completed to comply with the Peruvian regulations regarding the end of the exploration activities.

Meanwhile at Pilunani, a semi detailed environmental impact study has been undertaken and is almost ready to be presented to the Peruvian Government authorities in order to obtain a drilling permit. Additionally, all geophysics completed in 2007 have been re-interpreted and a team of geologists have conducted detailed geological mapping on key areas of the property in order to upgrade the overall geological interpretation and to pin point the best drilling targets. These results confirmed the validity of the past results and interpretations.

Following the termination of the option agreement in October 31 2013, the Company is re-evaluating all results obtained during the last exploration program and is contemplating to terminate the Pilunani's EIAsd during the winter time in order to be ready to start drilling in April 2014.

Results of operations

Net loss for 3 months ended September 30, 2013 and 2012 – $221,039 vs. $778,440.

During the 3 months ended September 30, 2013, the Company incurred net losses of $221,039 compared to a net loss for the same period in 2012 of $778,440. The reduction in net loss for the quarter ended September 30, 2013, is mainly due to the fact the all exploration activities were carried out by IC prior to the termination of the option agreement in October 2013.

Consulting and professional fees - $13,462 vs. $8,460.

Current quarter costs reflect normalized expense patterns for operations. The increase of approximately $5,000 during this period is due to increased audit accrual.

General and administrative - $55,986 vs. $50,347.

The increase of $$5,639 this period is attributable to administrative fees encountered at the subsidiary level.

Investor relations - $28,202 vs. $10,644.

The increase of $17,558 is attributable to increased investor relations and convention activities

Management fees and salaries – $129,098 vs. $128,050.

The increase of $1,048 is attributed entirely to payroll expenses related to directors' fees incurred for the current quarter.

Share-based compensation - $Nil vs. $90,115.

No new options were issued for the current quarter and the difference in share-based compensation from last year is entirely due to the vesting of previously issued options.

Shareholder and public company expenses - $1,153 vs. $884.

Current quarter costs reflect normalized expense patterns for operations. .

Exploration and evaluation expenditures

	Three month period ended September 30, 2013	Three month period ended September 30, 2012	Cumulative to September 30, 2013
	$	$	$
Acquisition costs	**-**	-	1,963,104
Exploration costs:			
Drilling	**-**	191,267	426,185
Environmental and community relations	**-**	1,409	233,416
Assaying and sampling	**-**	18,436	111,665
Field and camp supplies	**-**	77,290	567,215
Consulting and professional fees	**1,000**	22,292	584,689
General exploration expenditures	**7,143**	179,001	1,620,903
Total exploration costs	**8,143**	489,696	3,544,073
Total exploration and evaluation expenditures	**8,143**	489,696	5,507,177

Summary of quarterly results

	Quarter ended Sep. 30, 2013	Quarter ended Jun. 30, 2013	Quarter ended Mar. 31, 2013	Quarter ended Dec. 31, 2012
	$	$	$	$
Total revenues	–	–	–	–
Net Income/(Loss)	(221,039)	19,061	(257,908)	(762,616)
Basic and diluted net loss per share	-	-	(0.005)	(0.01)
Total assets	1,078,513	1,309,656	1,335,077	1,577,756
Long-term debt	-	–	–	–
Deficit	(7,686,732)	(7,465,693)	(9,122,642)	(8,864,733)
Cash dividends declared per common share	–	–	–	–

	Quarter ended Sept. 30, 2012	Quarter ended Jun. 30, 2012	Quarter ended Mar. 31, 2012	Quarter ended Dec. 31, 2011
	$	$	$	$
			(Restated)	*(Restated)*
Total revenues	–	--	–	–
Net loss	(778,440)	(1,083,210)	(775,785)	(1,566,765)
Basic and diluted net loss per share	(0.02)	(0.03)	(0.02)	(0.03)
Total assets	2,280,024	2,976,493	3,931,058	4,670,866
Long-term debt	–	–	–	–
Deficit	(8,102,118)	(7,323,678)	(5,874,279)	(5,098,494)
Cash dividends declared per common share	–	–	–	–

The Company's operations are not generally subject to seasonal variations. The timing of exploration activities is influenced primarily by the availability of funds and the identification of suitable exploration targets, however, due to either their location or nature the exploration of some properties may be restricted during certain times of the year due to climatic conditions.

During the quarter ended September 30, 2013, the company had a net loss of $221,039 versus a net income of $19,061 during the previous quarter ended June 30, 2013. The Company did not conduct any drilling operations during the current quarter. In the previous quarter ended June 30, 2013, the Company benefited from option payments received from IC totalling US$200,000.

Liquidity and capital resources

As at September 30, 2013, the Company had cash and cash equivalents of $1,033,933 and working capital of $1,010,558 compared to cash and cash equivalents of $$1,278,565 and working capital of $1,231,597 at June 30, 2013. The positive cash and working capital position are attributed to the completion of the Corporate Merger in 2011, which included a financing completed by Ansue that garnered net proceeds (after issuance costs) of $5,971,897. The Company has not participated in any financing activities since.

Working capital decreased in the current quarter by $221,039 primarily due to the Company's operating activities of 244,632 offset by increases in accounts receivable of $13,490 and decreases in accounts payable of $10,104.

The Company is a junior mining company and does not issue debt to finance its operations. It relies entirely on equity financings.

Following the termination of the option agreement by IC in October 2013, the Company will be required to provide more cash for its operations. During the year ended June 30, 2013, the Company received $242,370 in option payments and was expected to receive US$300,000 during the year ending June 30, 2014. As this payment will no longer be received by the Company from IC, it will continue to monitor its cash resources against expenditure forecasts associated with the recent developments to assess its financing requirements.

Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, IFRS, and amendments that are effective for the Company's financial year beginning on July 1, 2013, except as indicated.

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

- **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.

Transactions with related parties

During the 3 months ended September 30, 2013, RG Mining Investments Inc. ("RGMI") charged the Company $110,550 (2012 - $110,550) for management and administrative fees. RGMI provides management and administrative services to the Company and provides the services of the Company's personnel. The agreement providing the services has a term of 1 year and expires May 31, 2013. It is automatically renewed for successive 12-month periods unless terminated upon 60 days prior notice by either party or upon the criminal conviction, death, disability, incapacity, bankruptcy, insolvency, gross negligence, gross dereliction of duty or gross misconduct, of RGMI or the personnel it provides to the Company. The Company's CEO and CFO beneficially own RGMI.

During the 3 months ended September 30, 2013, the fair value of vested stock options issued to directors, officers and employees of the Company amounted to $Nil (2012 - $90,115).

During the quarter ended September 30, 2013, the Company incurred board of directors' fees of $17,500 (2012 - $17,500).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Risks and uncertainties

Operational

The operations of the Company are speculative due to the high-risk nature of its business, which are the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

Exploration and development risk

Caracara's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the mining industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Caracara's common shares should be considered speculative.

Financing risk

There can be no assurance that any funding required by the Company will become available, and, if so, that it will be offered on reasonable terms or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects or that they can be secured on competitive terms

Political and demographic risk

Some operations of the Company are conducted in Peru. As a result, the Company and its wholly-owned subsidiary, Solex, will be subject to political instability and changes in government policies, laws and regulations in Peru. Any changes in regulations or shifts in political conditions are beyond the Company's control and may adversely affect the Company's and/or Solex's business, including, income taxes, expropriation of property, employment, land use, water use, environmental legislation and exploration safety.

Segregation of duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's small size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its financial statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

Outstanding Share Data

As at November 29, 2013, the Company 51,895,835 common shares outstanding, 2,933,333 options outstanding and no warrants outstanding.

General

The Company also discloses information related to its activities on SEDAR at www.sedar.com and on its website www.caracarasilver.com.