Caracara Silver Inc.

Management's Discussion and Analysis

of the Financial Condition and Results of Operations

for the year ended June 30, 2015

October 23, 2015

Caracara Silver Inc.

Management's Discussion and Analysis
For the year ended June 30, 2015

This management discussion and analysis ("MD&A") has been prepared based on information available to Caracara Silver Inc. ("Caracara" or the "Company") as at October 23, 2015. The MD&A of the operating results and financial condition of the Company for the year ended June 30, 2015, should be read in conjunction with the Company's audited annual consolidated financial statements (the "Financial Statements") and the related notes as at and for the years ended June 30, 2015 and 2014. 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 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. (the "Company" or "Caracara") was incorporated under the laws of British Columbia on December 3, 2009.

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.

The Financial Statements were approved for issuance by the Board of Directors on October 23, 2015.

In September 2015, the Company completed a loan financing for gross proceeds of $60,000, for which the Company issued a promissory note (the "Note") accruing interest at 12% per annum. The principal and any accrued and unpaid interest owing will become due and be paid in full on the completion of any private placement completed by Caracara.

Project update

The Company's Princesa-Pilunani project consists of 11 (2013 – 30) mineral claims totaling 6,900 hectares, located within the Puno region 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. In July 2014, the Company did not renew the licenses of the remaining 3 claims that comprising the Cullquimayo Project (December 31, 2013 – 3). As of December 31, 2014, all of the Company's claims were in good standing and were being held by Solex Del Peru SAC ("Solex"), a wholly-owned Peruvian subsidiary of the Company.

All of the Company's projects in Peru have been put on care and maintenance and have been maintained in good standing pending an improvement in the financing environment for mineral exploration projects.

Pilunani property

Solex acquired the property in 2006 and drilled 9 short diamond drill holes to test the extent of the mineralization. These holes cut a shallow sub-horizontal lead-zinc manto with an average thickness of 11.5 meters. The following table shows the best results of the 2006 drilling campaign:

Hole	From	To	L (m)	Ag g/t	Pb %	Zn %
PIL-1	0.0	20.2	20.2	6.05	5.60	6.40
PIL-3	0.0	7.35	7.35	1.23	1.39	5.15
PIL-4	0.0	7.1	7.1	1.05	2.05	4.63
PIL-6	0.0	15.6	15.6	3.4	1.71	5.14
PIL-7	0.0	17.2	17.2	3.07	1.24	6.84
PIL-10	32.7	43.95	11.25	3.6	4.70	3.39

In 2007, Solex completed a second drill program consisting of 8 diamond drill holes ("DDHs") which tested the geochemical and geophysical anomalies surrounding the mine area. Most of these holes intersected wide zones in the tens of metres, with sphalerite-galena-pyrite mineralization as fine disseminations and stringers which explained the induced polarization ("IP") anomalies.

The Company believes that the Pilunani property has a good potential to host a lead-zinc carbonate replacement or a structurally controlled sedimentary deposit taking into account the high grade lead-zinc mineralisation of the old Sosa Mine and the wide zones of low grade Pb-Zn mineralization associated to the IP anomalies.

The approval for a drilling permit presented by the Company to the Peruvian authorities in February 2014 was denied on May 5th, 2014 due to the introduction of more stringent environmental laws which require additional air, water and soil base line testing prior to the issuance of drill permits. The Company hired an environmental consulting firm to help with the application and re-submitted a revised version of the Semi Detailed Environmental Impact Study ("EIAsd") in October 2014. Each reapplication of the revised EIAsd was met with requests for additional revisions. By February, 2015, with no successful outcome for the EIAsd application, the Company decided to put the project on care and maintenance pending an improvement in the financing environment.

Results of operations

Years ended June 30, 2015 and 2014

During the year ended June 30, 2015, the Company incurred net losses of $529,136 (or, $0.01 per share) compared to a net loss for the year ended June 30, 2014, of $740,328 (or, $0.01 per share). The decrease in net loss for the year ended June 30, 2015, is due primarily to reduced administrative expenses.

Details of the expenditures follow:

Consulting and professional fees $15,480 (2014 - $32,914)

Decreased costs of $17,434 are mainly the result of reduced audit and legal fees for the year ended June 30, 2015.

Directors' fees and expenses $25,617 (2014 - $71,470)

Directors' fees and expenses decreased by $45,853, as a result of an agreement between the Company and its directors to forgo virtually all amounts due but not paid. The balance of directors' fees carried in accounts payable at year end is $5,000.

General and administrative costs $127,801 (2014 - $199,032)

General and Administrative Costs decreased $71,231, due to reduced cost in Peru's administrative expenses (mainly the result of the replacement of the Country Manager and the applicable overhead).

Investor relations costs $5,516 (2014 - $29,596)

Investor relations costs decreased by $24,080 mainly as a result of fewer conferences and trade shows.

Management fees and salaries $304,800 (2014 – $442,200)

Costs for management fees provided by RG Mining Investments Inc. ("RGMI") have decreased by $137,400, as a result of an agreement between the Company and RGMI to reduce management fees for the year ended June 30, 2015. The balance of management fees carried in the accounts payable at year end, is $5,000.

Shareholder and public company expenses $13,582 (2014 - $16,721)

Filing fee costs during the year ended June 30, 2015, reflect reduced regulatory and TSXV activity.

Interest and other income $447 (2014 - $112,087)

Other income for the comparative year included a payment by Inversiones Collodi SAC ("IC") of $107,030 toward the renewal of licence fees in 2014, thereby fulfilling all its obligations pursuant to the option agreement (see note 12 of the Financial Statements). Slightly offsetting the increase, the Company received $5,057 of interest in the current year versus $16,333 during the year ended June 30, 2014.

Exploration and evaluation expenditures

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

	Year ended June 30, 2015	Year ended June 30, 2014	Cumulative form June 1, 2011 to June 30, 2015
	$	$	$
Acquisition costs	**-**	-	1,963,104
Exploration costs:			
Drilling	**-**	-	426,185
Environmental and community relations	**-**	-	233,416
Assaying and sampling	**-**	144	111,809
Field and camp supplies	**-**	-	567,215
Consulting and professional fees	**2,054**	8,752	594,495
General exploration expenditures	**69,471**	68,536	1,727,145
Total exploration costs	**71,525**	77,432	3,660,265
Recovery due to option agreement	**-**	(15,464)	(258,968)
Total exploration and evaluation expenditures	**71,525**	61,968	5,364,401

Remainder of page left blank intentionally.

Selected Annual Information

Following is selected annual information for each of the three most recently completed financial years:

	June 30, 2015	June 30, 2014	June 30, 2013
	$	$	$
Total revenues	-	-	-
Net loss	(529,136)	(740,328)	(1,779,903)
Basic and diluted net loss per common share	(0.01)	(0.01)	(0.03)
Total assets	10,961	543,670	1,309,656
Long-term debt	-	-	-
Retained deficit	(8,779,157)	(8,206,021)	(7,465,693)
Cash dividends declared per common share	-	-	-

Summary of quarterly results

Following is selected quarterly information for each of the eight most recently completed financial quarters:

	Quarter ended Jun.30, 2015	Quarter ended Mar.31, 2015	Quarter ended Dec.31, 2014	Quarter ended Sep. 30, 2014
	$	$	$	$
Total revenues	–	–	–	–
Income/(loss)	318	(165,647)	(164,286)	(199,521)
Basic and diluted net loss per share	0.00	0.00	0.00	0.00
Total assets	10,961	94,397	196,738	336,076
Long-term debt	–	–	–	–
Deficit	(8,735,160)	(8,735,475)	(8,569,828)	(8,405,542)
Cash dividends declared per common share	–	–	–	–

	Quarter ended Jun. 30, 2014	Quarter ended Mar. 31, 2014	Quarter ended Dec. 31, 2013	Quarter ended Sept. 30, 2013
	$	$	$	$
Total revenues	–	–	–	–
Income/(loss)	(122,616)	(210,788)	(185,885)	(221,039)
Basic and diluted net loss per share	(0.00)	(0.00)	(0.00)	(0.01)
Total assets	543,670	786,003	1,017,223	1,078,513
Long-term debt	–	–	–	–

Deficit	(8,206,021)	(8,083,405)	(7,884,468)	(7,686,732)
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.

Liquidity and capital resources

As at June 30, 2015, the Company had cash and cash equivalents of $9,275, and working capital deficit of $37,870 compared to cash and cash equivalents of $467,006 and working capital of $491,269 at June 30, 2014. The Company has not participated in any financing activities during the year ended June 30, 2015. However, as previously noted, the Company completed a $60,000 debt financing in September, 2015.

Cash and cash equivalents decreased in the current year by $457,731, entirely due to cash used for operating activities. The Company had no financing or investing activities during the current year.

The Company is a junior mining company and has not issued debt to finance its operations, other than as noted above with respect to a $60,000 debt financing. It has relied entirely on equity financings up to June 30, 2015. The Company will require additional financing to continue to fund its exploration programs and fulfill short-term expense commitments.

Adoption of new and revised standards and interpretations

The IASB issued new and revised International Accounting Standards ("IAS"), IFRS, and amendments, with those that are effective for the Company's financial year, beginning on or after July 1, 2015. Some updates that are not applicable or are not consequential to the Company have been excluded in the Financial Statements.

IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is applicable to the Company's annual period beginning July 1, 2018. The Company is currently assessing the implications IFRS 9 will have on the Financial Statements.

Significant accounting policies

Continuance of operations

The Financial Statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2015, the Company has not generated any revenues from operations and used $457,731 (2014 - $811,559) for operating activities for the year. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. 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, for longer term obligations. The Financial Statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

Transactions with related parties

During the year ended June 30, 2015, RG Mining Investments Inc. ("RGMI") charged the Company $304,800 (2014 - $442,200) 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 had a term of 1 year and expired May 31, 2013. It was automatically renewed for a successive 12-month period and 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 year ended June 30, 2015, the Company incurred board of directors' fees and expenses of $70,000 (2014 – $70,000) and $3,117 (2014 - $1,470) of expenses.

At year-end, the Company reached an agreement with RGMI and its directors to write-down amounts owing but not yet paid, to $10,000 ($5,000 to RGMI and $1,250 to each director).

Risks and uncertainties

Operational

The operations of the Company are speculative due to the high-risk nature of its business, which is 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 October 23, 2015, the Company had 51,895,835 common shares outstanding and 2,933,333 options outstanding.

General

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