Caracara Silver Inc.

Interim MD&A -

Quarterly Highlights

Three months ended March 31, 2016

May 18, 2016

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This interim management discussion and analysis - quarterly highlights ("Interim MD&A") has been prepared as at May 18, 2016. This Interim MD&A is based on information available to Caracara Silver Inc. ("Caracara" or the "Company") and updates disclosure previously provided in the Company's Interim MD&A's as at September 30, 2015 and December 31, 2015, and its Annual MD&A, up to the date of this Interim MD&A and should be read in conjunction with the Company's unaudited interim consolidated financial statements and the related notes as at and for the three and nine months ended March 31, 2016 and 2015, the Company's audited consolidated financial statements for the years ended June 30, 2015 and 2014 (the "Financial Statements"), and the Company's Annual MD&A for the year ended June 30, 2015. 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 Interim 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 or on its website at www.caracarasilver.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.

CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

This document may contain or may refer 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.

Financial condition and performance

Financial condition

During the quarter ended March 31, 2016, the Company's net assets decreased by $26,509, the result of a decrease in assets of $3,463 supplemented by increased liabilities of $23,046.

The Company's cash balance increased by $257, entirely due to operating activities.

Performance

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.

Due to its cash position, the Company continues with its austerity measures to preserve its financial position. Operating expenditures for the quarter have been limited to the minimum amount necessary to maintain its projects in good standing and meet all of its reporting and disclosure requirements. Loss for the quarter totalled $26,509 and was the result of direct project expenditures totalling $1,002 together with general and administrative expenditures totalling $23,712. The loss is a decrease from the comparative quarterly-period of approximately $139,000, a direct reflection of the austerity measures put in place by the Company.

Commitments, liquidity and capital resources

The Company does not currently have any project commitments nor space-rental commitments. Its head office and administration is provided by RG Mining Investments Inc. ("RGMI") as disclosed in its Annual MD&A (see "Related-party transaction and balances" section of this Interim MD&A).

As at March 31, 2016, the Company had a cash balance of $3,534 and a working capital deficiency of $111,415. However, the Note has been included in the Company' current liabilities but has a maturity date that coincides with the Company's next financing. If this amount is excluded, the Company has a working capital deficiency of approximately $47,155, and will continually monitor its cash position until a further financing has been completed.

Related-party transactions and balances

During the quarter, the Company incurred (accrued), management fees payable to RGMI in the amount of $9,000.

As at March 31, 2016, the accounts payable and accrued liabilities balance included amounts due to RGMI equal to $15,000.