Interim MD&A -

Quarterly Highlights

Three months ended September 30, 2016

November 24, 2016

Caracara Silver Inc.
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This interim management discussion and analysis - quarterly highlights ("Interim MD&A") has been prepared based on information available to Caracara Silver Inc. ("Caracara" or the "Company") as at November 24, 2016. This Interim MD&A updates disclosure previously provided in the Company's 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 months ended September 30, 2016 and 2015, the Company's audited consolidated financial statements for the years ended June 30, 2016 and 2015 (the "Financial Statements"), and the Company's Annual MD&A for the year ended June 30, 2016. 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.

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 evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("DC&P") and/or ICFR, as defined in NI 52-109, nor has it completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CAUTIONARY NOTE

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. See the section entitled ***Risks and uncertainties***.

Corporate

At the annual general and special meeting of its shareholders held on August 29, 2016, the shareholders of the Company approved, among other items, amending the Company's articles to allow the directors of the Company to approve the subdivision or consolidation of any or all of its shares without further shareholder approval. In addition, the shareholders also approved the option agreement (the "Option Agreement") for the Company's Princesa-Pilunani mineral concessions.

As the Company has optioned its only property, it does not meet the continued listing requirements of the TSX Venture Exchange ("TSXV"). As a result, as of October 17, 2016, the Company has migrated to the NEX market, a sub-board of the TSXV, and trades under the symbol "CSV.H"

Operational

On August 31, 2016, the Company executed the Option Agreement with Alcon Exploration Corp. ("Alcon"), whereby Alcon has the option to earn a 100% interest in the Company's Princesa silver concessions located in Peru (the "Property").

Alcon can exercise the option by paying the Caracara an aggregate of $250,000 (of which $50,000 has been paid to the Company and has been recorded as a reduction to exploration expenditures during the 3 months ended September 30, 2016) in various installments over a three-year period and issuing 2,000,000 common shares of Alcon to Caracara upon closing of a going-public transaction in accordance with the terms of the Option Agreement. If the option is exercised, Caracara shall retain a 1.5% net smelter returns royalty in the Property, subject to the right of Alcon to purchase 1% of the royalty for a payment to Caracara of USD$1,000,000.

Financial condition and performance

Financial condition

During the quarter ended September 30, 2016, the Company's net assets increased by $22,272.

The Company's cash balance increased by $21,969, as a result of cash flow from operations of $43,469, mainly the result of the option payment of $50,000 received from Alcon, offset by related party repayments of $21,500 (see *Related-party transactions and balances*, below).

Performance

As the Company has optioned 100% of its only property, it remains on care and maintenance until it can identify and acquire a suitable project. Management is actively reviewing any opportunity that is either presented to or discovered by the Company.

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 meet all of its reporting and disclosure requirements. Income for the period amounted to $16,953, the result of the $50,000 option payment received, offset by $32,547 of administrative expenditures and $500 of exploration expenditures.

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 Management Services Inc. ("RGMS") as disclosed in its Annual MD&A (see "Related-party transaction and balances" section of this Interim MD&A).

As at September 30, 2016, the Company had cash balances totalling $24,975 and a working capital deficiency of $152,988. 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 $85,000, and will continually monitor its cash position until a further financing is completed.

Related-party transactions and balances

During the quarter, the Company incurred the management fees payable to RGMS in the amount of $9,000 and to the Company's directors in the amount of $5,000.

As at September 30, 2016, the amounts due to related parties includes amounts due to RGMS of $33,000 and the Company's directors equal to $5,000.