Caracara Silver Inc.

# Interim MD&A -

# Quarterly Highlights

# Three months ended March 31, 2017

May 9, 2017

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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 May 9, 2017. 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 and nine months ended March 31, 2017 and 2016, 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.

## *Corporate*

As reported in its prior Interim MD&A, the Company has optioned its only property and therefore 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 and 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.

During the quarter ended March 31, 2017, the Company had limited operations consisting of an administrative nature. Net loss for the quarter ended March 31, 2017, was $19,170 (2016 - $26,509). The loss was comprised of the following items:

1. Professional and consulting fees of $3,750 (2016 – $7,562);
2. board of director fees of $5,000 (2016 - $nil), which were accrued but not paid (see *Related-party transactions and balances* of this Interim MD&A);
3. management fees to RG Mining Investments Inc. ("RGMI") of $9,000 (2016 - $9,000), which were accrued but not paid (see *Related-party transactions and balances* of this Interim MD&A);
4. general and public company reporting costs of $806 (2016 - $971);
5. interest expense on the Note (see note 9 of the current interim consolidated financial statements) of $1,800 (2016 - $1,800); and
6. foreign exchange losses of $471 (2016 – $5).

## *Financial condition*

During the quarter ended March 31, 2017, the Company's net assets decreased by $19,170.

The Company's cash balance increased by $1,396: Cash used for operating activities of $20,697, mainly the result of the increased loss for the quarter of $19,170 plus the decrease in working capital of $1,527. The cash used for operating activities was offset by financing activities of $22,093.

The remainder of the decrease in net assets of $19,579, was the result of a decrease in accounts payable and accrued liabilities of $4,314 offset by increases to related-party, shareholder and promissory-note loans, totalling $23,893.

As at March 31, 2017, the Company had cash balances totalling $9,099 and a working capital deficiency of $198,593. 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 $127,000, and will continually monitor its cash position until a further financing is completed.

## *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 RGMI as disclosed in its Annual MD&A (see "Related-party transaction and balances" section of this Interim MD&A).

## *Related-party transactions and balances*

During the quarter, the Company incurred the management fees payable to RGMI in the amount of $9,000 and to its directors for fees in the amount of $5,000.

As at March 31, 2017, the amounts due to related parties includes amounts due to RGMI of $51,093 and the Company's directors equal to $15,000.