



**Interim MD&A -  
Quarterly Highlights  
Three months ended September 30, 2018**

**Caracara Silver Inc.**  
**Interim MD&A -**  
**Quarterly Highlights**  
**Three months ended September 30, 2018**

---

*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 14, 2018. 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, 2018 and 2017, the Company’s audited consolidated financial statements for the years ended June 30, 2018 and 2017 (together, the “Financial Statements”), and the Company’s Annual MD&A for the year ended June 30, 2018. 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](http://www.sedar.com) or on its website at [www.caracarasilver.com](http://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 *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.

**Caracara Silver Inc.**  
**Interim MD&A -**  
**Quarterly Highlights**  
**Three months ended September 30, 2018**

---

### ***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 unaudited interim financial statements as at and for the 3 months ended September 30, 2018 and 2017, were approved for issuance by the Board of Directors on November 13, 2018.

The Company's only property has been optioned (see "*Option Agreement and Proposed Amendment*" section, below) and as such, the Company trades on the NEX market of the TSX Venture Exchange ("**TSXV**") under the symbol "SILV.H".

### ***Business Combination with Xtraction Services, Inc. ("Xtraction")***

On August 13, 2018, the Company and Xtraction entered into a binding letter of intent setting out the conditions of a proposed business combination between Caracara and Xtraction by way of an amalgamation, arrangement, share purchase of share exchange agreement or other similar form of transaction (the "**Transaction**") pursuant to which the Company will acquire all of the issued and outstanding common shares of Xtraction. It is currently contemplated that the Transaction will be structured as a "reverse triangular merger" between Xtraction, Caracara and a wholly-owned subsidiary of Caracara to be incorporated under the laws of Delaware.

Upon completion of the Transaction, the parties intend that the Company's shares will be delisted from the NEX and listed on the Canadian Securities Exchange or the NEO Exchange. The Transaction is subject to TSXV and shareholder approval of both Xtraction and Caracara shareholders.

### ***Option Agreement and Proposed Amendment***

On August 31, 2016, the Company executed an option agreement (the "**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**"). Currently, Alcon can exercise the option by paying the Caracara an aggregate of \$250,000 (of which \$100,000 was paid to the Company during the years ended June 30, 2017 and 2018 (the "**Option Receipts**")) and by issuing 2,000,000 common shares of Alcon to Caracara upon closing of a going-public transaction in accordance with the terms of the 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.

As at the date of this Interim MD&A, the Company and Alcon are in discussions to amend the Agreement in order to facilitate an earlier transfer of title of the Property that will satisfy the Transaction. Details of the proposed amendment and the Transaction will be disclosed in the Information Circular to be distributed to Shareholders for the Company's upcoming Annual and Special Meeting of Shareholders, to be held on December 14, 2018.

**Caracara Silver Inc.**  
**Interim MD&A -**  
**Quarterly Highlights**  
**Three months ended September 30, 2018**

---

***Financial condition***

During the quarter ended September 30, 2018, the Company's net assets decreased by \$17,805, with decreases to cash and HST recoverable of \$99,610, offset by net decreases to current liabilities of \$81,805, which included decreases to accounts payable and accrued liabilities of \$36,945 and repayments to related parties of \$44,860.

The Company's cash balance decreased by \$89,247, as a result of cash used for operations of \$44,387, supplemented by funds repaid to related parties of \$44,860.

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

As at September 30, 2018, the Company had cash balances totalling \$1,032,136 and working capital of \$958,945.

***Related-party transactions and balances***

During the quarter, the Company incurred and paid management fees to RGMI in the amount of \$9,000.

As at September 30, 2018, there are no amounts due to related parties.

***Outstanding Share Data***

As at November 14, 2018, the Company had the following capitalization:

<b>Security</b>	<b>Number</b>
Common shares	24,402,901
Warrants	19,213,333
Finders' Units	451,743