



**Unaudited Interim
Consolidated Financial Statements**

As at and for the three and six months ended

December 31, 2018 and 2017

(Expressed in Canadian dollars)

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of Caracara Silver Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three and six months ended December 31, 2018 and 2017 have not been reviewed by the Company's auditors.

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Caracara Silver Inc. ("Caracara") are the responsibility of management and the Board of Directors (the "Board") of the Company.

The unaudited interim consolidated financial statements (the "Financial Statements") have been prepared by management, on behalf of the Board, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

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.

"Nick Tintor"
President and Chief Executive Officer

February 21, 2019

"Stephen Gledhill"
Chief Financial Officer

February 21, 2018

Caracara Silver Inc.
Unaudited Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

<i>As at</i>	December 31, 2018	June 30, 2018
	\$	\$
Assets		
Current assets		
Cash (<i>note 8</i>)	1,060,515	1,121,383
Sales taxes recoverable	5,413	14,330
Total current assets	1,065,928	1,135,713
Non-current assets		
Investments (<i>notes 4.2 & 9</i>)	75,000	-
Total non-current assets	75,000	-
Total assets	1,140,928	1,135,713
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (<i>note 10</i>)	38,819	114,103
Advances due to related parties (<i>note 11</i>)	-	44,860
Total current liabilities	38,819	158,963
Total liabilities	38,819	158,963
Equity		
Share capital (<i>note 12</i>)	8,025,809	8,046,137
Warrants (<i>note 12</i>)	569,419	699,705
Deficit	(7,493,119)	(7,769,092)
Total equity	1,102,109	976,750
Total liabilities and equity	1,140,928	1,135,713

Approved for issuance by the Board on February 21, 2019:

"Robert Boaz"

Director

"Stephen Coates"

Director

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Caracara Silver Inc.
Unaudited Interim Consolidated Statements of Operations and
Comprehensive Income

(Expressed in Canadian dollars except weighted-average share information)

	3 months ended December 31,		6 months ended December 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Exploration and evaluation expenditures <i>(note 13)</i>	(150,000)	(50,000)	(150,000)	(50,000)
Administrative expenses				
Consulting and professional fees	13,704	2,500	13,704	5,000
Directors' fees and expenses <i>(note 11)</i>	-	5,000	-	10,000
General and administrative	722	990	3,129	1,755
Management fees and salaries <i>(note 11)</i>	30,000	(3,500)	39,000	5,500
Shareholder and public company expenses	(1,999)	4,257	1,738	4,708
Total administrative expenses	42,427	9,247	57,571	26,963
Total expenses and expenditures	(107,573)	(40,753)	(92,429)	(23,037)
Income (loss) before other items	107,573	40,753	92,429	23,037
Other items:				
Foreign exchange gain	7,199	(268)	4,536	1,738
Gain on write-off of accounts payable	28,392	-	28,392	-
Interest income (expense)	-	(2,106)	2	(4,368)
Total other items	35,591	(2,374)	32,930	(2,630)
Income and comprehensive income for period	143,164	38,379	125,359	20,407
Basic and fully diluted earnings per share (note 4)	0.01	0.01	0.01	0.00
Weighted average number of common shares outstanding	24,402,901	7,113,497	24,402,901	6,151,540

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Caracara Silver Inc.
Unaudited Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share Capital		Warrants	Deficit	Total
	Number of shares	Amount \$			
Balance, June 30, 2017	5,189,568	7,413,722	-	(7,659,588)	(245,866)
Issuance of shares for cash	3,000,000	150,000	-	-	150,000
Fair value of issued warrants	-	(75,000)	75,000	-	-
Income for period	-	-	-	20,407	20,407
Balance, December 31, 2017	8,189,568	7,488,722	75,000	(7,639,181)	(75,459)
Issuance of shares for cash	16,213,333	1,216,000	-	-	1,216,000
Fair value of issued warrants	-	(567,785)	567,785	-	-
Fair value of issued finders' units	-	(56,920)	56,920	-	-
Share issuance costs	-	(33,880)	-	-	(33,880)
Loss for period	-	-	-	(129,911)	(91,532)
Balance, June 30, 2018	24,402,901	8,046,137	699,705	(7,769,092)	976,750
Expiry of warrants	-	(20,238)	(130,286)	150,614	-
Income for period	-	-	-	125,359	125,359
Balance, December 31, 2018	24,402,901	8,025,809	569,419	(7,493,119)	1,102,109

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Caracara Silver Inc.
Unaudited Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Six months ended	December 31, 2018	December 31, 2017
	\$	\$
Operating activities		
Net income (loss)	125,359	20,407
Interest	-	4,368
Net change in non-cash working capital items:		
Sales tax recoverable	8,917	(3,814)
Accounts payable and accrued liabilities	(75,284)	(8,593)
Cash provided from operating activities	58,992	12,368
Financing activities		
Shares issued for cash	-	150,000
Repayment of shareholder loan	-	(13,609)
Advances from (repayments to) related parties	(44,860)	(47,000)
Cash used provided from (used for) financing activities	(44,860)	89,391
Investing activities		
Investment in Alcon Exploration Corp. <i>(notes 9 & 12(a)(iii))</i>	(75,000)	-
Cash used for investing activities	(75,000)	-
Increase (decrease) in cash for the period	(60,868)	101,759
Cash and cash equivalents at beginning of year	1,121,383	2,733
Cash at end of period	1,060,515	104,492

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Caracara Silver Inc.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the three and six months ended December 31, 2018 and 2017 (Expressed in Canadian dollars)

1. General

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 401 Bay Street, Suite 2702, Toronto, Ontario, Canada, M5H 2Y4.

As the Company has optioned its only property (see note 13), 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 traded under the symbol "CSV.H". On April 30, 2018, the Company completed a 1-for-10 share consolidation (see note 12) and changed its symbol to "SILV.H".

On August 13, 2018, the Company and Xtraction Services, Inc. ("Xtraction") entered into a binding letter of intent ("LOI") setting out the conditions of a proposed business combination between Caracara and Xtraction (the "Transaction") pursuant to which the Company will acquire all of the issued and outstanding common shares of Xtraction. The LOI has currently been extended until February 28, 2019. 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 TSXV 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.

2. Continuation of operations

These unaudited interim consolidated financial statements (the "Consolidated Financial Statements") are prepared on a going-concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company had working capital of \$1,027,109 as at December 31, 2018 (June 30, 2018 – \$976,750), and an accumulated deficit of \$7,493,119 (June 30, 2018 – \$7,769,092).

Should the Transaction not complete, the ability of the Company to continue as a going concern and meet its commitments as they become due, is dependent on the Company's ability to attain profitable operations and/or obtain the necessary financing. Management continues to assess alternatives to raising additional funding, which may include additional equity offerings. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management will be required to curtail even limited Company operations. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The business of mining exploration involves a high degree of risk and there is no assurance that current or future exploration projects will result in future profitable mining operations. The Company has no source of revenue but continues to have cash requirements to meet its administrative overhead and pay its debts and liabilities.

Caracara Silver Inc.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the three and six months ended December 31, 2018 and 2017 (Expressed in Canadian dollars)

The Consolidated Financial Statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

3. Basis of preparation

3.1 Statement of compliance

The Consolidated Financial Statements, including comparatives, have been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ("IASB"). Interim financial statements would not normally include all the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company as at and for the years ended June 30, 2018 and 2017.

The Consolidated Financial Statements were approved for issuance by the Board on February 21, 2018.

3.2 Basis of presentation

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as set out in note 6. The Consolidated Financial Statements are presented in Canadian dollars, the Company's functional currency.

3.3 Basis of consolidation

Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases.

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned subsidiaries, Solex del Peru S.A.C. ("Solex") incorporated in Peru and CSI Princesa Inc. incorporated in Ontario, Canada. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of operations and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. See note 15.

All inter-Company transactions, balances, income and expenses are eliminated on consolidation.

3.4 Adoption of new and revised standards and interpretations

IFRS 9 Financial Instruments

Issued by IASB

July 2014

Effective for the Company's annual period beginning

July 1, 2018

Notes to the Unaudited Interim Consolidated Financial Statements
As at and for the three and six months ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets.** Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- **Classification and measurement of financial liabilities.** When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- **Impairment of financial assets.** An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- **Hedge accounting:** Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The Company has adopted this IFRS, as applicable.

IFRS 15 Revenue from Contracts with Customers

Issued by IASB	May 2014
Effective for the Company's annual period beginning	July 1, 2018

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

Revenue is recognized based on a five-step model:

1. Identify the contract with customer;
2. Identify the performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and,
5. Recognize revenue when (or as) the performance obligations are satisfied.

New disclosure requirements on information about the nature, amount, timing and uncertainty of

Caracara Silver Inc.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the three and six months ended December 31, 2018 and 2017 (Expressed in Canadian dollars)

revenue and cash flows from contracts with customers.

The Company currently has no revenue but has adopted this policy, as applicable.

IFRS 16 Leases

Issued by IASB

January 2016

Effective for the Company's annual period beginning

July 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company is currently assessing the implications IFRS 16 will have on the Consolidated Financial Statements.

4. Selected significant accounting policies

4.1 Basic earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) by the weighted average number of common shares outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during

Caracara Silver Inc.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the three and six months ended December 31, 2018 and 2017 (Expressed in Canadian dollars)

the period. During the 6 months ended December 31, 2018 and 2017, all the outstanding stock options and warrants were anti-dilutive.

4.2 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL. Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. The Company has no financial assets classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held to maturity if the Corporation has the intention and ability to hold them until maturity. Held to maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company treats its investment as held to maturity.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets. The Company's investment in Alcon is classified as held to maturity with revaluation gains and losses included in the statement of operations.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability. Inputs into the determination of the fair value require management judgment or estimation.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes to valuation methods may result in transfers into or out of an investment's assigned level.

Notes to the Unaudited Interim Consolidated Financial Statements
As at and for the three and six months ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

5. Capital management

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts and deficit. The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company currently has no source of operating cash flow. The Company intends to raise additional funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The ability of the Company to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the 6 months ended December 31, 2018. The Company is not subject to externally imposed capital restrictions.

6. Financial instruments

Fair value

As at December 31, 2018 and June 30, 2018, the Company's financial instruments consist of cash, investments, accounts payable and accrued liabilities, and advances due to related parties (June 30, 2018 only). The fair value of cash, accounts payable and accrued liabilities, and advances due to related parties approximate their carrying values due to the relatively short-term-to-maturity nature. The fair value of the Company's investment (classified as held for maturity) has been estimated using level 2 inputs from the fair-value hierarchy.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgement, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to its financial instruments are reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations to the Company. Financial instruments that potentially subject the Company to concentrations of credit risks consist of the Company's cash. To minimize the credit risk, the Company places its cash with high credit quality financial institutions. Cash is held with a major Canadian bank and therefore the risk of loss is minimal.

ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come

Caracara Silver Inc.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the three and six months ended December 31, 2018 and 2017 (Expressed in Canadian dollars)

due. The Company typically settles its financial obligations out of cash and occasionally will settle liabilities with the issuance of common shares. The ability to settle obligations with cash relies on the Company raising financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

As at September 30, 2018, the Company had cash of \$1,060,515 (June 30, 2018 – \$1,1231,383) and liabilities of \$38,819 (June 30, 2018, \$158,963) and therefore has sufficient funds to settle its current liabilities. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. In addition, in order to meet its longer-term working capital requirements, property exploration expenditures or other business opportunities the Company intends on securing further financing to ensure that those obligations are properly discharged.

iii) **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. **Interest rate risk**

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. The promissory note was fully discharged during the year ended June 30, 2018.

b. **Currency risk**

Although the Company's operations are conducted in Canadian dollars, it may enter into contracts and/or agreements that require payment in United States dollars or other foreign currencies. Management believes that foreign currency risk derived from currency conversions is negligible and, therefore, does not hedge its foreign currency risk.

c. **Price risk**

The Company is not subject to price risk.

7. **Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one-year period.

The Company's funds are kept in Canadian and US dollars at a major Canadian financial institution. As at December 31, 2018 and June 30, 2018, the Company's exposure to foreign currency balances is as follows:

Caracara Silver Inc.

Notes to the Unaudited Interim Consolidated Financial Statements
As at and for the three and six months ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

Account	Foreign Currency	Exposure (\$CDN)	
		December 31, 2018	June 30, 2018
Cash	US dollar	185,657	182,245
Accounts payable	US dollar	-	(28,459)

The Company believes that a change of 10% (2018 - 10%) in foreign exchange rates would cause income and comprehensive income to increase/decrease by approximately \$8,500 for the 6 months ended December 31, 2018 (June 2018 - \$15,400).

8. Cash

The balance at December 31, 2018, consists of cash amounting to \$1,060,515 (June 30, 2018 – \$1,121,383) on deposit with a major Canadian bank.

9. Investment

The Company's investment consists of 800,000 common shares (the "Alcon Shares") of Alcon, which it accepted as partial consideration for Alcon's Second Anniversary option payment (see note 13 (a)(iii)). The fair value of the Alcon Shares was estimated at \$75,000 (see note 4.2).

10. Accounts payable and accrued liabilities

Accounts payable of the Company are principally comprised of amounts outstanding for operating and financing activities. The usual credit period for trade purchases is between 30 to 90 days.

The following is an analysis of the accounts payable and accrued liabilities:

As at,	December 31, 2018	June 30, 2018
	\$	\$
Suppliers	13,801	84,085
Accrued liabilities	25,018	30,018
Total accounts payable and accrued liabilities	38,819	114,103

11. Transactions with related parties and key management compensation

The Consolidated Financial Statements include transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. The Company incurred fees and expenses in the normal course of operations in connection to officers and directors, or companies controlled by them, as follows:

Caracara Silver Inc.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the three and six months ended December 31, 2018 and 2017 (Expressed in Canadian dollars)

	3 months ended December 31,		6 months ended December 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Management fees and salaries	30,000	9,000	39,000	5,500
Directors' fees and expenses	-	5,000	-	10,000

There were no amounts due to related parties as at December 31, 2018. As at June 30, 2018, amounts owing to directors was \$30,000 and to a company controlled by the Company's CEO and CFO was \$14,860. The amounts owing are unsecured, interest-free and have no fixed terms of repayment.

12. Share capital

Authorized share capital consists of an unlimited number of common shares.

Fiscal 2019

The Company did not issue any common shares during the 6 months ended December 31, 2018.

Fiscal 2018

Consolidation

On April 30, 2018, the Company completed a 1-for-10 share consolidation (the "Consolidation"). Outstanding shares and weighted-average outstanding shares, options and warrants have been adjusted to account for the Consolidation.

In June 2018, the Company completed a private placement issuing 16,213,333 units (each a "Unit") at \$0.075 per Unit, raising gross proceeds of \$1,216,000. Each Unit consisted of one common share and one share-purchase warrant (a "Warrant"). The Warrants are exercisable into one common share at a price of \$0.15 each, until maturity on June 10, 2019. In addition, the Company paid cash finders fees of \$33,881 and issued 451,743 finders' units (each a "Finder Unit"). Each Finder Unit is exercisable for \$0.10 into one common share and finders'-share warrant (a "Finder-Share Warrant"). Each Finder-Share Warrant is exercisable for \$0.15 into one common share until expiry on June 10, 2019.

The fair value of \$569,419 for the warrants issued was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.90%, expected volatility of 319.57%, expected life of one year, dividend rate of nil and share price at the issuance date of \$0.125. A fair value of \$56,919 for the Finders' Units issued was estimated using the Geske option pricing model with the following assumptions: Risk-free interest rate of 1.90%, expected volatility of 186.34%, dividend rate of nil, share price at the issuance date of \$0.125, exercise price of the compound option of \$0.10, exercise price of the underlying option of \$nil, an expected life of the compound option of 0.5 years and expected life of the underlying option of one year.

Caracara Silver Inc.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the three and six months ended December 31, 2018 and 2017 (Expressed in Canadian dollars)

In November 2017, the Company completed a private placement issuing 3,000,000 Units at \$0.05 per Unit, raising gross and net proceeds of \$150,000. Each Unit consisted of one common share and one Warrant. Each Warrants is exercisable into one common share at a price of \$0.05, until expiry on November 3, 2018.

A fair value of \$73,366 for the Warrants issued was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.43%, expected volatility of 373.9%, expected life of one year, dividend rate of nil and share price at the issuance date of \$0.10.

Options

Caracara has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. The plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at December 31, 2018, the Company had 2,440,290 (June 30, 2018 – 2,440,290) options available for issuance.

Warrants

A continuity of the outstanding warrants of the Company follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance as at June 30, 2017	-	-
Warrants issued	19,213,333	0.13
Finder units issued	451,743	0.10
Finder unit-warrants issued	451,743	0.15
Balance as at June 30, 2018	20,116,819	0.13
Warrants expired	(3,000,000)	0.05
Finder units expired	(451,743)	(0.10)
Finder unit-warrants expired	(451,743)	(0.15)
Balance as at December 31, 2018	16,213,333	0.13

As at December 31, 2018, the Company had the following warrants outstanding:

Date of Expiry	Type	Exercise Price (\$)	Number	Weighted Average Remaining Life in Years
June 10, 2019	Warrant	0.15	16,213,333	0.95

13. Exploration and evaluation expenditures

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

Caracara Silver Inc.

Notes to the Unaudited Interim Consolidated Financial Statements
As at and for the three and six months ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	3 months ended		6 months ended		Cumulative to September 30, 2018
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	
	\$	\$	\$	\$	\$
Acquisition costs	-	-	-	-	1,963,104
Exploration costs:					
Drilling	-	-	-	-	426,185
Environmental and community relations	-	-	-	-	233,416
Assaying and sampling	-	-	-	-	111,809
Field and camp supplies	-	-	-	-	567,215
Consulting and professional fees	-	-	-	-	594,495
General exploration expenditures	-	-	-	-	1,769,802
Total exploration costs	-	-	-	-	3,702,922
Recovery from option agreement (see below)	(150,000)¹	(50,000) ¹	(150,000)¹	(50,000) ¹	(508,968)
Total exploration and evaluation expenditures	(150,000)	(50,000)	(150,000)	(50,000)	5,157,058

¹Payments received pursuant to the Option Agreement, as defined below.

Mineral projects

On August 31, 2016 (the "Option Date"), the Company executed an option agreement, with amendment dated November 10, 2018 (the "Option Agreement") with Alcon Exploration Corp., 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 Caracara the following amounts:

- (a) An aggregate sum of \$250,000 as follows:
 - (i) \$50,000 (the "Initial Payment") within seven business days of the approval of the Option Agreement by the TSXV (the "Approval Date") (received);
 - (ii) \$50,000 on or before the first anniversary of the Approval Date (the "First Anniversary Payment") (received); and
 - (iii) \$150,000 on or before the second anniversary of the Approval Date (the "Second Anniversary Payment"); and
- (b) 2,000,000 common shares of the capital of Alcon upon closing of a going-public transaction by the Optionor, in accordance with the Option Agreement.

Caracara Silver Inc.

Notes to the Unaudited Interim Consolidated Financial Statements As at and for the three and six months ended December 31, 2018 and 2017 (Expressed in Canadian dollars)

The Initial Payment, First Anniversary Payment and Second Anniversary Payment have been recorded as a reduction to exploration expenditures during the 6 months ended December 31, 2018, 2017 and 2016.

Pursuant to the amended Option Agreement, consideration for the Second Anniversary Payment consisted of the following:

- (i) \$75,000, settled with common shares of Alcon (see note 9); and
- (ii) \$61,611, settled in cash; and
- (iii) \$13,389 (US\$10,000), settled in cash to Solex as consideration for the transfer of the Property to a Peruvian subsidiary of Alcon.

14. Segmented information

As at December 31, 2018, the Company has only one operating and geographic segment, the corporate administration of the Company from Canada. As such, amounts disclosed in the Financial Statements also represent the single operating and geographic reporting segments.

15. Subsequent events

Pursuant to the amended Option Agreement, the Company affected the sale of the Property to Alcon (the "Sale"), leaving Solex with no concession assets. In concert with the Sale and in anticipation of the closing of the Transaction, the Company commenced the wind-up and dissolution of Solex and on January 31, 2019, the Company received the final certificate of dissolution from the Superintendent of National Registrations for Peru.