



CARACARA SILVER INC. SIGNS OPTION AGREEMENT ON PERUVIAN PROJECTS

First Year \$2 Million Exploration Program Funded

FOR IMMEDIATE RELEASE

May 3, 2013

Toronto, ON – Caracara Silver Inc. (CSV:TSXV) (the “Company”) is pleased to announce that the Company has signed an option agreement with Inversiones Collodi SAC (“IC”) with respect to Caracara’s Peruvian exploration properties. IC is a private Peruvian mineral exploration and development company based in Lima.

Under the terms of the agreement, IC will have the right to earn a 65% interest in Caracara’s concessions by making exploration expenditures totalling US\$12.5 million over a four-year period. In addition, IC will make cash payments to Caracara’s wholly-owned affiliate company in Peru, totalling \$1.85 million plus VAT taxes. Caracara has received the first \$250,000 payment owing.

“This is a tremendous step for Caracara, especially in light of the difficult marketplace for financing mineral exploration. We are bringing together Caracara’s advanced stage silver-lead-zinc projects such as Princesa with IC’s strong financing capabilities and in depth expertise in operating in Peru’s mining industry”, Nick Tintor, President and CEO of Caracara commented.

Transaction Highlights

The following are highlights of the transaction:

- \$12.5 million of exploration expenditures over a four-year period
- \$2 million exploration budget in year one
- \$1.85 million in cash payments to Caracara net of VAT taxes over the four year option period
- IC can earn a 65% interest and an additional 5% by financing and completing a prefeasibility study on any of the projects in Caracara’s portfolio

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- Key Caracara exploration staff will manage the field exploration programs with IC staff under the guidance of a Technical Committee
- The option agreement will not be effective until Caracara has received the approval of the TSX Venture Exchange

Exploration Program

Princesa

Caracara and IC are planning a 2013 exploration program which will include 6,000 metres of drilling as part of a \$2.0 million exploration budget. The first phase of this program is expected to begin by late May with the start of a 3,000-metre drill program at the Princesa project.

Princesa is located 850 kilometres south east of Lima in Puno Province and hosts a 43-101 compliant resource estimate totalling 4.6 million tonnes in the inferred category, grading 90.88 grams silver per tonne and 1.69% zinc and 1.61% lead. Princesa remains open along strike and at depth.

The Princesa NI 43-101 Technical Report can be found on the Company's website www.caracarasilver.com and on www.sedar.com

Pilunani

The second part of the program, including 2,000 metres of drilling, will focus on the Pilunani zinc-lead project located 20 kilometres southeast of the Princesa project. Pilunani is a high priority target with potential for hosting near surface zinc-lead mineralization.

Drilling completed by previous operators intersected widespread zinc and lead mineralization associated with a stratabound manto type deposit hosted in Permian limestones and sediments including polymictic breccias.

Some of the more encouraging intersections which require follow up investigation include:

- Hole PIL-1 - 20.2 metres grading 6.54% zinc and 5.14 % lead. (1)
- Hole PIL-6 – 17.1 metres grading 5.18% zinc and 1.63% lead
- Hole PIL-9 – 18.75 metres grading 5.71% zinc and 1.11% lead
- Hole PIL-10 – 9.55 metres grading 6.8% zinc and 15.44% lead

(1) Intervals represent the down hole core intersection and, until more data is available on the geometry of the mineralized zone, are not considered true widths.

A complete list of historic drill results with corresponding cross sections and plan maps from the Pilunani project is included in a NI 43-101 technical report available on Caracara's website at www.caracarasilver.com and on www.sedar.com

Parcuayo

The Parcuayo project, located approximately 28 kilometres northwest of the Princesa project, is an early stage silver-lead-zinc prospect that will be tested by a 1,000-metre drill program later this year. The target at Parcuayo has been defined by surface mapping and sampling over a 200-metre by 100-metre area.

Mineralization is hosted by diatreme clastic breccias and includes high grading grab samples such as 28% zinc and 18.8% lead and 16% zinc and 12.6% lead. Parcuayo has never been drill tested.

Qualified Person

Mr. Alain Vachon, P.Geo, Caracara Silver's Vice President Exploration and the Company's Qualified Person as defined by National Instrument 43-101, has reviewed and approved the contents of this press release.

About the Company

Caracara Silver Inc. is focused on acquiring, exploring and developing silver, zinc and lead resources to meet the world's growing demand. The Company holds 43 concessions totalling 29,099 hectares in Southern Peru.

Caracara has 50,821,167 shares issued and outstanding and trades on the TSX Venture Exchange under symbol: CSV.

THE TSX VENTURE EXCHANGE DOES NOT ACCEPT RESPONSIBILITY FOR THE ACCURACY OR ADEQUACY OF THIS RELEASE.

This news release may contain forward-looking statements that are based on Caracara Silver Inc.'s expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements. Statements speak only as of the date on which they are made, and Caracara Silver Inc. undertakes no obligation to update them publicly to reflect new information or the occurrence of future events or circumstances, unless otherwise required to do so by law.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release and has in no way passed upon the merits of the qualifying transaction and has neither approved nor disapproved of the contents of this press release.

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