CARACARA SILVER INC.
(An Exploration Stage Company)

Consolidated Financial Statements
March 31, 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Caracara Silver Inc. are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal control to ensure that the Company's assets are protected from loss or improper use, transactions are authorized and properly recorded and financial records are reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control through an audit committee, which is comprised primarily of non-management directors. The audit committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated balance sheet as at March 31, 2011 and the consolidated statements of operations and deficit and cash flows for the period from incorporation on September 1, 2010 to March 31, 2011 have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Nick Tintor"	*"Stephen Gledhill"*
…………………………………………	…………………………………………
Nick Tintor	Stephen Gledhill
Chief Executive Officer	Chief Financial Officer

Vancouver, British Columbia
May 31, 2011

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE DIRECTORS OF CARACARA SILVER INC.
(An Exploration Stage Company)

We have audited the accompanying consolidated financial statements of Caracara Silver Inc. (an exploration stage company), which comprise the consolidated balance sheet as at March 31, 2011, and the consolidated statements of operations and deficit, and cash flows for the period from incorporation on September 1, 2010 to March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Caracara Silver Inc. as at March 31, 2011, and the results of its operations and its cash flows for the period from incorporation on September 1, 2010 to March 31, 2011 in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $49,359 during the period from incorporation on September 1, 2010 to March 31, 2011. This condition, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP
Chartered Accountants

Vancouver, British Columbia
May 31, 2011

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CARACARA SILVER INC.
(An Exploration Stage Company)
Consolidated Balance Sheet
March 31

		2011
Assets		
Current		
Cash	$	149
Accounts receivable		1,173
		1,322
Resource Property (note 6)		218,197
	$	219,519
Liabilities		
Current		
Due to Southern Andes Energy Inc. (note 8)	$	268,868
Shareholder's Deficiency		
Capital Stock (note 7)		10
Deficit		(49,359)
		(49,349)
	$	219,519

Subsequent Events (note 11)

Approved on behalf of the Board:

"Nick Tintor"
.... Director
Nick Tintor

"Robert Boaz"
.... Director
Robert Boaz

CARACARA SILVER INC.
(An Exploration Stage Company)
Consolidated Statement of Operations and Deficit
Period from Incorporation on September 1, 2010 to March 31, 2011

		2011
Expenses		
Legal fees	$	20,754
Accounting fees		17,089
Office and administration		8,701
Travel		4,482
Bank charges and interest		48
Loss Before Other Item		(51,074)
Other Item		
Foreign exchange gain		1,715
Net Loss and Comprehensive Loss for Period		(49,359)
Deficit, Beginning of Period		-
Deficit, End of Period	$	(49,359)
Loss per Share, basic and diluted	$	(494)
Weighted Average Number of Common Shares Outstanding		100

See notes to consolidated financial statements.

CARACARA SILVER INC.
(An Exploration Stage Company)
Consolidated Statement of Cash Flows
Period from Incorporation on September 1, 2010 to March 31, 2011

		2011
Operating Activities		
Net loss for period	$	(49,359)
Changes in non-cash working capital		
Accounts receivable		(1,173)
Due to Southern Andes Energy Inc.		268,868
		267,695
Cash Provided by Operating Activities		218,336
Investing Activity		
Resource property expenditures		(218,197)
Financing Activity		
Issuance of common shares		10
Inflow of Cash		149
Cash, Beginning of Period		-
Cash, End of Period	$	149
Supplemental Cash Flow Information		
Interest paid	$	-
Income taxes paid	$	-

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Caracara Silver Inc. (the "Company" or "Caracara") is an exploration stage company. The Company was incorporated under the *Company Act* (Ontario) on September 1, 2010 under the name Caracara Mining Inc. On November 16, 2010, the Company changed its name to Caracara Silver Inc. The principal business activity of the Company is the acquisition, exploration and development of mineral properties.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Continuation of the Company as a going concern is dependent upon the continued financial support of Southern Andes Energy Inc. (the "Shareholder" or "Southern Andes"), obtaining equity or debt financing, or proceeds from the sale of assets. The Company is economically dependent on Southern Andes funding as it is required for continuing operations (note 8). At March 31, 2011, the Company had a working capital deficit of $267,546 and an accumulated deficit of $49,359.

2. ACQUISITION

On September 6, 2010, the Company acquired 100% of the issued and outstanding common shares of Alpaca Exploraciones S.A.C. ("Alpaca"), a company incorporated in Peru. The results of Alpaca's operations have been included in the consolidated financial statements from September 6, 2010. The acquisition of Alpaca's shares was achieved by the Company paying $361. At the date of acquisition, Alpaca had $201 in cash and $5,608 in liabilities.

The acquisition was accounted for using the purchase method of accounting as a purchase of assets, with the Company being identified as the acquirer and Alpaca as the acquiree. In accordance with the purchase method of accounting, the purchase consideration of $361 is allocated to the underlying assets acquired and liabilities assumed based on their fair values at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Alpaca.

All intercompany balances and transactions with Alpaca have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of resource properties, determination of environmental obligations, useful life and recoverability of long-lived assets, accounts payable and accrued liabilities, and valuation allowance for future income tax assets. The Company bases its estimates and assumptions on current facts and various other factors that it believes to be reasonable under the circumstances. The actual results experienced by the Company may differ materially and adversely from the Company's estimates and could affect future results of operations and cash flows.

(c) Resource properties

The Company defers all costs related to investments in resource properties on a property-by-property basis. Such costs include resource property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and resource properties are either developed or the Company's mineral rights are allowed to lapse.

All deferred resource property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

From time to time, the Company may acquire or dispose of a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, any amounts payable or receivable are recorded as property costs or recoveries when the payments are made or received.

(d) Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. Amounts denominated in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;

(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Expenses at the rate on the date of transaction.

Gains and losses arising from the translation of foreign currency are included in net loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(f) Asset retirement obligations (“ARO”)

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion will be charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs.

(g) Financial instruments

Financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until there is a disposition or the impairment is considered other than temporary, at which time the amounts would be recorded in net income.

Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair values:

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 (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Early adoption of accounting policy

Effective September 1, 2010, the Company early adopted the following standards of the Canadian Institute of Chartered Accountants under the following Handbook guidelines.

Business Combinations

Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

(i) Future accounting change

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its June 30, 2011 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the period ended March 31, 2011. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS.

4. FINANCIAL INSTRUMENTS

The Company has classified its cash as held-for-trading and due to Southern Andes Energy Inc. as other financial liabilities.

The carrying value of cash approximates its fair value due to its short-term maturity. The fair value of the balance due to Southern Andes cannot be determined as the parties are related and there is no independent market for such instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

4. FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The credit risk associated with cash is minimized substantially by ensuring that these financial assets are placed with a major Peruvian financial institution with strong investment-grade rating by a primary ratings agency. Concentration of credit risk exists with respect to the Company's cash, as substantially all amounts are held with a single major Peruvian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		2011
Cash – Peru	$	149

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its financial obligations as they become due.

The Company's approach to managing liquidity risk is to forecast its cash inflows and outflows. As at March 31, 2011, the Company had a cash balance of $149 to settle current liabilities of $268,868. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Based on the current funds held, the Company will need to rely upon continued financial support of the controlling shareholder, other equity or debt financing, or proceeds from the sale of assets to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk. The market risks the Company is exposed to are as follows:

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

4. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk with respect to cash balances and transactions during the period as a portion of these amounts are denominated in Peruvian soles. The Company has not entered into any foreign currency contracts to mitigate this risk.

As at March 31, 2011, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	2011	
	Peruvian Soles	Cdn $
Cash	432	149
Accounts receivable	3,366	1,163
Due to Southern Andes Energy Inc.	(129,349)	(46,110)
Net exposure	(125,551)	(44,798)

Based on the above, assuming all other variables remain constant, a 7% weakening or strengthening of the Canadian dollar against the Peruvian soles would result in an increase/decrease of approximately $3,132 in the Company's net loss.

(iii) Other price risk

The Company is not exposed to other price risk.

5. CAPITAL MANAGEMENT

The Company considers its capital under management to consist of shareholders' equity and due to Southern Andes Energy Inc. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

5. CAPITAL MANAGEMENT (Continued)

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will need to raise additional capital. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements.

6. RESOURCE PROPERTY

The Company's investment in and expenditures on the mineral property interests in Princesa-Pilunani Belt are comprised of the following:

Acquisition costs	$	98,112
Deferred exploration costs		
Geological consulting		66,126
Legal fees		519
License fees		30,427
Mapping and geology		23,013
Balance, March 31, 2011	$	218,197

(a) Princesa-Pilunani Belt properties, Peru

Pursuant to a purchase agreement dated September 27, 2010, between the Company and Cybersonic Ltd. ("Cybersonic"), the Company acquired a 100% undivided interest in certain properties located in Peru as well as the right to technical databases detailing the Princesa Project area in Peru. The purchase agreement is for a period of three years and requires the Company to make the following payments:

(i) US $30,000 at the execution of the letter of intent (paid);
(ii) US $70,000 on the effective date of the agreement (paid);
(iii) US $120,000 and issue 2,000,000 common shares of the Company on the first anniversary date; and
(iv) US $280,000 and issue 1,000,000 common shares of the Company on the second anniversary date.

6. RESOURCE PROPERTY (Continued)

(b) Realization of assets

The investment in and expenditures on resource properties comprise substantially all of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are allowed to lapse.

(c) Title to resource properties

Although the Company has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(d) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

7. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and outstanding

	Number of Common Shares		Amount
Shares issued on incorporation	100	$	10
Balance, March 31, 2011	100	$	10

8. RELATED PARTY TRANSACTIONS

During the period, the sole shareholder has funded all operations for the Company including administrative and property maintenance expenses. All related party transactions and balances have been recorded at amounts agreed to by the parties, which equals the exchange amount. As at March 31, 2011, the balance due to Southern Andes of $268,868 is unsecured and without interest or stated terms of repayment.

9. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral properties. Geographic information is as follows:

		2011
Assets		
Peru	$	219,509
Canada		10
	$	219,519

10. INCOME TAXES

The reconciliation of income tax computed at the statutory tax rate of 28.5% to income tax expense is:

		2011
Income tax benefit computed at Canadian statutory rates	$	(14,067)
Other		(489)
Adjustment due to effective tax rate attributable to income taxes in other countries		53
Change in valuation allowance		12,748
Income tax rate change		1,755
	$	-

10. INCOME TAXES (Continued)

The components of future income tax assets are as follows:

		2011
Future income tax assets		
Non-capital loss carry-forwards	$	12,748
Valuation allowance for future income tax assets		(12,748)
Future income tax assets, net	$	-

The Company has $48,935 in operating losses that may be carried forward to apply against future years' income for Canadian income tax purposes expiring in 2030. The Company has $2,064 in operating losses that may be carried forward to apply against future years' income for Peruvian income tax purposes expiring in 2015.

The valuation allowance reflects the Company's estimate that the tax assets more likely than not will not be realized.

11. SUBSEQUENT EVENTS

(a) On April 13, 2011, Southern Andes signed a definitive agreement with Ansue Capital Corp. ("Ansue"), which provides that Ansue shall acquire all of the issued and outstanding shares of the Company and all of the issued and outstanding shares of another Southern Andes subsidiary, Solex del Peru SAC (the "Acquisition"). As a result of the Acquisition, Ansue will acquire all of the silver assets of Southern Andes, which comprise concessions in Peru.

As consideration for the Acquisition, Ansue has agreed to issue 100,000,000 common shares to Southern Andes and to assume intercorporate debt owing to Southern Andes by Caracara and/or Alpaca in the estimated amount of $268,868. Ansue has also agreed to assume the obligation of Caracara to issue shares to Cybersonic (note 6).

Pursuant, but subsequent to the Acquisition, Ansue will consolidate its common shares on a 1 for 3 basis.

(b) On April 8, 2011, the Company entered into an amended agreement with Cybersonic whereby the delivery of the first tranche of shares (note 6(a)(iii)) has been changed to 5,676,000 pre-consolidation shares of Ansue issued after the close of the Acquisition. One year after the completion of the Acquisition, Ansue will issue a further 2,924,000 pre-consolidation common shares (note 6(a)(iv)).