Caracara Silver Inc.

(formerly Ansue Capital Corp.)

Unaudited Interim

Consolidated Financial Statements

As at and for the three months ended

September 30, 2012 and 2011

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three months ended September 30, 2012 and 2011 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. (formerly Ansue Capital Corp.) (“Caracara or the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements (the “Financial Statements”) have been prepared by management, on behalf of the Board of Directors, 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 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 of Directors 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 of Directors 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.

“Nick Tintor”
President and Chief Executive Officer

November 12, 2012

“Stephen Gledhill”
Chief Financial Officer

November 12, 2012

Caracara Silver Inc.
(formerly Ansue Capital Corp.)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	**September 30, 2012**	June 30, 2012
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 8)*	**2,198,896**	2,929,525
Amounts receivable and prepaid expenses *(note 9)*	**81,128**	46,968
Total current assets	**2,280,024**	2,976,493
Total assets	**2,280,024**	2,976,493
Liabilities		
Current liabilities		
Trade payables *(note 10)*	**157,277**	170,422
Accrued liabilities	**35,000**	30,000
Total current liabilities	**192,277**	200,422
Total liabilities	**192,277**	200,422
Shareholders' equity		
Share capital *(note 12)*	**7,340,622**	7,340,622
Reserve for warrants	**1,637,888**	1,637,888
Reserve for share-based payments	**1,211,354**	1,121,239
Deficit	**(8,102,117)**	(7,323,678)
Total shareholders' equity	**2,087,747**	2,776,071
Total liabilities and shareholders' equity	**2,280,024**	2,976,493

Continuance of operations (note 2)
Commitments (note 13)
Restatement (note 15)
Subsequent events (note 16)

Approved by the Board on November 12, 2012:

"Robert Boaz" — Director

"*Stephen Coates"* — Director

Caracara Silver Inc.
(formerly Ansue Capital Corp.)

Consolidated Statements of Operations and Comprehensive Loss

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

Three months ended	**September 30, 2012**	September 30, 2011
	$	$
		(Restated - note 15)
Exploration and evaluation expenditures *(note 13)*	**489,696**	246,162
Administrative expenses		
Consulting and professional fees	**8,460**	202,991
General and administrative	**50,347**	21,694
Investor relations *(note 11)*	**10,644**	15,009
Listing costs *(notes 4 and 15)*	**-**	751,984
Management fees and salaries *(note 11)*	**128,050**	117,425
Share-based compensation *(notes 11 and 12)*	**90,115**	263,324
Shareholder and public company expenses	**884**	40,084
Total administrative expenses	**288,500**	1,412,511
Total operating expenses	**778,196**	1,658,673
Net loss before other items	**(778,196)**	(1,658,673)
Other items		
Foreign exchange loss	**(6,850)**	(115,582)
Interest and other income	**6,606**	14,002
Net loss and comprehensive loss	**(778,440)**	(1,760,253)
Basic and fully diluted loss per share	**(0.02)**	(0.94)
Weighted average number of common shares outstanding	**50,921,168**	1,873,022

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

Caracara Silver Inc.
(formerly Ansue Capital Corp.)

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Share Capital		Reserves			
	Number of Shares	**Amount**	**Share-based payments**	**Warrants**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**
		(Restated – note 15)	*(Restated – note 15)*	*(Restated – note 15)*	*(Restated - note 15)*	
Balance at June 30, 2011, of Solex	**10,000**	**3,973**	**-**	**-**	**(1,771,476)**	**(1,767,503)**
Transactions pursuant to Corporate Merger *(note 4)*:						
Shares acquired by Ansue	(10,000)	-	-	-	-	-
Issued to Ansue shareholders	1,353,334	814,204	69,533	-	-	883,737
CSI Princesa deficit	-	-	-	-	(375,748)	(375,748)
Solex deficit	-	-	-	-	(3,973)	(3,973)
Issued on Transaction to SAE shareholders	33,333,333	1,640,401	-	-	-	1,640,401
Offering (net of costs) *(note 12)*	14,242,501	5,971,897	-	-	-	5,971,897
Shares issued as finder's fees	100,000	45,000	-	-	-	45,000
Recapitalization of finder's fee shares	-	(45,000)	-	-	-	(45,000)
Fair value of issued warrants	-	(1,637,888)	-	1,637,888	-	-
Fair value of issued broker warrants	-	(303,365)	303,365	-	-	-
Share-based compensation	-	-	263,324	-	-	263,324
Net loss for the period	-	-	-	-	(1,760,253)	(1,760,253)
Balance at September 30, 2011	**49,029,168**	**6,489,222**	**636,222**	**1,637,888**	**(3,911,450)**	**4,851,882**
Expired agent options	-	-	(13,533)	-	13,533	-
Issued for property payment	1,892,000	851,400	-	-	-	851,400
Share-based compensation	-	-	498,550	-	-	498,550
Net loss for the period	-	-	-	-	(3,425,760)	(3,425,760)
Balance at June 30, 2012	**50,921,168**	**7,340,622**	**1,121,239**	**1,637,888**	**(7,323,677)**	**2,776,072**
Share-based compensation	-	-	90,115	-	-	90,115
Net loss for the period	-	-	-	-	(778,440)	(778,440)
Balance at September 30, 2012	**50,921,168**	**7,340,622**	**1,211,354**	**1,637,888**	**(8,102,117)**	**2,087,747**

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

Caracara Silver Inc.
(formerly Ansue Capital Corp.)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Three months ended	September 30, 2012	September 30, 2011
	$	$
		(Restated – note 15)
Operating activities		
Net income (loss)	**(778,440)**	(1,760,253)
Adjustments to reconcile net loss to cash flow from operating activities:		
Share-based compensation	**90,115**	263,324
Listing costs	**-**	751,984
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	**(34,160)**	(55,855)
Accounts payable and accrued liabilities	**(8,144)**	(215,489)
Cash used in operating activities	**(730,629)**	(1,016,289)
Financing activities		
Issuance of common shares (net of issuance costs of $nil (2011 - $437,229))	**-**	5,971,896
Cash provided from financing activities	**-**	5,971,896
Investing activities		
Cash acquired on Corporate Merger	**-**	127,239
Cash provided from investing activities	**-**	127,239
Increase in cash and cash equivalents at end of three months	**(730,629)**	5,971,895
Cash and cash equivalents, beginning of year	**2,929,525**	-
Cash and cash equivalents, end of period	**2,198,896**	5,971,895
Supplemental cash flow information:		
Interest paid	-	-
Income taxes paid	-	-

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

1. General

Ansue Capital Corp. ("Ansue") was incorporated under the laws of British Columbia on December 3, 2009. Ansue was a capital pool company ("CPC") as defined by the rules of the TSX Venture Exchange ("TSXV") in Policy 2.4 of the TSXV. On July 18, 2011, Ansue announced that at the Annual Meeting of the shareholders of Ansue, all matters regarding a Qualifying Transaction with Southern Andes Energy Inc. ("SAE") were approved including the proposed name change of Ansue to Caracara Silver Inc.

The Qualifying Transaction with SAE provided that Ansue would acquire (the "Corporate Merger") all of the issued and outstanding shares of Caracara Silver Inc. ("CSI"), Alpaca Exploraciones SAC ("Alpaca") and Solex del Peru SAC ("Solex"), thereby acquiring all of SAE's silver assets in exchange for 100,000,000 pre-Consolidation (as defined in *note 4* to these Financial Statements) common shares of Ansue. On January 1, 2012, Alpaca was amalgamated with Solex to reduce administrative burden. The silver assets of SAE comprise 24,600 hectares of concessions located north of Juliaca, Peru. On August 19, 2011, Ansue and the Company announced the closing of the Corporate Merger. Upon closing, CSI's name was changed to CSI Princesa Inc. ("Princesa") and Ansue's name was changed to Caracara Silver Inc. ("Caracara" or the "Company"). Please refer to note 4 for further details of the Corporate Merger.

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.

2. Continuance of operations

The Financial Statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2012, the Company has not generated any revenues from operations and has used $730,629 (2011 – $1,016,289) for operating activities for the three months ended September 30, 2012. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that it has sufficient working capital to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing may be required but will not be available on a timely basis or on terms acceptable to the Company. The Financial Statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The reader is also directed to review *note 6 (ii)*.

3. Basis of preparation

3.1 Statement of compliance

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with *International Accounting Standards 34 'Interim Financial Reporting'.*

The Financial Statements were approved by the Company's Board of Directors on November 12, 2012.

3.2 Basis of presentation

The Financial Statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's June 30, 2012 audited annual consolidated financial statements. The Financial Statements are presented in Canadian dollars, the Company's functional currency.

3.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, and amendments that are effective for the Company's financial year beginning on or after July 1, 2013, except as indicated, with early adoption permitted.

- **IFRS 9** ***Financial Instruments: Classification and Measurement*** – introduces new requirements for the classification and measurement of financial instruments, effective on July 1, 2015.

- **IFRS 10** ***Consolidated Financial Statements*** – establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- **IFRS 11** ***Joint Arrangements*** – provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

- **IFRS 12** ***Disclosure of Interests in Other Entities*** – requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

- **IFRS 13** ***Fair Value Measurement*** – provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the Financial Statements.

4. Corporate Merger

On April 13, 2011, SAE and Ansue entered into a Qualifying Transaction (as such term is defined under TSXV Policy 2.4), pursuant to which Ansue agreed to acquire from SAE, by issuing 100,000,000 pre-Consolidation (or 33,333,333 post-consolidation) shares to SAE (as hereinafter defined), all of the issued and outstanding shares in the capital of Caracara, Alpaca, Solex and the SAE silver assets. In exchange, Ansue agreed to undertake the settlement of the intercompany debt and the acceptance of obligations of Caracara to issue 3.0 million common shares as set forth in the agreement dated September 27, 2010 among Cybersonic Ltd. ("Cybersonic"), Caracara and Alpaca, which will, pursuant to an amendment agreement dated as of April 8, 2011, on completion of the Corporate Merger, become an obligation of Ansue to issue an aggregate of 8.6 million pre-Consolidation common shares) on behalf of SAE and Caracara, respectively.

(Expressed in Canadian dollars)

Immediately prior to the completion of the Qualifying Transaction, Ansue completed a 1-for-3 share consolidation (the "Consolidation") of its capital, after which, Ansue will have 1,353,334 shares outstanding.

Based on the relative ownership percentages of the combined company by the shareholders of SAE prior to the transaction and former Ansue shareholders, and the composition of the Board of Directors of the newly-combined Company, from an accounting perspective, Solex is considered to be the accounting acquirer and, therefore, the Corporate Merger has been accounted for similar to a reverse takeover. For financial reporting purposes, the Company is considered a continuation of Solex, a legal subsidiary, except with regard to authorized and issued share capital, which is that of Ansue, the legal parent. Consequently, comparative amounts in these restated Financial Statements are those of Solex only. Ansue was not considered to be an acquired business under accounting guidance as it was a CPC. Therefore, the Corporate Merger has been accounted for as a capital transaction and not a business combination. Further, under IFRS, as the transaction is not considered to be a business acquisition, IFRS 3 *Business Combinations*, is not applicable, and such transactions have been accounted for pursuant to IFRS 2 *Share-based Payment*. Pursuant to IFRS 2, an equity-settled, share-based payment is to be measured based on the value of the goods or services received along with the corresponding increase in equity. If the value of the goods or services cannot be measured reliably, the fair value of the equity instruments given up should be used. The fair value of Caracara equity issued has been determined as follows:

	$
1,353,334[1] common shares issued to Ansue shareholders at $0.33 per share[2] *(note 12)*	446,600
SAE intercompany debt assumed by Ansue shareholders	367,604
Fair value of common shares issued to Ansue shareholders	814,204
133,333[1] options issued to Ansue optionholders at $0.42 per option[3] *(note 12)*	56,000
46,667[1] broker warrants issued to Ansue brokers at $0.29 per broker warrant[3] *(note 12)*	13,533
Fair value of share-based payments issued to Ansue shareholders	69,533
Fair value of common shares and warrants issued	**883,737**

Allocated to Ansue's net assets as follows:

	$
Cash	127,112
HST receivable	4,641
Net assets	**131,753**
Listing costs (note 15)	751,984
Fair value of common shares and warrants issued	**883,737**

[1] Subsequent to a 1-for-3 share Consolidation.
[2] Note 12 discloses the Black-Scholes variables used to determine the fair value of the warrants ($0.12 each) included as part of the Units that were issued at $0.45 each.
[3] Note 12 discloses the Black-Scholes variables used to determine the fair value of the options and broker warrants.

5. Capital management

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts and deficit, which as at September 30, 2012 totaled $2,087,747 (June 30, 2012 – $2,776,071. 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's properties are in the exploration and development stage and, as a result, 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 three months ended September 30, 2012. The Company is not subject to externally imposed capital restrictions.

6. Financial instruments

Fair value

The Company has designated its cash as FVTPL, which is measured at fair value. Amounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost that approximates fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value. Fair values of accounts receivable and accounts payable and accrued liabilities are determined from transaction values that were derived from observable market inputs. Fair values of other financial assets are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

As at September 30, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

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 judgment 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 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. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a. **Cash and cash equivalents** – Cash and cash equivalents are held with major Canadian and Peruvian banks and therefore the risk of loss is minimal.

b. **Amounts receivable** of **$70,131 (2011 - $44,478)** – The Company is not exposed to significant credit risk as $16,253 (2011 - $12,614) is due from a major Canadian bank and $16,616 (2011 - $12,428) is due from the Canadian government. Potential loss associated with amounts not due from the Canadian government or banks is limited to $37,263 (2011 - $19,436).

c. **Prepaid expenses of $10,997 (2011 - $2,490)** – The Company's prepaid expenses are not exposed to significant credit risk as these amounts have been paid to a major Canadian insurance company.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at September 30, 2012, the Company had working capital of $2,087,747 (June 30, 2012 – $2,776,071). The long-term 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 and property exploration expenditures, 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. Cash not required in the short term is invested in short-term guaranteed investment certificates, as appropriate.

b. Currency risk

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

(Expressed in Canadian dollars)

c. Price risk

The Company holds no investments and is therefore 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 three-month period.

The Company's funds are kept in Canadian and US dollars at a major Canadian financial institution. As at September 30, 2012 and June 30, 2011, the Company's exposure to foreign currency balances is as follows:

Account	**Foreign Currency**	**Exposure ($Cdn)**	
		September 30, 2012	**June 30, 2011**
Cash	US dollar	158,704	221,378
Accounts receivable	US dollar	34,503	16,676

The Company believes that a change of 10% in foreign exchange rates would not have a material effect on net loss and comprehensive loss for the three months ended September 30, 2012 and 2011.

8. Cash and cash equivalents

The balance at September 30, 2012, consists of cash amounting to $147,928 (June 30, 2012 - $231,589) and GIC for $2,000,000 (June 30, 2012 - $2,500,000) on deposit with a major Canadian bank and $50,968 (June 30, 2012 - $197,936) on deposit with a major Peruvian bank.

9. Amounts receivable and prepaid expenses

The Company's amounts receivable and prepaid expenses balance consists amounts receivable of $70,131 (June 30, 2012 - $44,478) and prepaid expenses of $10,997 (June 30, 2012 - $2,490). Harmonized Sales Tax ("HST") recoverable from the Canadian government taxation authority comprises $16,616 (June 30, 2012 - $12,428) of the amounts receivable as at September 30, 2012.

Below is an aged analysis of the Company's amounts receivable:

	As at,	
	September 30, 2012	June 30, 2012
	$	$
1 – 30 days	**20,732**	19,034
30 – 60 days	**28,247**	7,653
61 – 90 days	**1,922**	590

(Expressed in Canadian dollars)

> 90 days	**19,230**	17,201
Total amounts receivable	**70,131**	44,478

As at September 30, 2012, the Company anticipates full recovery of these amounts and, therefore, no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in *note 5*.

10. Trade payables

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

The following is an aged analysis of the trade payables:

	As at,	
	September 30, 2012	June 30, 2012
	$	$
1 – 30 days	**100,256**	153,787
30 – 60 days	**400**	695
61 – 90 days	**30,334**	780
> 90 days	**26,287**	15,160
Total trade payables	**157,277**	170,422

11. Related-party transactions

The Financial Statements include transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. Share-based compensation expenses were recorded at fair value estimated using the Black-Scholes model *(note 12)*. The Company incurred the following fees and expenses in the normal course of operations in connection with companies controlled by executive officers as follows:

Three months ended	**September 30, 2012**	September 30, 2011
	$	$
Management fees	**110,550**	87,500
Investor relations	**-**	7,500
Share-based compensation	**35,402**	99,882

The remuneration of directors and other key management personnel was as follows:

(Expressed in Canadian dollars)

Three months ended	**September 30, 2012**	September 30, 2011
	$	$
Share-based compensation	**54,713**	163,442
Directors' fees	**17,500**	-

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the three months ended September 30, 2012 and 2011.

12. Share capital

(i) Authorized share capital consists of an unlimited number of common shares.

(ii) Issued and outstanding share capital:

The number of shares outstanding represents the legal number of outstanding shares of Ansue, but the book value associated with them for accounting purposes is based upon Caracara's share capital account as at August 19, 2011, the date of the Corporate Merger that affected the reverse takeover transaction plus Ansue's share activity since that date. The dollar amount of the legal stated capital of Ansue therefore differs from the amounts reflected in the statement of changes in equity.

Ansue initial public offering

In May 2010, Ansue completed its initial public offering by issuing 2,000,000 common shares at a purchase price of $0.10 per share for gross proceeds to Ansue of $200,000. Financing costs totaled $78,094. Mackie Research Capital Corporation acted as agent in respect of the offering and received a cash commission of $20,000, an administration fee of $10,000 and an option to acquire an aggregate 200,000 common shares for a period of two years from the date of listing of the common shares of the Company on the TSXV at an exercise price of $0.10 per common share. In August 2010, 60,000 agent options were exercised for gross proceeds to Ansue of $6,000, leaving a balance of 140,000 agent options outstanding.

Offering

On May 31, 2011, 14,242,501 Ansue subscription receipts were issued to subscribers pursuant to the Offering for aggregate gross proceeds of $6,409,125. Each Ansue subscription receipt sold at the offering price of $0.45 (the "Offering Price"), and consisted of one Ansue common share and one-half of one Ansue share purchase warrant (a "Unit"). Each Unit was automatically converted for no further consideration into one common share of the Company and one-half of one share purchase warrant (a "Warrant") on a post-Consolidation basis immediately upon completion of the Qualifying Transaction. Each whole Warrant is exercisable for one common share at an exercise price of $0.60 (post-Consolidation basis) until May 31, 2013, provided that, if after the date that is four months and a day from May 31, 2011, the weighted average closing price of the Company's common shares, as traded on the TSXV equals or exceeds $0.90 per common share, subject to adjustment, for any period of 20 consecutive trading days, the right to exercise the Warrant expires within 30 days after notice of such event is mailed to the warrantholders.

(Expressed in Canadian dollars)

In connection with the Offering, agents and selling group members appointed by the agents received a cash commission of $384,547. Additional cash costs of the Offering totaled $52,682, for total aggregated cash costs of $437,229. The agents and selling group members appointed by the agents also received 854,550 broker warrants (each a "Broker Warrant"). Each Broker Warrant is exercisable until May 31, 2013, for one Unit on a post-Consolidation basis at the Offering Price.

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the Broker Warrant fair values:

Weighted average information	
Exercise price	$0.45
Risk-free interest rate	2.7%
Expected life	2.0 years
Expected volatility	171%
Expected dividends	-
Fair value	$0.35

Shares issued for property payment

The Company issued 1,892,000 common shares in consideration of a property payment pursuant to the amended Purchase Agreement with Cybersonic *(note 13)*.

(iii) Escrowed shares:

On January 18, 2010, Ansue issued 2,000,000 common shares at $0.05 per share to its directors and officers for cash proceeds of $100,000. These shares are subject to an escrow agreement, and are to be released in accordance with the TSXV CPC policy guidelines. Pursuant to TSXV policies, all seed shares issued at a price lower than the price of the initial public offering shares and all securities acquired by non-arm's length parties to Ansue, and all securities acquired by a control person are held in escrow and will be released over a period of three yearsfrom the acceptance of the Company's Qualifying Transaction.

On August 19, 2011, the Corporate Merger (and thereby, the Qualifying Transaction) was completed. Final TSXV approval of the Corporate Merger was received effective the start of trading on August 25, 2011. Subject to the policies of the TSXV, the following table summarizes the common shares of the Company (both shares issued pursuant to the Offering and shares issued in exchange for old Ansue shares pursuant to the Corporate Merger) that were issued subject to under escrow and the dates of release therefrom:

		Release dates				
Issuance	**Total**	**Aug. 25, 2011**[1]	**Feb. 25, 2012**[1]	**April 12, 2012**[1,2]	**Aug. 25, 2012**[2]	**Feb. 25, 2013**[2]
Ansue initial public offering	666,665	166,666	166,666	-	166,666	166,667
Corporate Merger	33,333,333	8,333,333	8,333,333	16,666,666	-	-
Total escrowed common shares	**33,999,998**	**8,499,999**	**8,499,999**	**16,666,666**	**166,666**	**166,667**

[1] These common shares were released to shareholders.

(Expressed in Canadian dollars)

[2] On April 13, 2012, Macusani Yellowcake Inc. and SAE announced the completion of a merger of the two companies. Prior to completion of the merger, the TSXV agreed to the release of the remaining escrowed shares belonging to SAE and, as a result, SAE completed the distribution to its shareholders, as a return of capital, 33,333,333 common shares it held in the capital of Caracara. As at September 30, 2012, the remaining escrowed shares from Ansue's initial public offering totalling 166,667 shares remain under escrow and will be released according to the above schedule.

Warrants

A summary of warrant activity is shown in the table below. There were no transactions during the three months ended September 30, 2012:

	No. of warrants	Weighted average exercise price
		$
Balance, June 30, 2011	-	-
Issued	7,975,800	0.58
Balance, June 30, 2012 and September 30, 2012	**7,975,800**	**0.58**

Details of warrants outstanding as of September 30, 2012 is as follows:

Date of expiry	No. of warrants	Exercise price
		$
May 31, 2013	854,550	0.45
May 31, 2013	7,121,250	0.60
	7,975,800	**0.58**

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the fair value of the warrants issued in fiscal 2012:

Weighted average information	
Exercise price	$0.58
Risk-free interest rate	2.7%
Expected life	2.0 years
Expected volatility	171%
Expected dividends	-
Fair value	$0.24

(Expressed in Canadian dollars)

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 September 30, 2012, the Company had 2,158,784 (June 30, 2012 – 2,158,784) options available for issuance.

A continuity of the unexercised options to purchase common shares is as follows:

	September 30, 2012		June 30, 2012	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
	$		$	
Outstanding at beginning of period/year	**0.59**	**2,933,000**	-	-
Transactions during the period/year:				
Granted	**-**	**-**	0.58	2,980,000
Expired	**-**	**-**	0.30	(46,667)
Forfeited	**-**	**-**	-	-
Outstanding at end of period/year	**0.59**	**2,933,000**	0.59	2,933,333

The following table provides additional information about outstanding stock options at September 30, 2012:

No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)
133,333[1]	2.7	0.30
2,800,000	4.0	0.50
2,933,333	3.9	0.59

[1]Reflects the 1-for-3 Consolidation. The options, when exercised, are subject to the escrow provisions as noted above.

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the fair values of the options issued in fiscal 2012:

Weighted average information	
Exercise price	$0.60
Risk-free interest rate	1.44%

(Expressed in Canadian dollars)

Expected life	5.0 years
Expected volatility	102%
Expected dividends	-
Fair value	$0.33

Share-based compensation that has vested during the three months ended September 30, 2012 totaled $90,115 (2011 - $263,324), with such amount expensed in the consolidated statements of operations.

13. Exploration and evaluation expenditures

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

	Three months ended September 30, 2012	Three months ended September 30, 2011	Cumulative to September 30, 2012
	$	$	$
Acquisition costs	**-**	120,000	1,610,914
Exploration costs:			
Drilling	**191,267**	-	487,876
Environmental and community relations	**1,409**	-	139,397
Assaying and sampling	**18,436**	1,113	55,195
Field and camp supplies	**77,290**	4,810	471,224
Consulting and professional fees	**22,292**	33,635	323,049
General exploration expenditures	**179,001**	86,605	608,524
	489,696	126,162	2,085,265
Total exploration and evaluation expenditures	**489,696**	246,162	3,696,179

Mineral projects

Caracara controls 43 mineral claims along the Princesa-Pilunani mineralized trend located 1,000 kilometers southeast of Lima, the capital of Peru or 210 kilometres north of Juliaca, within the administrative department of Puno, in southern Peru. As of September 30, 2012, all of the 43 mineral claims were in good legal standing and were being held by Solex, a wholly-owned Peruvian subsidiary of the Company.

The Company operates four mineral exploration projects as follows:

Princesa Project: The key Princesa silver-zinc-lead project consists of 8 mining concessions.

Pilunani Project: The Pilunani silver-zinc-lead project originally consisted of 14 mining concessions.

Potoni Project: The Potoni silver-zinc-lead project consists of 8 mining concessions. The properties lie to the east of the Princesa-Pilunani Belt.

Cullquimayo Project: The Cullquimayo project consisted of 13 mining concessions. Ten of these claims were originally acquired by staking while three of the claims were acquired in May 2005 under an option agreement that required an initial payment of US$5,000 per property (paid), payments of US$10,000 per property in year two (paid) and three (paid), and US$50,000 per property in four. In year four, the Optionor of the three optioned properties showed unwillingness to conclude the transaction and receive the final option payment. Subsequently, the Optionor requested completion of the final payment of US$150,000 and, pursuant to an arbitration process in Peru, the Company has been considered to still owe this amount. The Company set aside US$150,000 as accrued liabilities towards the payment. In April 2012, the Company paid the Optionor a total of US$176,173 consisting of US$150,000 towards the final option payments and US$26,173 toward legal fees.

Commitments

The terms of the amended agreement *(note 4)* provide for the following:

i) Payment of US$30,000 upon execution of the letter of intent (paid by SAE, July 16, 2010);
ii) Payment of US$65,000 upon execution and closing of the purchase agreement (paid by SAE, September 28, 2010)
iii) Payment of US$120,000 upon the first anniversary of the closing of the Qualifying Transaction (paid October 5, 2011);
iv) Payment of US$280,000 upon the second anniversary of the closing of the Qualifying Transaction (paid October 29, 2012) (note 15);
v) Issuance of 1,892,000 common shares of the Company upon the closing of the Qualifying Transaction (issued October 6, 2011);
vi) Issuance of 974,666 common shares of the Company upon the first anniversary of the closing of the Qualifying Transaction (issued October 22, 2012) (note 15).

14. Segmented information

Operating segments

At September 30, 2012, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Peru. The Company's corporate division only earns revenues (interest income) that are considered incidental to the activities of the Company and, therefore, does not meet the definition of an operating segment as defined in IFRS 8 *Operating Segments*. As the operations comprise a single reporting segment, amounts disclosed in the Financial Statements also represent the single reporting segment.

Geographic segments

Caracara is in the business of mineral exploration and production in Canada and Peru. As such, management has organized the Company's reportable segments by geographic area. The Peru segment is responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. Information concerning Caracara's reportable segments is as follows:

(Expressed in Canadian dollars)

		Three months ended September 30, 2012	Three months ended September 30, 2011
Consolidated net loss		**$**	$ *(Restated – note 15)*
	Canada	**(342,216)**	(1,475,279)
	Peru	**(436,224)**	(284,974)
		(778,440)	(1,760,253)

Significant non-cash items	**$**	$ *(Restated – note 15)*
Canada:		
Share-based compensation	**90,115**	263,324
Listing fees *(restated – note 15)*	**-**	751,984
	90,115	1,015,308

As at	**September 30, 2012**	June 30, 2012
Identifiable assets	**$**	$
Canada	**2,194,554**	**2,761,880**
Peru	**85,470**	**214,613**
	2,280,024	**2,976,493**

15. Restatement

Comparative amounts for the 3 months ended September 30, 2011, have been restated for accounting modifications and adjustments resulting from the Company's recently completed audit for the years ended June 30, 2012 and 2011 (the "Audited Financial Statements"). The Audited Financial Statements reflected an adjustment to the previously reported listing fee that the Company incurred in completion of the Corporate Merger with Ansue and for a shareholders' equity reallocation of broker options. The listing fee was increased by $367,604 representing loans due and paid to SAE pursuant to the transaction and broker options with a fair value of $316,898 were reallocated to reserve for options from reserve for warrants.

The following adjustments and restatements have been made and are reflected in the Financial Statements:

Corrections to the comparative information:

(i) Consolidated statement of operations:
Net loss and comprehensive loss for the 3 months ended September 30, 2011, has been restated from $1,392,649 to $1,760,253 to account for the additional listing fee.

(ii) Consolidated statement of changes in equity:
(a) Share capital – CSI's deficit ($375,748) and Solex's deficit ($3,973) previously recapitalized has been reallocated to deficit.
(b) Agent options issued to Ansue option holders ($13,533) and broker options issued pursuant to the Financing ($303,365) have been reclassified from reserve for warrants to reserve for share-based payments.
(c) Deficit has been restated from $3,164,125 to $3,911,450 to account for the reallocation per (ii) (a), above and the additional listing fee ((i), above).

16. Subsequent events

Option payment

Pursuant to the purchase agreement between the Company and Cybersonic, on October 29, 2012, Caracara paid US$280,000.

Share issuance for option payment

On October 22, 2012, the Company issued 974,666 common shares with a total value of $73,100, pursuant to a purchase agreement with Cybersonic.