

Management's Discussion and Analysis and Selected Consolidated Financial Information

For the Period Ended March 31, 2011

Caracara Silver Inc.

Overview

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

Selected Consolidated Financial Information

	As at and for the period from incorporation (September 1, 2010 to March 31, 2011 Audited (\$)
Corporate expenses	(51,074)
Net loss	(49,359)
Cash	149
Assets	219,519
Liabilities	268,868
Shareholders' deficit	(49,349)

The following management's discussion and analysis (the "**Caracara MD&A**") of the results of operations and financial condition of Caracara is based on and derived from the audited financial statements of Caracara as at and for the period from September 1, 2010 (date of incorporation) to March 31, 2011. Caracara was incorporated on September 1, 2011 under the name of Caracara Mining Inc. On November 16, 2010, Caracara changed its name to Caracara Silver Inc. The financial statements have been prepared in accordance with Canadian GAAP. Except as otherwise disclosed, all dollar figures included therein and in the following Caracara MD&A are quoted in Canadian dollars.

The consolidated financial statements of Caracara are the responsibility of Caracara's management. The consolidated financial statements have 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 Caracara'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.

Corporate Overview

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

Results of Operations

Period from incorporation (September 1, 2010) to March 31, 2011

Expenses:

Caracara incurred \$51,074 of expenses during the period from incorporation to March 31, 2011, represented mainly by professional and accounting fees relating to the Acquisition as well as travel to the Princesa Project.

Results:

Caracara incurred a net loss and comprehensive net loss of \$49,359 for the period from incorporation to March 31, 2011. The net loss reflects a foreign exchange gain of \$1,715 over the expenses incurred during the period.

Cash flows and sources of financing:

As at March 31, 2011, cash on hand was \$149, represented by cash flow from operations of \$267,695 (loss of \$49,359 offset by changes in working capital balances of \$267,695 with such changes including advances from Southern Andes of \$268,868) and cash flow provided from financing activities (issuance of common shares on incorporation) of \$10. These cash inflows were offset by cash used in investing activities (project expenditures) of \$218,197.

Capital stock:

As at March 31, 2011, issued capital stock of Caracara consisted of 100 commons shares.

Proposed transaction (the "Acquisition")

On April 13, 2011, Southern Andes and Ansue entered into a Qualifying Transaction Agreement whereby all of the issued and outstanding shares of Caracara (a wholly-owned subsidiary of Southern Andes), and thus indirectly all of the shares of Alpaca (a wholly-owned subsidiary of Caracara), as well as all of the issued and outstanding shares of Solex (a wholly-owned subsidiary of Southern Andes) would be acquired by Ansue in exchange for 100,000,000 common shares of Ansue and the assumption by Ansue of 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 and make payments to Cybersonic pursuant to a purchase agreement dated September 27, 2010 and an amended agreement dated April 8, 2011, as follows:

- (i) US \$30,000 at the execution of the letter of intent (paid);
- (ii) US \$65,000 on the effective date of the agreement (paid);
- (iii) Issue 5,676,000 pre-Consolidation shares immediately following the Acquisition;
- (iv) US \$120,000 and issue 2,924,000 pre-Consolidation shares on the first anniversary date; and

(v) US \$280,000 on the second anniversary date.

Significant accounting policies

A summary of Caracara's current, future and changes in accounting policies is included in Note 3 to the audited financial statements for the period from incorporation (September 1, 2010) to March 31, 2011 and included as Schedule B to this Filing Document.

Related-party transactions:

During the period from incorporation to March 31, 2011, the sole shareholder has funded all operations for Caracara 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.

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 Caracara, 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 Caracara's management to sustain future development of the business.

The properties in which Caracara currently has an interest are in the exploration stage; as such, Caracara is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, Caracara 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 Caracara, is reasonable.

The Company is not subject to externally imposed capital requirements.

Risk and uncertainties

Operational:

The operations of Caracara are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing Caracara. Additional risks not currently known to Caracara, or that Caracara currently deems immaterial, may also impair Caracara's operations. If any of the following risks actually occur, Caracara's business, financial condition and operating results could be adversely affected.

Financial risk factors:

A summary of Caracara's financial risk factors is included in Note 4 to the audited financial statements for the period from incorporation (September 1, 2010) to March 31, 2011 and included as Schedule H to this Filing Document.

Other risk factors:

Derivatives risk – resource properties

The Company retains and/or has obligations related to certain carried interest rights, the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the resource property interests to which they relate are not sufficiently developed to reasonably determine value.

Exploration and development risk

Caracara's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the mining industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that Caracara will be profitable in the future.

Business risk

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company may not always own 100% of the mineral claims, concessions, rights or other interests. Similarly, any non-compliance with or non-satisfaction of the terms of an option agreement by Caracara could affect its ability to exercise the option and earn its interest in the claims, concessions and assets relating to resource properties.

Mining claims, concessions or other interests may not include surface rights and there can be no assurance that Caracara will be successful in negotiating long term surface rights access agreements in respect of the properties. Failure to obtain surface rights could have an adverse impact on Caracara's future operations.

The Company's current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether.

The success of the operations and activities of Caracara is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgement, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect Caracara's operations and financial performance.

Political risk

The Company's properties are located in Peru. Accordingly, Caracara is subject to risks normally associated with exploration for and development of resource properties in this country. The Company's mineral exploration activities could be affected in varying degrees by such political instability, aboriginal land claims and government regulation relating to foreign investment and the mining business. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation.

Acquisition

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, Caracara may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate

such opportunity and their personnel with Caracara. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit Caracara.

Competition

The mining industry is intensely competitive in all of its phases, and Caracara competes with many companies possessing greater financial resources and technical facilities than Caracara. Competition in the mining business could adversely affect Caracara's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

The consolidated financial statements of Caracara as at and for the period from September 1, 2010 (date of incorporation) to March 31, 2011 are attached as Schedule "B".

Description of Caracara Securities

Existing Securities

The authorized share capital of Caracara consists of an unlimited number of one class of Caracara Shares. As of the date hereof, 100 Caracara Shares are validly issued and outstanding as fully paid and non-assessable shares. Caracara has no outstanding securities convertible into Caracara shares. The Caracara Shares provide holders with the right (a) to vote at any meeting of shareholders of the corporation; (b) to receive any dividend declared by Caracara; and (c) to receive the remaining property of Caracara on dissolution.

Consolidated Capitalization

The following table states the share and loan capitalization of Caracara as at May 31, 2011 (being the last month end prior to the Filing Statement Date). This table should be read in conjunction with the consolidated financial statements of Caracara and the accompanying notes thereto, which are attached as Schedule "B" to this Filing Statement.

Type of Debt or Security	Amount Authorized	Outstanding at March 31, 2011 (Audited)	Outstanding at May 31, 2011 (Unaudited)
Intercompany loan due to Southern Andes	N/A	\$268,868	\$268,868
Number of Shares	Unlimited	100	100

Prior Sales of Caracara Securities

There is no public market for the Caracara Shares. Since incorporation on September 1, 2010 wherein 100 shares were issued to Southern Andes, no additional Caracara Shares have been issued.