Carpincho Capital Corp.
(Formerly High Income Preferred Shares Corporation)

Financial Statements

For the Years Ended June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Carpincho Capital Corp. (formerly High Income Preferred Shares Corp.)

We have audited the accompanying financial statements of Carpincho Capital Corp. (formerly High Income Preferred Shares Corp.), which comprise the balance sheets as at June 30, 2011 and June 30, 2010 and the statements of operations and deficit and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which states that the Company has material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Carpincho Capital Corp. (formerly High Income Preferred Shares Corp.) as at June 30, 2011 and June 30, 2010, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
October 18, 2011
Toronto, Ontario

Carpincho Capital Corp.
(formerly High Income Preferred Shares Corporation)
Balance Sheets
As at June 30, 2011 and 2010

		2011		2010
Assets				
Cash and cash equivalents	**$**	**13,017**	$	68,387
Sales taxes recoverable		**4,774**		-
	$	**17,791**	$	68,387
Liabilities				
Accrued liabilities (Note 6)	**$**	**20,062**		26,008
Shareholder loan (Note 6 and 9)		**25,000**		-
		45,062		26,008
Shareholders' Equity				
Capital stock (Note 8)		**1,000**		1,000
Retained earnings (deficit)		**(28,271)**		41,379
	$	**17,791**	$	68,387

Nature of Operations (Note 1)

Approved by the Board **"Lonnie Kirsh"** Director **"Robyn Levine"** Director

Carpincho Capital Corp.
(formerly High Income Preferred Shares Corporation)
Statements of Operations
Years Ended June 30, 2011 and 2010

	2011	2010
Revenues		
Interest	**$ -**	$ 3,960
Dividends	**-**	49,560
Other income	**946**	34,790
	946	88,310
Expenses		
Management fee	**72,238**	101,187
General and administrative	**6,254**	67,100
Forward agreement fee	**-**	11,926
Directors fees	**-**	25,927
Audit fees	**9,059**	36,947
Shareholder reporting fees	**5,543**	45,321
Capital tax	**-**	8,610
Custodian fees	**-**	1,341
Legal fees	**12,249**	63,251
	105,343	361,610
Net income (loss) before the undernoted items	**(104,397)**	(273,300)
Distribution on Series 1 and Series 2 Shares	**-**	(607,258)
Gain on repurchase of Series 2 Shares for cancellation	**-**	-
Gain on repurchase of Series 1 Shares for cancellation	**-**	-
Gain on redemption of Series 2 Shares	**-**	-
Gain on redemption of Series 1 Shares	**-**	-
Net realized gain (loss) on sale of Managed Portfolio Investments	**-**	686,881
Net realized gain on sale of Series 1 Repayment Portfolio investments	**-**	71,345
Net realized foreign currency gain	**-**	-
Transaction costs	**-**	-
Decrease in unrealized appreciation of Managed Portfolio investments	**-**	-
Change in unrealized foreign exchange loss	**-**	-
Change in unrealized gain on Series 1 Repayment Portfolio	**-**	-
	-	150,968
Net earnings (loss)	**$ (104,397)**	$ (122,332)
Basic and diluted earnings (loss) per share	**(0.02)**	(0.02)
Weighted average number of Common Shares outstanding (Note 8)	**5,000,000**	5,000,000

Carpincho Capital Corp.
(formerly High Income Preferred Shares Corporation)
Statements of Retained Earnings (Deficit)
Years Ended June 30, 2011 and 2010

	Common Shares	Retained Earnings (Deficit)	Total 2011
Balance at July 1, 2010	$ 1,000	$ 41,379	$ 42,379
Net earnings (loss)	-	(104,397)	(104,397)
Recovery of refundable taxes	-	34,747	34,747
Balance at June 30, 2011	**$ 1,000**	**$ (28,271)**	**$ (27,271)**

	Class A Shares	Retained Earning (Deficit)	Total 2010
Balance at July 1, 2009	$ 1,000	$ 417,629	$ 418,629
Net earnings (loss)	-	(122,332)	(122,332)
Redemption and cancellation of equity shares	-	(253,918)	(253,918)
Balance at June 30, 2010	$ 1,000	$ 41,379	$ 42,379

See accompanying notes

Carpincho Capital Corp.
(formerly High Income Preferred Shares Corporation)
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash provided by (used in)		
Operations		
Net earnings (loss)	**$ (104,397)**	$ (122,332)
Items not affecting cash		
Net realized gain (loss) on sale of Managed Portfolio	**-**	(686,881)
Net realized gain on sale of Series 1 Repayment Portfolio investments	**-**	(71,345)
	(104,397)	(880,558)
Net changes in non-cash working capital		
Receivables for investments sold	**-**	2,579,917
Dividends and interest receivable	**-**	36,518
Redemptions payable	**-**	(3,561,441)
Distributions payable	**-**	(1,128,280)
Sales taxes recoverable	**(4,774)**	-
Accrued liabilities	**(5,946)**	(889,308)
	(115,117)	(3,843,152)
Investing		
Proceeds on sale of investments	**-**	28,782,114
Purchases of investments	**-**	(17,733,715)
	-	11,048,399
Financing		
Redemption of Series 2 Shares	**-**	(6,314,516)
Shareholder loan	**25,000**	-
Redemption of Series 1 Shares	**-**	(7,191,835)
Redemption of Equity Shares	-	(253,918)
Refundable taxes received	**34,747**	-
	59,747	(13,760,269)
Net change in cash	**(55,370)**	(6,555,022)
Cash, beginning of year	**68,387**	6,623,409
Cash, end of year	**$ 13,017**	$ 68,387

SUPPLEMENTAL CASH FLOW INFORMATION

	2011	2010
Interest paid	-	-
Income tax paid (recovered)	$ (34,747)	-

1. NATURE OF OPERATIONS

The Corporation was incorporated under the Canada Business Corporations Act on April 26, 2002 and is engaged in venture capital activities. The Corporation intends to identify and evaluate opportunities for the acquisition of an interest in properties, assets or businesses, and once identified and evaluated, to negotiate an acquisition thereof, merger with or participation therein.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation or once identified, conclude a merger or acquisition transaction. Furthermore, the Corporation has limited working capital to pursue such opportunities. The ability of the Corporation to continue as a going concern is dependent upon, among other things, being able to obtain adequate financing, and maintaining positive operating cash flows. Additionally, if the Corporation requires additional cash resources to fund current operations, there is no assurance that it will be able to obtain these required cash resources. However, management has assessed the Corporation's ability to continue as a going concern and determined that the Corporation will continue for the foreseeable future subject to the material uncertainties listed above. Therefore, the financial statements do not include any adjustments to reflect the possible future effects on the effects on the recoverability and classification of assets or amounts and classifications of liabilities that may result from the possible inability of the Corporation to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The following is a summary of significant accounting policies:

Comprehensive Income

At June 30, 2011 the Corporation had no items that caused other comprehensive loss to be different than net loss, and accordingly, a statement of other comprehensive income has not been presented.

Stock-Based Compensation

The Company uses the fair value method of accounting for stock-based compensation granted to directors, and officers. The Company records the expenses associated with such compensation on a straight-line basis over the vesting period of such compensation payments with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company accounts for actual forfeitures as they occur.

Loss Per Share

Basic earnings per share are computed 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 and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Share Issuance Costs

Costs incurred in connection with the issuance of capital stock are charged to share capital when the related shares are issued.

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instruments as follows:

Financial Instrument	Classification	Measurement
Cash	Held for trading	Fair value
Accrued liabilities	Other financial liabilities	Amortized cost

The Company's financial instrument measured at fair value on the balance sheet consists of cash. Cash is measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

• Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

• Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

• Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Financing costs are charged to the statement of operations when incurred.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates is the amount of accrued liabilities. Financial results as determined by actual events could differ from those estimates.

3. CAPITAL RISK MANAGEMENT

The Corporation includes equity, comprised of issued capital stock, contributed surplus and deficit, in the definition of capital, amounting to $27,271. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its activities relating to identifying and evaluating assets or businesses to merge with or acquire. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or debt.

There has been no change with respect to the overall capital risk management strategy during the year ended June 30, 2011.

4. FINANCIAL RISK MANAGEMENT

The Corporation's financial instruments consisting of cash and accounts payable and accrued liabilities, approximate fair values due to the relatively short-term maturities of the instruments. It is management's opinion that the Corporation is not exposed to significant interest risk, currency or credit risks arising from these financial instruments.

The Corporation received a loan from its shareholder during the year in the amount of $25,000. The loan is non-interest bearing and there are no terms of repayment. The fair value of the loan from the shareholder is not readily determinable as no market exists for the loan and accordingly it has been recorded at its carrying amount.

As at June 30, 2011, the Corporation had negative working capital of $27,271 (June 30, 2010 – positive working capital of $42,379). The Corporation will require additional financing to meet its ongoing obligations and its business objectives.

5. FUTURE ACCOUNTING PRONOUNCEMENT

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Corporation for the year ended June 30, 2011 and earlier where applicable. The Corporation has assessed the financial reporting impact of the transition to IFRS and does not believe it to be material.

6. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statements.

During the year ended June 30, 2011 the Corporation incurred legal fees from a law firm in which a director and officer of the Corporation is a director, officer and shareholder in the amount of $12,249 (2010 – nil). An amount of $13,816 (including applicable taxes) is included in accrued liabilities for these fees.

During the year ended June 30, 2011 a shareholder of the Corporation loaned the Corporation $25,000 for working capital. The loan is unsecured, non-interest bearing and repayable on demand.

7. INCOME TAX

The following table reconciles income taxes calculated at combined Canadian federal/ provincial tax rates with the income tax expense in the financial statements. The Corporation for the year-ended June 30, 2010 filed its tax returns on a calendar basis and not based upon its fiscal reporting period of June 30 accordingly the reconciliation in 2010 is completed for its tax filing periods as at 2009. There is no tax expense at the fiscal reporting periods.

	2011	2010
Earnings (loss) before income taxes	**$ (104,397)**	$ 3,032,585
Statutory rate	**30.25%**	42.0%
Expected income tax expense (recovery)	**(31,580)**	1,273,686
Increase (decrease) resulting from:		
Non-taxable portion of capital gains	**-**	453,289
Non-deductible items and other adjustments	**(32,632)**	(944,255)
Application of tax loss carry-forwards	**-**	(496,071)
Deduction for taxable dividends and capital gains refunds	**(10,613)**	(286,649)
Change in rates	**5,480**	-
Change in valuation allowance	**58,732**	-
Income tax expense	**$ -**	$ -

7. INCOME TAX (Cont'd)

The Company's future income tax assets are estimates as follows:

		2011		2010
Non-capital loss carry forward	**$**	**234,929**	$	-
Future tax rate		**25%**		-
Net future tax asset		**58,732**	-	
Less: Valuation allowance		**(58,732)**		-
Future income tax asset	**$**	**-**	$	-

Loss and Tax Credit Carry forwards

The Company has non-capital losses of $234,929 available to apply against future taxable income. If not utilized, the non-capital losses will expire as follows:

2029	130,529
2030	47,860
2031	56,540
	234,929

Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

8. AUTHORIZED AND ISSUED SHARE CAPITAL

Authorized Share Capital

An unlimited number of common shares.

Issued Share Capital

The issued share capital as at June 30, 2011 was 5,000,000 Common Shares (June 30, 2010 - 1,000 Class A Shares).

On January 20, 2011 the articles of the Corporation were amended to: (i) change the name of the Corporation to "Carpincho Capital Corp."; (ii) eliminate all classes of share capital of the Corporation and replace them with one class of Common Shares; and (iii) reclassify each issued and outstanding Class A Share as 5,000 Common Shares.

9. SHAREHOLDER LOAN

The loan is unsecured, non-interest bearing and repayable on demand.