

**CARPINCHO CAPITAL CORP.**  
**(formerly High Income Preferred Shares Corporation)**

**FORM 51-102F1**

**INTERIM MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE AND SIX  
MONTHS ENDED DECEMBER 31, 2010**

**Date**

This management discussion and analysis ("MD&A") is dated February 25, 2011 and is in respect of the three and six months ended December 31, 2010.

**Introduction**

The following MD&A of the financial condition and results of the operations of Carpincho Capital Corp. (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended December 31, 2010. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2010 and the unaudited interim financial statements of the Company for the three and six months ended December 31, 2010, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The results for the period presented are not necessarily indicative of the results that may be expected for any future period.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. Further information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Cautionary Note Regarding Forward-Looking Information**

Certain statements in this MD&A may constitute "forward-looking" statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements use words such as "may", "will", "should", "could", "anticipate", "expect", "believe", "intend", "plan", "potential", "continue" and other similar terminology. These statements reflect management's current expectations regarding future plans, intentions, events, growth, operating performance and business prospects and opportunities and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties. See "Risk Factors". New risk factors may arise from time to time and it is not possible for management of the Company to predict all of them or the extent to which any factor or combination of factors may cause its actual results, performance or achievements to be

materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required by law.

### **Description of Business**

On October 18, 2010 Wombat Investment Trust acquired control of the Company through the purchase of all Class A Shares. At that time the board of directors was reconstituted and new officers appointed. The Company now carries on activities as a venture capital company and is seeking assets or businesses with good growth potential to merge with or acquire. The Company is not restricting its search to any industry segment or geographic area. The Company will consider acquisitions of assets or businesses operated or located both inside and outside of Canada. All potential acquisitions will be screened initially by management of the Company to determine their economic viability. Approval of acquisitions will be made by the Board of Directors. The Board of Directors will examine proposed mergers and acquisitions having regard to sound business fundamentals, utilizing the expertise and experience of the directors. In exercising their powers and discharging their duties in relation to a proposed transaction, the directors will act honestly and in good faith with a view to the best interests of the Company and will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The search for appropriate assets or businesses has been initiated and is continuing with some prospective transactions reviewed. If and when discussions reach a point where disclosure would be appropriate, the Company will issue and file a press release providing full details.

### **Overall Performance**

The Company intends to seek out prospective merger and acquisition opportunities. There can be no assurance that a suitable asset or business will be identified, or if identified, that a successful transaction will be concluded.

At December 31, 2010, the Company had assets of \$14,423 and shareholders' deficiency of \$23,277. This compares with assets of \$68,387 and shareholders' equity of \$42,379 at June 30, 2010. At December 31, 2010, the Company had \$37,700 of current liabilities compared to current liabilities of \$26,008 at June 30, 2010.

At December 31, 2010, the Company had a working capital deficiency of \$23,277, compared to positive working capital of \$42,379 at June 30, 2010. The Company had cash and cash equivalents of \$10,085 at December 31, 2010, compared to \$68,387 at June 30, 2010. The decrease in cash during the period was primarily attributable to the payment of accrued liabilities for general and administrative expenses relating to the wind-up of investment fund activities and the payment of a \$42,239 management fee to the former controlling shareholder prior to the recent change of control of the Company. The Company believes that additional financing will be required to fund its operating expenses as it searches for suitable assets or businesses to merge with or acquire. See "Liquidity and Financial Position".

## **Trends**

The Company plans to search for suitable assets or businesses to acquire or merge with, with a view to maximizing value for shareholders. Management monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Apart from these and the risk factors noted under the heading "Risk Factors", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

## **Results of Operations**

For the three months ended December 31, 2010, the Company reported a net loss of (\$12,979). The Company received revenue during the period of \$904 relating to the refund of capital tax paid. Expenses for the period of \$13,883 consisted of general and administrative expenses of \$6,141 relating to the wind-up of investment fund activities and \$7,742 of legal fees incurred and accrued for continuous disclosure filings and public company reporting obligations.

For the six months ended December 31, 2010, the Company reported a net loss of (\$65,656). The Company received revenue during the period of \$904 relating to the refund of capital tax paid. Expenses for the period of \$66,560 consisted of \$42,239 for one-time management fees paid to a former controlling shareholder, \$4,818 for regulatory filing fees relating primarily to the filing of the Company's annual financial statements for the year ended June 30, 2010, \$5,620 for an adjustment to audit fees resulting from an under-accrual, general and administrative expenses of \$6,141 relating to the wind-up of investment fund activities and \$7,742 of legal fees incurred and accrued for continuous disclosure filings and public company reporting obligations. 2010 audit fees were higher than expected due to the Company's change in business from an investment fund to venture capital activities.

## **Overall Objective**

For the 2011 fiscal year, the Company plans to search for suitable assets or businesses to acquire or merge with, with a view to maximizing value for shareholders. See "Risk Factors".

## **Summary of Quarterly Results**

The Company previously reported its financial information as a mutual fund corporation and accordingly has not previously prepared quarterly interim financial statements. Therefore this information is not available.

## **Liquidity and Financial Position**

As at December 31, 2010, the Company had a working capital deficiency of \$23,277. Additional funding will be required to fund the Company's general and administrative expenses as it searches for suitable assets or businesses to merge with or acquire. The present controlling shareholder, Wombat Investment Trust, has advised that it intends to advance the Company on commercial terms sufficient funds to enable it to conduct its venture capital activities and meets its public company reporting obligations until such time as it completes a merger or acquisition transaction. There can however, be no assurance that additional financing will continue be available or on terms acceptable to the Company.

### **Transactions with Related Parties**

For the three month period ended December 31, 2010, the Company did not entered into any transactions with related parties other than incurring legal fees in the amount of \$7,742 from a law firm in which a director and officer of the Company is a director, officer and shareholder.

### **Off-Balance Sheet Arrangements**

The Company does not have any off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition, including, without limitation, such considerations as liquidity, capital expenditures and capital resources that would be considered material to investors.

### **Proposed Transactions**

As at the date hereof, there were no proposed transactions of a material nature being considered by the Company.

### **Critical Accounting 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 relate to allocations of distributions received from income trusts among distributions, interest and other income, or the return of capital, are based on estimates of the categorization of distributions provided by those income trusts and accrued liabilities. These allocations may change once final categorizations of the distributions are received from the respective income trusts. Financial results as determined by actual events could differ from those estimates.

### **Future Accounting Changes**

#### **International Financial Reporting Standards “IFRS”**

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended September 30, 2011. The Company's 2011-2012 interim and annual financial statements will include comparative 2010 financial statements adjusted to comply with IFRS.

#### ***IFRS Transition Plan***

The Company will work with its advisors with the planning and implementation of its transition to IFRS. Due to the very limited operations currently conducted by the Company, the Company does not anticipate any significant changes to transition to IFRS.

### ***Impact of Adopting IFRS on the Company's Business***

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and its systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies. The Company's staff and advisers involved in the preparation of the financial statements will be trained on the relevant aspects of IFRS and the anticipated changes to accounting policies.

### ***Impact of Adopting IFRS on the Company's Financial Statements***

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

### **Risk Factors**

At the present time, the Company does not hold any interest in an operating asset or business. The Company's viability and potential success lie in its ability to identify and successfully complete the merger with or acquisition of a suitable asset or business and, if completed, to develop, exploit and generate revenue out of such future asset or business. Management believes that the Company's ability to identify and complete a transaction will be greatly influenced by the strength of the capital markets. Markets that are robust and receptive to equity financings and initial public offerings are expected by management to be most favourable for the completion of a transaction. Revenues, profitability and cash flow from any future asset or business acquisition involving the Company is difficult to predict and will be influenced by factors unknown to management at the present time. The Company has limited financial resources and, although a shareholder has indicated a willingness to fund the Company's activities, there is no assurance that additional funding will be available to it. Failure to obtain such additional financing could result in the Company not being able to meet its general and administrative expenses or maintain its public company status, and could delay or indefinitely postpone the identification of suitable assets or business or the completion of a transaction once a suitable asset or business has been identified.

### **Disclosure of Outstanding Share Data**

As at the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

<b>Designation of Securities</b>	<b>Number or Principal Amount Outstanding</b>	<b>If Convertible, Exercisable or Exchangeable for Common Shares, Maximum Number of Common Shares Issuable</b>
Common Shares	5,000,000*	N/A

**TOTAL** (maximum number of Common Shares - fully-diluted) 5,000,000

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

### **Disclosure of Internal Controls**

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements, and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52- 109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.