

# **SONOMA CAPITAL INC.**

## **CONDENSED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTH PERIODS ENDED JANUARY 31, 2014 AND 2013**

**(EXPRESSED IN CANADIAN DOLLARS)**

### **NOTICE TO READER**

The accompanying condensed unaudited interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company.

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# SONOMA CAPITAL INC.

## Condensed Unaudited Interim Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

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	<u>January 31, 2014</u>	<u>July 31, 2013</u>
<b><u>LIABILITIES</u></b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 218,779</u>	<u>\$ 176,667</u>
<b>Total Liabilities</b>	<u>\$ 218,779</u>	<u>\$ 176,667</u>
<b><u>SHAREHOLDERS' DEFICIENCY</u></b>		
Share capital (note 3)	<u>520,290</u>	520,290
Deficit	<u>(739,069)</u>	<u>(696,957)</u>
<b>Total shareholders' deficiency</b>	<u>(218,779)</u>	<u>(176,667)</u>
<b>Total liabilities and shareholders' deficiency</b>	<u>\$ -</u>	<u>\$ -</u>

Nature of business and going concern (note 1)  
Commitments and contingencies (note 6)

APPROVED ON BEHALF OF THE BOARD

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**"YANNIS BANKS"**  
DIRECTOR

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**"CLAUDE FORGET"**  
DIRECTOR

(See accompanying notes to the unaudited interim condensed consolidated financial statements.)

**SONOMA CAPITAL INC.****Condensed Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)**

	<b>Three months ended January 31, 2014</b>	Three months ended January 31, 2013	<b>Six months ended January 31, 2014</b>	Six months ended January 31, 2013
<b>Expenses</b>				
Professional fees	\$ 5,705	\$ 1,376	\$ 8,171	\$ 438
Consulting fees	16,950	16,950	33,900	33,900
Office and general	1	36	41	72
<b>Net loss and comprehensive loss</b>	<b>(22,656)</b>	<b>(18,362)</b>	<b>(42,112)</b>	<b>(34,410)</b>
<b>Loss per share weighted average number of shares outstanding – basic and diluted</b>				
Loss per share	(0.002)	(0.002)	(0.004)	(0.004)
<b>Weighted average number of common shares outstanding</b>				
Basic and diluted	9,600,000	9,600,000	9,600,000	9,600,000

(See accompanying notes to the unaudited interim condensed consolidated financial statements.)

**SONOMA CAPITAL INC.****Condensed Unaudited Interim Consolidated Statements of Changes in Equity****(Expressed in Canadian Dollars)**

	<u>Share Capital</u>		<u>Reserves</u>			<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Amount</u>	<u>Share based payments</u>	<u>Warrants</u>			
<b>Balance at July 31, 2012</b>	<b>9,600,000</b>	<b>\$ 520,290</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (623,282)</b>	<b>\$ (102,992)</b>	
Net loss and comprehensive loss for the period	-	-	-	-	(34,410)	(34,410)	
<b>Balance at January 31, 2013</b>	<b>9,600,000</b>	<b>\$ 520,290</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (657,692)</b>	<b>\$ (137,402)</b>	
Net loss and comprehensive loss for the period	-	-	-	-	(39,265)	(39,265)	
<b>Balance at July 31, 2013</b>	<b>9,600,000</b>	<b>\$ 520,290</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (696,957)</b>	<b>\$ (176,667)</b>	
Net loss and comprehensive loss for the period	-	-	-	-	(42,112)	(42,112)	
<b>Balance at January 31, 2014</b>	<b>9,600,000</b>	<b>\$ 520,290</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (739,069)</b>	<b>\$ (218,779)</b>	

(See accompanying notes to the unaudited interim condensed consolidated financial statements.)

**SONOMA CAPITAL INC.****Condensed Unaudited Interim Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)**

<b>For the six months ended January 31,</b>	<u>2014</u>	<u>2013</u>
<b>Operating Activities</b>		
Net loss	\$ (42,112)	\$ (34,410)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	<u>42,112</u>	<u>34,376</u>
	<u>-</u>	<u>(34)</u>
<b>Net decrease in cash during the period</b>	-	(34)
<b>Cash – beginning of the period</b>	<u>-</u>	<u>34</u>
<b>Cash – end of the period</b>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the unaudited interim condensed consolidated financial statements.)

# **SONOMA CAPITAL INC.**

## **Notes to the Consolidated Financial Statements**

**For the three and six month periods ended January 31, 2014 and 2013**

**(Expressed in Canadian Dollars)**

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### **1. Nature of Business and Going Concern**

Sonoma Capital Inc. (the "Company" or "Sonoma") was incorporated under the Canada Business Corporations Act on July 19, 2004. The Company was previously classified as a Capital Pool Corporation as defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4. The Company has nominal assets and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a Qualifying Transaction, as defined in Exchange Policy 2.4.

On October 3, 2011, the Company incorporated Sonoma Energy Inc. ("Sonoma Energy") in Nevada, USA. Sonoma Energy does not have operations, assets or liabilities.

The Company filed a final prospectus on January 31, 2007, in Quebec only and is therefore a reporting issuer in Quebec.

The Company did not raise any proceeds relating to this prospectus offering and all deferred share issuance fees relating to this offering were expensed.

The Company's head office is located at 77 King Street West, Suite 3000, Toronto, Ontario M5K 1H1.

During the six month period ended January 31, 2014, the Company incurred a loss of \$42,112 (Year ended July 31, 2013 - \$73,675) and, as of that date, the Company had accumulated deficit of \$739,069 (July 31, 2013 - \$696,957), a working capital deficiency of \$218,779 (December 31, 2013 - \$176,667) and negative cash flows from operations of \$nil (Year ended July 31, 2012 - \$34). These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company's continuing ability to meet its obligations as they come due is dependent upon continued financial support from related parties (Note 4) and its ability to raise additional funds through the issuance of shares or debt.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments would be material.

### **2. Basis of Preparation**

#### **2.1 Statement of compliance**

These unaudited interim condensed consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS 34") 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The unaudited interim condensed consolidated financial statements of the Company for the three and six months ended January 31, 2014 were approved and authorized for issue by the Board of Directors on March 25, 2014.

#### **2.2 Basis of presentation**

These unaudited interim condensed consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's July 31, 2013, annual financial statements.

# SONOMA CAPITAL INC.

## Notes to the Consolidated Financial Statements

For the three and six month periods ended January 31, 2014 and 2013

(Expressed in Canadian Dollars)

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### 2. Basis of Preparation, (continued)

#### 2.3 Adoption of new and revised standards and interpretation

At the date of authorization of these Financial Statements, the International Accounting Standards Board (“IASB”) and the International Financial Reporting Issues Committee (“IFRIC”) has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which 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 consolidated financial statements of the Company.

- IFRS 9 ‘*Financial Instruments: Classification and Measurement*’ – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IAS 32 ‘*Financial instruments, Presentation*’ – In December 2011, effective for annual periods beginning on or after January 1, 2014, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

### 3. Share capital

Unlimited common shares authorized, issued and outstanding as follows:

	Number of Shares	Amount
<u>July 31, 2013 and January 31, 2014</u>	<u>9,600,000</u>	<u>\$ 520,290</u>

### 4. Related party transactions

Cavalry Corporate Solutions Ltd. (“Cavalry”) is related as a result of having officers and directors in common with the Company. Foundation Opportunities Inc. (“FOI”) is related because it controls Cavalry.

During the six month period ended January 31, 2014, Cavalry provided \$33,900 (2013 - \$33,900) of financial accounting and consulting services.

Included in accounts payable and accrued liabilities as at January 31, 2013 is \$188,678 (July 31, 2013 - \$137,972) in amounts due to related parties.



# **SONOMA CAPITAL INC.**

## **Notes to the Consolidated Financial Statements**

**For the three and six month periods ended January 31, 2014 and 2013**

**(Expressed in Canadian Dollars)**

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### **5. Capital management**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company includes equity, comprised of issued common shares and deficit, in the definition of capital. As at January 31, 2014, the Company had \$nil (July 31, 2013 - \$nil) in cash and current liabilities of \$218,779 (July 31, 2013 - \$176,667), which is not sufficient for the Company to meet its ongoing obligations.

The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

### **6. Commitments and contingencies**

The Company and Cavalry entered into a management services agreement on November 25, 2011. The management services agreement includes services for controllership, bookkeeping and corporate secretarial services. In consideration for these services the Company agreed to pay \$5,000 per month until a going public transaction by the Company or as terminated by the Company.

### **7. Financial instruments**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of the Company's cash, other receivables, loans receivables, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments

### **8. Financial risk exposure and risk management**

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's search for potential acquisitions or businesses with a view of completing a transaction, and limited exposure to credit and market risks.

The types of risk exposures and the way in which such exposures are managed as follows:

#### **(a) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligation out of cash. The Company is susceptible to liquidity risk due to the negative working capital. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

# **SONOMA CAPITAL INC.**

## **Notes to the Consolidated Financial Statements**

**For the three and six month periods ended January 31, 2014 and 2013**

**(Expressed in Canadian Dollars)**

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### **8. Financial risk exposure and risk management, (continued)**

#### **(b) Interest rate risk**

The Company is not exposed to any significant interest rate risk.

#### **(c) Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company is not exposed to any significant credit risk.