

SONOMA CAPITAL INC.

Interim Financial Statements

For the three and six month period ended January 31, 2011 and 2010

(Unaudited, Prepared by Management)

NOTICE TO READER

The interim financial statements for the period ending January 31, 2011 have been prepared by management in accordance with generally accepted accounting principles in Canada and have not been audited or reviewed by the company's auditor.
(Stated in Canadian Dollars)

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Sonoma Capital Inc.
 Balance Sheets
 January 31, 2011 and July 31, 2010

<u>ASSETS</u>	January 31, 2011 (interim – unaudited)	July 31, 2010 (audited)
Current		
Cash	\$ 1,018	\$ 4,659
GST receivable	1,107	-
Total Assets	\$ 2,125	\$ 4,659
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 38,931	\$ 45,918
Notes payable (note 4)	40,200	23,700
Total Liabilities	\$ 79,131	\$ 69,618
<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital (note 5)	100,000	100,000
Accumulated deficit	(177,006)	(164,959)
	(77,006)	(64,959)
Total liabilities and shareholders' deficiency	\$ 2,125	\$ 4,659

APPROVED ON BEHALF OF THE BOARD

“JULIO DIGIROLAMO”

 DIRECTOR

“YVAN ROUTHIER”

 DIRECTOR

(See accompanying notes to financial statements.)

Sonoma Capital Inc.

Interim Statements of Operations and Comprehensive Loss and Deficit
For the three and six month Periods Ended January 31, 2011 and 2010
(unaudited)

	Three months ended January 31, 2011	Three months ended January 31, 2010	Six months ended January 31, 2011	Six months ended January 31, 2010
Expenses				
Professional fees	\$ 4,294	\$ -	\$ 9,409	\$ 5,000
Filing fees	-	-	1,597	-
Interest and bank charges	641	22	1,041	45
Total expenses	4,935	22	12,047	5,045
Net loss and comprehensive loss	\$ (4,935)	\$ (22)	\$ (12,047)	\$ (5,045)
Weighted average shares outstanding				
- basic and diluted	1,000,000	1,000,000	1,000,000	1,000,000
Loss per share				
-basic and diluted	<u>\$ (0.005)</u>	<u>\$ (0.000)</u>	<u>\$ (0.012)</u>	<u>\$ (0.005)</u>
Deficit – beginning of period	(172,071)	(114,376)	(164,959)	(109,353)
Deficit – end of period	<u>\$ (177,006)</u>	<u>\$ (114,398)</u>	<u>\$ (177,006)</u>	<u>\$ (114,398)</u>

(See accompanying notes to financial statements.)

Sonoma Capital Inc.

Interim Statements of Cash Flows

For the three and six month period ended January 31, 2011 and 2010

(Unaudited)

	Three months ended January 31, 2011	Restated Three months ended January 31, 2010 (note 3)	Six months ended January 31, 2011	Restated Six months ended January 31, 2010 (note 3)
Cash Flows from Operating Activities:				
Net loss	\$ (4,935)	\$ (22)	\$ (12,047)	\$ (5,045)
Funds used in operating activities				
Changes in non-cash working capital items:				
GST receivable	(1,107)	-	(1,107)	-
Accounts payable and accrued liabilities	(14,076)	-	(6,987)	5,000
Net funds used in operating activities	<u>(20,118)</u>	<u>(22)</u>	<u>(20,141)</u>	<u>(45)</u>
Cash Flows from Financing Activities:				
Notes payable (note 4)	16,500	-	16,500	-
Net funds provided by financing activities	<u>16,500</u>	<u>-</u>	<u>16,500</u>	<u>-</u>
Net decrease in Cash	(3,618)	(22)	(3,641)	(45)
Cash – beginning of period	4,636	8,184	4,659	8,207
Cash – end of period	<u>\$ 1,018</u>	<u>\$ 8,162</u>	<u>\$ 1,018</u>	<u>\$ 8,162</u>
Interest paid	-	-	-	-
Taxes paid	-	-	-	-

(See accompanying notes to financial statements.)

1. NATURE OF THE CORPORATION 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 other than cash 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.

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 interim financial statements of the Company are the representations of management prepared in accordance with Canadian generally accepted accounting principles, consistently applied using the same accounting policies as set out in Note 2 to the audited financial statements for the year ended July 31, 2010. These unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended July 31, 2010.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles assuming that the Company will be able to realize its assets and meet its liabilities in the ordinary course of business. The Company's continued existence as a going concern, as planned, depends on its ability to successfully obtain additional financing. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The principal accounting policies followed by the Company are as follows:

Use of Estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Significant areas requiring the use of management estimates include recording of accruals. Actual results could differ from those estimates.

Sonoma Capital Inc.
Notes to Financial Statements
January 31, 2011
(Unaudited)

Income Taxes

The asset and liability method is used for determining future income taxes. Under this method, future income tax assets and liabilities are recognized for the estimate income taxes recoverable or payable that would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future income tax assets and liabilities are measured using the substantively enacted income tax rates expected to be in effect when the income tax assets or liabilities are recovered or settled, respectively. Changes to these amounts are recognized in income in the year in which the changes occur. Further income tax assets, including the tax benefit of losses carried forward, are recognized to the extent that it is more likely than not that the Company will realize the benefits of the asset.

Loss Per Share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Basic loss per share is calculated using the weighted average number of shares outstanding during the year.

Financial Instruments

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Financial instruments are classified into one of five categories; held-for-trading; held-to-maturity investments; loans and receivables; available-for-sale and financial assets or other financial liabilities. All financial assets and financial liabilities, including derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured and amortized at cost. Subsequent measurement and changes in fair value will depend on the their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company's financial assets and liabilities are generally classified and measured as follows:

Financial Instrument	Classification	Subsequent Measurement
Cash	Held-for-trading	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost

(See accompanying notes to financial statements.)

Disclosure and Presentation

The sections “Financial Instruments – Disclosures” (“Section 3862”) and “Financial Instruments – Presentation” (“Section 3863”) replace Section 3861, “Financial Instruments, Disclosure and Presentation”. These sections increase the emphasis on the risk associated with the financial instruments and how those risks are managed. The presentation standard carries forward the former presentation requirements under the existing Section 3861. The standards are implemented into the current period financial statements.

Effective December 31, 2009, the Corporation adopted disclosure requirements that the CICA added to Handbook Section 3862 “Financial Instruments – Disclosures.” The additional requirements augmented disclosure requirements with respect to fair value and liquidity risk associated with financial instruments. Fair values are now required to be determined following a three (3) level hierarchy.

Section 3862 – Financial Instruments – Disclosures

In June 2009, Section 3862 was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
- Level 3 – Inputs that are not based in observable market data.

The only financial instrument on the balance sheet measured at fair value is cash which is measured at level 1 of the fair value hierarchy.

Recent Accounting Pronouncements Not Yet Adopted

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the Company beginning on or after January 1, 2011, which for the Company is August 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with international financial reporting standards (IFRS). This standard is not expected to have an effect on the Company.

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, for the year ends beginning on or after January 1, 2011. The adoption date of August 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended July 31, 2011, and the opening balance sheet as at August 1, 2010. The AcSB proposes that the CICA Handbook Section, Accounting Changes, paragraph 1506.30, which would require an entity to disclose information relating to the new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, with respect to the IFRS Omnibus Exposure Draft.

The Company will monitor changes to IFRS and assess the impact that these new standards will have on the financial

Sonoma Capital Inc.
Notes to Financial Statements
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results and on the IFRS changeover project. The financial impacts on changeover to IFRS are not expected to be material to the financial statements, and it is expected that the impact will be similar in nature to other companies in the same line of business. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required, as well as system changes that may be necessary to gather and process the required information.

The Company has implemented a four stage conversion process into IFRS. Phase 1 - preliminary plan and scoping; Phase 2 - detailed assessment, conversion planning and development; Phase 3 - implementation and parallel reporting; and Phase 4 - ongoing monitoring and IFRS updates. The preliminary plan and scoping includes the identification of significant differences between existing Canadian GAAP and IFRS as relevant to the Company's specific situation. The initial assessment and planning will be followed by an in-depth analysis and assessment which includes the identification, evaluation and selection of the accounting policies necessary for the Company to changeover to IFRS. This phase will also identify all internal procedures and systems that have to be updated in order for the Company to comply with IFRS requirements. In the third phase, the Company will implement the accounting changes and the required modifications to internal procedures, controls and systems. In Phase 4, the Company will continue to monitor its transition to IFRS and any changes to the IFRS standards and make adjustments to its internal procedures, controls and systems accordingly. As of July 31, 2010, the Company has completed Phase 1 and is implementing Phase 2 of the process.

3. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

In 2010, the Company became aware of a Company trust account at a law firm. The Company analyzed the transactions in the account and as a result, the Company determined it was necessary to restate its previously issued financial statements for the year ended July 31, 2009 due to omissions.

The effect on the statement of cash flows for six month period ended January 31, 2010 is as follows:

	Original Amount	Correction Amount	Restated Amount
Cash, beginning of period (a)	\$ 4,155	\$4,052	\$8,207
Cash, end of period (a)	\$ 4,110	\$4,052	\$8,162

(a) The trust account had a cash balance of \$ 4,052 as at July 31, 2010 and January 31, 2010.

4. NOTES PAYABLE

On April 17, 2008, the Company issued a \$5,000 non-interest bearing note payable to Walter Lee, a shareholder of the Company, which is unsecured, due on demand and has no specific repayment date.

On May 4, 2010, July 16, 2010, November 8, 2010 and January 5, 2011, the Company issued 8% interest bearing promissory notes of \$16,000, \$2,700, \$6,500 and \$10,000, respectively, to Foundation Opportunities Inc, ("FOI"). FOI is a related party due to it being a shareholder of the Company and also by virtue of certain common officers and directors. The interest accrued on these notes of \$1,651 is included in accounts payables and accrued liabilities.

(See accompanying notes to financial statements.)

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5. SHARE CAPITAL

Authorized
unlimited common shares

	January 31, 2011	July 31, 2010
Issued 1,000,000 common shares	\$ 100,000	\$ 100,000

6. RELATED PARTIES

On November 16, 2010, FOI and certain directors acquired 600,000 shares of the Company's common stock, representing an ownership interest of 60%.

On November 8, 2010 and January 5, 2011, the Company issued 8% interest bearing promissory notes of \$6,500 and \$10,000, respectively, to FOI (note 4).

For the six months ended January 31, 2011, the Company accrued \$967 of interest in relation to the promissory notes issued to FOI.

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, receivables, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

(See accompanying notes to financial statements.)