

**STONEPOINT GROUP LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)**

**MARCH 31, 2005**

**(UNAUDITED – PREPARED BY MANAGEMENT)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management. The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**STONEPOINT GROUP LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)

|  | March 31,<br>2005 | December 31,<br>2004 |
|--|-------------------|----------------------|
| <b>ASSETS</b>                            |                   |                      |
| <b>Current</b>                           |                   |                      |
| Cash and equivalents                     | \$ 25,048         | \$ 98,595            |
| Accounts receivable                      | 284,305           | 149,549              |
| Note receivable (Note 4)                 | <u>391,125</u>    | <u>381,500</u>       |
|  | 700,478           | 629,644              |
| <b>Intangible assets</b> (Note 5)        | 132,154           | 145,358              |
| <b>Deferred financing costs</b> (Note 5) | 7,108             | 14,358               |
| <b>Equipment</b> (Note 6)                | <u>881</u>        | <u>1,018</u>         |
|  | <u>\$ 840,621</u> | <u>\$ 790,378</u>    |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

|  |                    |                    |
|--|--------------------|--------------------|
| <b>Current</b>                           |                    |                    |
| Accounts payable and accrued liabilities | \$ 492,551         | \$ 412,251         |
| Notes payable (Note 8)                   | <u>254,756</u>     | <u>143,578</u>     |
|  | <u>747,307</u>     | <u>555,829</u>     |
| <b>Shareholders' equity</b>              |                    |                    |
| Capital stock (Note 9)                   |                    |                    |
| Authorized                               |                    |                    |
| Unlimited number of preferred shares     |                    |                    |
| Unlimited number of special shares       |                    |                    |
| Unlimited number of voting common shares |                    |                    |
| Issued                                   |                    |                    |
| 44,445,883 common shares                 | 6,368,887          | 6,368,887          |
| Contributed surplus                      | 211,059            | 211,059            |
| Cumulative translation adjustment        | 1,671              | (132)              |
| Deficit                                  | <u>(6,488,303)</u> | <u>(6,345,265)</u> |
|  | <u>93,314</u>      | <u>234,549</u>     |
|  | <u>\$ 840,621</u>  | <u>\$ 790,378</u>  |

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 10)

**Contingencies** (Note 11)

**Subsequent event** (Note 17)

**On behalf of the Board:**

"James Borkowski" Director "Michael Kinley" Director

The accompanying notes are an integral part of these consolidated financial statements.

**STONEPOINT GROUP LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
**THREE MONTH PERIOD ENDED MARCH 31**

|  | 2005                | 2004               |
|--|---------------------|--------------------|
| <b>SALES</b>   | \$ 530,485          | \$ 402,820         |
| <b>COST OF GOODS SOLD</b> (Schedule)   | <u>403,851</u>      | <u>263,517</u>     |
| <b>GROSS PROFIT</b>  | 126,634             | 139,303            |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Schedule)                         | <u>(279,297)</u>    | <u>(168,381)</u>   |
| <b>Loss before other items and discontinued operations</b>                             | (152,663)           | (29,078)           |
| <b>OTHER ITEM</b>  |                     |                    |
| Interest income  | <u>9,625</u>        | <u>5,250</u>       |
| <b>Loss from continuing operations</b>   | (143,038)           | (23,828)           |
| <b>Loss from discontinued operations</b> (Note 3)                                      | <u>-</u>            | <u>9,173</u>       |
| <b>Net income (loss) for the year</b>  | <u>\$ (143,038)</u> | <u>\$ (14,655)</u> |
| <b>Basic and diluted loss per common share from continuing operations</b>              | \$ (0.01)           | \$ (0.01)          |
| <b>Basic and diluted earnings (loss) per common share from discontinued operations</b> | <u>(0.00)</u>       | <u>0.00</u>        |
| <b>Basic and diluted earnings (loss) per common share</b>                              | <u>\$ (0.01)</u>    | <u>\$ (0.01)</u>   |
| <b>Weighted average number of common shares outstanding</b>                            | <u>44,445,883</u>   | <u>43,754,183</u>  |

The accompanying notes are an integral part of these consolidated financial statements.

**STONEPOINT GROUP LIMITED**  
**CONSOLIDATED SCHEDULES**  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
**THREE MONTH PERIOD ENDED MARCH 31**

|   | 2005              | 2004              |
|---|-------------------|-------------------|
| <b>COST OF GOODS SOLD</b>                           |                   |                   |
| Commissions   | \$ 44,050         | \$ 30,766         |
| Freight   | 46,048            | 24,130            |
| Purchases and other product costs                   | <u>313,753</u>    | <u>208,621</u>    |
|   | <u>\$ 403,851</u> | <u>\$ 263,517</u> |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> |                   |                   |
| Advertising and promotions                          | \$ 12,246         | \$ -              |
| Amortization of deferred financing costs            | 7,059             | -                 |
| Amortization of equipment                           | 125               | 5,497             |
| Amortization of intangibles                         | 12,500            | 12,500            |
| Consulting  | 72,354            | 24,783            |
| Courier   | 334               | 2,130             |
| Financing   | 6,531             | -                 |
| Foreign exchange                                    | (3,922)           | (101)             |
| Insurance   | 3,085             | 2,671             |
| Interest  | 10,324            | 4,774             |
| Office  | 10,680            | 5,416             |
| Rent  | 3,864             | 5,288             |
| Professional fees                                   | 23,462            | 17,588            |
| Regulatory and investor relations                   | 3,566             | 2,710             |
| Repairs and maintenance                             | -                 | 255               |
| Telephone   | 5,471             | 6,315             |
| Travel  | 28,756            | 15,588            |
| Wages and benefits                                  | <u>82,862</u>     | <u>62,967</u>     |
|   | <u>\$ 279,297</u> | <u>\$ 168,381</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**STONEPOINT GROUP LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
**THREE MONTH PERIOD ENDED MARCH 31**

|   | 2005             | 2004              |
|---|------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>         |                  |                   |
| Loss from continuing operations                     | \$ (143,038)     | \$ (23,828)       |
| Items not affecting cash:                           |                  |                   |
| Amortization  | 19,684           | 17,997            |
| Interest accrued on note receivable                 | (9,625)          | (5,250)           |
| Change in non-cash working capital items:           |                  |                   |
| Accounts receivable                                 | (134,756)        | (152,155)         |
| Accounts payable and accrued liabilities            | <u>80,300</u>    | <u>71,656</u>     |
| Net cash provided by (used in) operating activities | <u>(187,435)</u> | <u>(91,580)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>         |                  |                   |
| Shareholder loans                                   | -                | 1,300             |
| Notes payable                                       | <u>113,477</u>   | <u>-</u>          |
| Net cash provided by financing activities           | <u>113,477</u>   | <u>1,300</u>      |
| <b>Foreign exchange effect on cash</b>              | <u>411</u>       | <u>-</u>          |
| <b>Cash used in discontinued operations</b>         | <u>-</u>         | <u>9,173</u>      |
| <b>Change in cash and equivalents</b>               | (73,547)         | (81,107)          |
| <b>Cash and equivalents, beginning of year</b>      | <u>98,595</u>    | <u>189,487</u>    |
| <b>Cash and equivalents, end of year</b>            | <u>\$ 25,048</u> | <u>\$ 108,380</u> |

Supplemental disclosure with respect to cash flows (Note 15)

The accompanying notes are an integral part of these consolidated financial statements.

**STONEPOINT GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)

|  | Number<br>of Shares<br>Issued | Capital<br>Stock<br>Amount | Contributed<br>Surplus | Cumulative<br>Translation<br>Adjustment | Deficit        | Total          |
|--|-------------------------------|----------------------------|------------------------|---|----------------|----------------|
| Balance at<br>December 31, 2002            | 43,754,183                    | \$ 6,342,083               | \$ 211,059             | \$ -                                    | \$ (9,316,380) | \$ (2,763,238) |
| Cumulative translation<br>adjustment       | -                             | -                          | -                      | 3,898                                   | -              | 3,898          |
| Net income for the year                    | -                             | -                          | -                      | -                                       | 3,206,855      | 3,206,855      |
| Balance at<br>December 31, 2003            | 43,754,183                    | 6,342,083                  | 211,059                | 3,898                                   | (6,109,525)    | 447,515        |
| Shares issued as bonus<br>for note holders | 691,700                       | 26,804                     | -                      | -                                       | -              | 26,804         |
| Cumulative translation<br>adjustment       | -                             | -                          | -                      | (4,030)                                 | -              | (4,030)        |
| Loss for the year                          | -                             | -                          | -                      | -                                       | (235,740)      | (235,740)      |
| Balance at<br>December 31, 2004            | 44,445,883                    | \$ 6,368,887               | \$ 211,059             | \$ (132)                                | \$ (6,345,265) | \$ 234,549     |
| Cumulative translation<br>adjustment       | -                             | -                          | -                      | 1,803                                   | -              | 1,803          |
| Loss for the year                          | -                             | -                          | -                      | -                                       | (143,038)      | (143,038)      |
| Balance at<br>March 31, 2005               | 44,445,883                    | \$ 6,368,887               | \$ 211,059             | \$ 1,671                                | \$ (6,488,303) | \$ 93,314      |

The accompanying notes are an integral part of these consolidated financial statements.

**STONEPOINT GROUP LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
MARCH 31, 2005

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

StonePoint Group Limited (the “Company”) was incorporated under the laws of the Province of Ontario on January 23, 1997. The Company’s current business is the sale and development of enhanced beverage products. During the year ended December 31, 2003 the Company restructured its operations and sold certain of its private and custom label beverage operating divisions (Note 3).

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

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|                              | March 31,<br>2005 | December 31,<br>2004 |
|------------------------------|-------------------|----------------------|
| Working capital (deficiency) | \$ (46,829)       | \$ 73,815            |
| Deficit                      | (6,488,303)       | (6,345,265)          |

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles and are expressed in United State dollars, unless stated otherwise.

**Principles of consolidation**

The financial statements include the accounts of the Company and those of its wholly owned subsidiaries from the date of acquisition or to the date of disposal. All significant inter-company balances and transactions have been eliminated upon consolidation.

**Measurement uncertainty and estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and 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. Financial results as determined by actual events could differ from those estimates.

**Cash and equivalents**

Cash and equivalents include highly liquid investments with original maturities of three months or less.

**STONEPOINT GROUP LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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MARCH 31, 2005

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Equipment**

Equipment is stated at cost, net of accumulated amortization. Equipment is amortized annually over the estimated useful lives of the assets as follows:

|                   |                       |
|-------------------|-----------------------|
| Equipment         | 5 years straight-line |
| Computer software | 2 years straight-line |
| Computer hardware | 30% declining-balance |

**Impairment of long-lived assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the assets carrying value over its fair value. Fair value is determined using a discounted cash flow analysis.

**Intangible assets**

Costs directly identifiable to royalty rights and product development costs have been capitalized and are amortized on a straight line basis at rates varying from 2 to 3 years. If management determines there to be an impairment in value, the asset is written-down to its estimated net realizable value.

**Deferred financing costs**

Deferred financing costs to obtain notes payable are deferred and amortized on a basis consistent with the repayment terms of the underlying debt.

**Future income taxes**

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Revenue recognition**

The Company recognizes its revenue at the date the products are shipped to the customer, and collection is reasonably assured.

**STONEPOINT GROUP LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
MARCH 31, 2005

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Foreign currency translation**

The Company's functional currency is the Canadian dollar. The Company uses the current rate method to translate from the functional currency to the United States dollar whereby all assets and liabilities are translated into United States dollar equivalents at the rate of exchange at the balance sheet date. Revenue and expenses are translated into United States dollar equivalents at the average rate of exchange throughout the year. Gains and losses arising from translation of the financial statements are disclosed as a separate component of shareholders' equity.

The accounts of subsidiaries, which are integrated operations, are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the year end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenue and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in the statement of operations.

**Earnings (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 earnings (loss) per share is recognized on the use of the 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 period. For the year ended December 31, 2004, this calculation proved to be anti-dilutive.

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year.

**Stock-based compensation**

The Company uses the fair value-based method for stock-based compensation and therefore all awards to employees and non-employees will be recorded at fair value on the date of the grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

**Comparative figures**

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

**3. CORPORATE REORGANIZATION**

During the year ended December 31, 2003, the Company reorganized and restructured its operations by winding-up certain companies, transferring certain divisional assets and liabilities and operations to separate subsidiary companies, and selling both the Custom Label and Private Label divisions. Those operations were reported as discontinued operations in fiscal 2003 and any related wind up costs were also reported as such during the year ended December 31, 2004.

**STONEPOINT GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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MARCH 31, 2005

**4. NOTE RECEIVABLE**

The note bore interest at 6% per annum and was due on December 26, 2004. Pursuant to an agreement dated April 4, 2005, the Company amended the terms of the note to bear interest at 11% effective December 27, 2004, and to require repayment of \$100,000 on April 20, 2005, with the balance due on June 30, 2005.

The balance at March 31, 2005 includes accrued interest of \$41,125 (2003 - \$31,500). The note has been pledged as security against the notes payable described in Note 8.

**5. INTANGIBLE ASSETS AND DEFERRED FINANCING COSTS**

**Royalty rights**

In 2003, the Company obtained the royalty rights for the “Life O2 Super-Oxygenated Water” technology for Asia at a cost of \$150,000 and in recognition of costs written-off or expensed in prior years totalling approximately \$750,000. These rights allow for royalty free use of the technology in perpetuity, as well as title to certain related computer and technical equipment used in the oxygenation process. The Company has agreed to pay a marketing fee to its principal customer in the amount of \$500,000, subject to adequate future shipments of product.

The Company recorded royalty rights of \$150,000 and amortization commenced July 1, 2003 on a straight line basis over a 3 year period.

**Product development costs**

The Company has entered into a partnership agreement to develop products and sales for its Australian wine products. During the year ended December 31, 2004, the Company capitalized \$102,282 of costs directly related to the development of products and supporting materials, less a write-down of \$32,628 to estimated realizable value of \$69,654. These costs have resulted in the Company owning several proprietary brands that will be marketed in North America and internationally. Amortization will commence on a straight line basis over a 2 year period in the second quarter of 2005 during which the Company expects initial revenues to begin.

**Deferred financing costs**

The Company has deferred the cost of bonus shares issued to the note holders referred to in Note 8 and is amortizing the cost thereof on a straight line basis over the period to maturity of the related notes.

|                           | March 31,<br>2005 |                             |                   | December 31,<br>2004 |                             |                   |
|---------------------------|-------------------|-----------------------------|-------------------|----------------------|-----------------------------|-------------------|
|                           | Cost              | Accumulated<br>Amortization | Net Book<br>Value | Cost                 | Accumulated<br>Amortization | Net Book<br>Value |
| Product development costs | \$ 69,654         | \$ -                        | \$ 69,654         | \$ 70,358            | \$ -                        | \$ 70,358         |
| Royalty rights            | <u>150,000</u>    | <u>87,500</u>               | <u>62,500</u>     | <u>150,000</u>       | <u>75,000</u>               | <u>75,000</u>     |
|                           | 219,654           | 87,500                      | 132,154           | 220,358              | 75,000                      | 145,358           |
| Deferred financing costs  | <u>27,675</u>     | <u>20,567</u>               | <u>7,108</u>      | <u>27,675</u>        | <u>13,317</u>               | <u>14,358</u>     |
|                           | \$ 247,329        | \$ 108,067                  | \$ 139,262        | \$ 248,033           | \$ 88,317                   | \$ 159,716        |

**STONEPOINT GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
MARCH 31, 2005

**6. EQUIPMENT**

|                   | March 31, 2005   |                          |                | December 31, 2004 |                          |                 |
|-------------------|------------------|--------------------------|----------------|-------------------|--------------------------|-----------------|
|                   | Cost             | Accumulated Amortization | Net Book Value | Cost              | Accumulated Amortization | Net Book Value  |
| Equipment         | \$ 590           | \$ 261                   | \$ 329         | \$ 596            | \$ 181                   | \$ 415          |
| Computer software | 31,407           | 31,407                   | -              | 31,407            | 31,407                   | -               |
| Computer hardware | <u>1,678</u>     | <u>1,126</u>             | <u>552</u>     | <u>1,695</u>      | <u>1,092</u>             | <u>603</u>      |
|                   | <u>\$ 33,675</u> | <u>\$ 32,794</u>         | <u>\$ 881</u>  | <u>\$ 33,698</u>  | <u>\$ 32,680</u>         | <u>\$ 1,018</u> |

During the year ended December 31, 2004, the Company amortized \$15,294 and wrote off \$23,125 of equipment to discontinued operations.

**7. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$65,117 (2004 - \$46,024) to directors and officers of the Company (for continuing operations) for wages and benefits.
- b) Paid or accrued \$11,123 (2004 - \$Nil) for consulting fees to a company controlled by a director.

Included in accounts payable was \$30,000 (December 31, 2004 - \$15,000) owing to directors.

All transactions were in the normal course of operations and were recorded at exchange amounts established and agreed between the related parties.

**8. NOTES PAYABLE**

The notes payable bear interest at the rate of 12% per annum, are repayable one year from the date of issuance and are secured by an assignment of a security interest in the note receivable (Note 4). During the year ended December 31, 2004, the Company issued 691,700 common shares as a bonus payment to the note holders valued at \$26,804 which was recorded as a deferred financing costs. During the period ended March 31, 2005, the Company issued additional notes totalling \$113,477 under the same terms and conditions, and has committed to issue 548,000 common shares as a related bonus to those note holders (Note 17).

**9. CAPITAL STOCK**

**Authorized**

Unlimited number of voting common shares.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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MARCH 31, 2005

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**9. CAPITAL STOCK (cont'd...)**

**Authorized (cont'd...)**

Unlimited number of preference shares, non-voting, bearing a fixed non-cumulative dividend at a rate of 7% of the amount paid-up per annum and redeemable at any time at the option of the Company on payment of the preference redemption price.

Unlimited number of special shares, non-voting, bearing a fixed non-cumulative dividend at a rate of 7% of the amount paid-up per annum, convertible at any time by the holder into one fully paid common share, redeemable at the option of the Company on payment of the special redemption price.

**Stock options**

The Company has a stock option plan (the "Plan") under which a maximum of 6,000,000 shares can be reserved for issuance. Periodically, directors, officers, key employees and consultants of the Company will be offered options to purchase common shares under the Plan. The exercise price of the options granted pursuant to the Plan may not be less than the price permitted by the TSX Venture Exchange. Options granted either vest immediately or are subject to certain vesting requirements as determined by the Board of Directors. A total of 6,000,000 shares remain reserved for issuance under the Plan.

As at March 31, 2005, there were no incentive stock options outstanding.

Stock option transactions are summarized as follows:

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|   | Number<br>of Options |       | Weighted<br>Average<br>Exercise<br>Price |
|---|----------------------|-------|--|
| Balance, December 31, 2002                    | 3,650,000            | Cdn\$ | 0.24                                     |
| Options granted                               | -                    |       |  |
| Options expired                               | (3,100,000)          |       | 0.20                                     |
| Options exercised                             | <u>-</u>             |       |  |
| Balance, December 31, 2003                    | 550,000              |       | 0.23                                     |
| Options expired                               | <u>(550,000)</u>     |       | 0.23                                     |
| Balance, December 31, 2004 and March 31, 2005 | <u>-</u>             |       |  |

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**Warrants**

At March 31, 2005, there were no share purchase warrants outstanding.

**STONEPOINT GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**MARCH 31, 2005**

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**10. COMMITMENTS**

The Company leases certain premises and equipment under operating leases. The future minimum annual lease payments under operating lease arrangements are as follows:

|                  |    |               |
|------------------|----|---------------|
| 2005 (remainder) | \$ | 10,200        |
| 2006             |    | 13,600        |
| 2007             |    | 13,600        |
| 2008             |    | 13,600        |
| 2009             |    | <u>13,600</u> |
|                  | \$ | <u>64,600</u> |

Pursuant to the acquisition of royalty rights (Note 5), the Company agreed to pay a marketing fee to its principal customer in the amount of \$500,000, subject to adequate future shipments of product. As at March 31, 2005, \$360,000 (December 31, 2004 - \$316,000) of this balance has been paid or accrued.

**11. CONTINGENCIES**

A claim against the Company for \$40,000 has been filed. The Company believes this claim is without merit and the outcome cannot be determined at this time.

**12. ECONOMIC DEPENDENCE AND CREDIT RISK**

The Company sells products to one customer in Japan, under a 5 year agreement which commenced in January, 2003. This customer accounts for 97% (2004 - 94%) of enhanced beverage revenues from continuing operations and 70% (2004 – 54%) of accounts receivable.

**13. SEGMENTED INFORMATION**

The Company operates in one business segment being the sale and development of enhanced beverage products in various geographic locations.

Geographic information is as follows:

|                                       | 2005       | 2004       |
|---------------------------------------|------------|------------|
| <i>Period ended March 31:</i>         |            |            |
| Sales during the year:                |            |            |
| Canada                                | \$ 14,072  | \$ 22,092  |
| Japan                                 | 516,413    | 380,728    |
| United States                         | <u>-</u>   | <u>-</u>   |
|                                       | \$ 530,485 | \$ 402,820 |
| <i>As at the balance sheet dates:</i> |            |            |
| Capital assets:                       |            |            |
| Canada                                | \$ 881     | \$ 1,018   |
| Japan                                 | -          | -          |
| United States                         | <u>-</u>   | <u>-</u>   |
|                                       | \$ 881     | \$ 1,018   |

**STONEPOINT GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(Unaudited – Prepared by Management)  
MARCH 31, 2005

**14. INCOME TAXES**

The reconciliation of income taxes at statutory rates is as follows:

|  | 2005         | 2004        |
|--|--------------|-------------|
| Income (loss) for the period               | \$ (143,038) | \$ (23,828) |
| Expected income tax expense (recovery)     | \$ (50,900)  | \$ (8,500)  |
| Non-deductible items                       | 7,000        | 6,400       |
| Unrecognized benefit of non-capital losses | 43,900       | 2,100       |
| Income tax expense                         | \$ -         | \$ -        |

The significant components of the Company's future income tax assets are as follows:

|                                    | 2005       | 2004       |
|------------------------------------|------------|------------|
| Loss carryforwards                 |            |            |
| Canadian non-capital losses        | \$ 779,000 | \$ 730,000 |
| United States net operating losses | 54,000     | -          |
| Total loss carryforward            | 833,000    | 730,000    |
| Less: valuation allowance          | (833,000)  | (730,000)  |
|                                    | \$ -       | \$ -       |

The Company has available for deduction against future taxable income non-capital losses of approximately \$2,350,000. These losses, if not utilized, will expire through to 2014. 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.

**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

|  | 2005      | 2004     |
|--|-----------|----------|
| Cash paid during the year for interest     | \$ 10,324 | \$ 4,774 |
| Cash paid during the year for income taxes | \$ -      | \$ -     |

**STONEPOINT GROUP LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
MARCH 31, 2005

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**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)**

There were no significant non-cash transactions for the periods ended March 31, 2005 and 2004.

**16. FINANCIAL INSTRUMENTS**

The Company's financial instruments consists of cash and equivalents, accounts receivable, note receivable, accounts payable and accrued liabilities, and notes payable. Management has determined that the carrying value of the financial instruments approximate fair value due to their short-term nature.

Credit risk:

The Company is exposed to credit risk only with respect to uncertainties as to the timing and collectibility of accounts receivable. The Company mitigates credit risk through standard credit and reference checks.

Currency risk:

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

**17. SUBSEQUENT EVENTS**

Subsequent to March 31, 2005, the Company:

- a) issued 548,000 pre-consolidation common shares as a bonus to note holders for the additional notes payable issued during the period totaling \$137,000 CDN.
- b) at its annual and special meeting of shareholders held on May 24, 2005, adopted a special resolution approving the consolidation of the Company's common shares on the basis of one (1) post-consolidation share for every ten (10) pre-consolidation common shares outstanding, and, adopted a special resolution approving the change of the Company's name to StonePoint Global Brands Inc.

STONEPOINT GROUP LIMITED.  
FORM 51-102F1 – MANAGEMENT DISCUSSION & ANALYSIS  
MARCH 31, 2005

|   | March 31, 2005 | December 31, 2004 | December 31, 2003 |
|---|----------------|-------------------|-------------------|
| <i>Balance sheet data:</i>                                  |                |                   |                   |
| <b>Assets</b>   |                |                   |                   |
| Cash and equivalents  | \$ 25,048      | \$ 98,595         | 189,487           |
| Receivables   | 284,305        | 149,549           | 64,744            |
| Note receivable   | 391,125        | 381,500           | 360,500           |
| Assets held for resale                                      | -              | -                 | -                 |
| Intangible assets, royalty rights, deferred financing costs | 139,262        | 159,716           | 125,000           |
| Equipment   | 881            | 1,018             | 43,195            |
| <b>Liabilities / equity</b>                                 |                |                   |                   |
| Notes payable   | 254,756        | 143,578           | -                 |
| Other current liabilities                                   | 492,551        | 412,251           | 335,441           |
| Shareholders' equity (deficiency)                           | 93,314         | 234,549           | 447,515           |
| Working capital (deficiency)                                | \$ (46,829)    | \$ 73,815         | 279,320           |
| Average shares outstanding                                  | 44,445,883     | 43,985,381        | 43,754,183        |

The above balance sheet data shows a return to a positive working capital position at December 31, 2004 and 2003, due to the sale of the Company's Custom and Private Label water businesses and the continued growth of the core exports to Japan. A small working capital deficiency emerged in Q1 of 2005 as the Company has elected to finance, as required, using short-term notes payable.

The Company's financial statements are prepared in conformity with Canadian generally accepted accounting principles, and include the accounts of the Company and its wholly owned subsidiaries expressed in United States dollars. All foreign currency amounts are converted into United States dollar equivalents using the temporal method as explained in the notes accompanying the Company's audited annual financial statements.

## RESULTS OF OPERATIONS

Sales from continuing operations include international sales of its enhanced beverage line of \$516,413 for the quarter, compared with \$380,728 for 2004 as a result of increased demand and the first full year of sales. Consulting and royalty income account for the balance of revenues in each year. We continue to defer \$69,654 of product development costs relating to the wine & spirits business, which we anticipate revenues to begin in Q2 or Q3 of fiscal 2005. These costs will be amortized over a 24 month period upon the commencement of revenues.

Comparative gross profit has been impacted by a product cost increase of 14% in mid-2004, together with higher shipping costs reflecting an increase in world oil prices.

SG&A expense from continuing operations for the quarter (\$279,297) is somewhat higher than the comparable 2004 period (\$168,381) as a result of:

- The engagement of advertising consultants (\$12,246)
- Increased consulting expense in the marketing and business development categories (\$19,000)
- Financing costs associated with a new issuance of notes payable (\$6,531)
- Accruals for critical employees and consultants (\$27,000)
- Increased travel associated with new business development.

Interest income on the note receivable is larger due to an increase in the interest rate for 6% to 11%.

**QUARTERLY FINANCIAL INFORMATION**

| <i>Selected data only:</i>                 | March, 2005      | December, 2004  | September, 2004 | June, 2004      |
|--|------------------|-----------------|-----------------|-----------------|
| Sales                                      | \$ 530,485       | \$ 1,115,141    | \$ 898,038      | \$ 463,783      |
| Gross profit                               | 126,634          | 238,054         | 218,953         | 131,708         |
| Gross profit %                             | 23.9%            | 21.3%           | 24.7%           | 28.4%           |
| SG&A expense                               | 279,297          | 286,627         | 151,754         | 170,215         |
| <i>Net Continuing operations</i>           | <i>(143,038)</i> | <i>(75,750)</i> | <i>81,540</i>   | <i>(33,257)</i> |
| Discontinued operations                    | -                | (144,821)       | (25,496)        | (23,300)        |
| Net income (loss)                          | \$ (143,038)     | (220,571)       | (56,044)        | \$ (56,557)     |
| Per common share – discontinued operations | \$0.00           | (\$0.00)        | (\$0.00)        | (\$0.00)        |
| Per common share                           | (\$0.01)         | (\$0.01)        | (\$0.00)        | (\$0.01)        |

|  | March, 2004     | December, 2003   | September, 2003  | June, 2003      |
|--|-----------------|------------------|------------------|-----------------|
| Sales                                      | \$ 402,820      | 184,953          | \$ 244,427       | \$ 467,583      |
| Gross profit                               | 139,303         | 57,348           | 18,960           | 201,990         |
| Gross profit %                             | 34.6%           | 31.0%            | 7.8%             | 43.2%           |
| SG&A expense                               | 168,381         | 271,002          | 165,985          | 213,321         |
| <i>Net continuing operations</i>           | <i>(23,828)</i> | <i>(203,145)</i> | <i>(147,025)</i> | <i>(11,331)</i> |
| Gain on sale – discontinued                | -               | (228,399)        | 5,923,930        | 151,020         |
| Discontinued operations                    | 9,173           | (57,222)         | (1,919,012)      | (78,262)        |
| Net income (loss)                          | \$ (14,655)     | (488,775)        | 3,857,893        | \$ 61,427       |
| Per common share – discontinued operations | \$0.00          | (\$0.00)         | (\$0.04)         | (\$0.01)        |
| Per common share                           | (\$0.01)        | (\$0.01)         | \$0.09           | \$0.01          |

The Company's disposed of its traditional bottled water businesses in quarters ended June and September, 2003 (see discontinued operations).

Quarter to quarter variances in both sales and gross profit can be effected by the timing of purchase orders from customers. Also, transportation costs are ultimately affected by the impact of world oil prices on shipping costs generally.

The quarter ended March 31, 2005 was showed sales totaling \$530,485 compared to \$402,820 in the same period in 2004. The Company has continued to grow its exports of Super Oxygenated bottled water to Japan, but has also devoted significant effort and resources to the development of its new business opportunities which are expected to begin generating revenues in the second or third quarter of the 2005 fiscal year.

SG&A expenses have increased quarter over quarter due to the Company's decision to aggressively seek new products and new customer growth.

## LIQUIDITY

Following the completion of the divestiture of its bottled water businesses in September, 2003, the Company has returned to a positive working capital position:

|                              | March 31,<br>2005 | December 31,<br>2004 | December 31,<br>2003 |
|------------------------------|-------------------|----------------------|----------------------|
| Working capital (deficiency) | \$ (46,829)       | \$ 73,815            | \$ 279,320           |

Improved sales of its enhanced beverage line, should enable the Company to generate sufficient cash to cover its working capital requirements on a monthly basis, however case volume in Q1 of 2005 was not sufficient to do so due to increased business development costs. The deficiency was made up through the issuance of a second round of notes payable. The Company is looking for better volumes in the next two quarters which should bring about increased self sufficiency.

Included in current assets at March 31, 2005 is a note receivable of \$391,125 concerning which the Company attributes a reasonable financial risk. The note is due from a public company which has recently completed a small equity financing and is pursuing a larger financing. A payment of \$100,000 was received on this note subsequent to quarter end.

The Company's ongoing commitments for annual premises lease/rental have now been reduced to approximately \$1,100 per month and are not considered a factor in its future liquidity circumstances.

## CAPITAL RESOURCES

The Company depends upon the junior capital markets to raise equity and debt financing needed to fund its working capital requirements to the extent not generated internally. Recent improvements in its enhanced beverage sales and related margins, together with a reduced cost structure from its continuing operations and modest note payable financings, have largely eliminated the necessity of raising additional equity capital for this purpose.

Its ability to continue to raise equity financing for any purpose, or course, remains subject to the general investment climate and investors' interest in supporting the Company's business objectives. No significant financial commitments exist beyond our working capital needs.

## OFF – BALANCE SHEET ARRANGEMENTS

The Company has not entered into any significant off-balance sheet arrangements or commitments.

## MANAGEMENT DISCUSSION AND ANALYSIS

To The Shareholders of StonePoint Group Limited

### OVERALL PERFORMANCE

- Sales for the period ended March 31, 2005 from continuing operations represent a 32% increase over 2004 in case volume and 31.7% in dollar value.
- The Company's exports to Japan have been growing steadily and with increased capacity being brought on-line, management believes that same customer growth and new customer growth can be accelerated. The Company has engaged additional consulting assistance to facilitate this process.
- As a result of the Company successfully selling the Private Label and Custom Label divisions in 2003, there has been a significant reduction operating expenses.
- The Company is now focused on growing its enhanced beverage line (utilizing the Life O2 patent and technology acquired in April, 2003) and developing higher margin opportunities in categories which can benefit from the Company's services and experience. These categories include nutraceutical beverages, wine and other health oriented products.

### SELECTED FINANCIAL INFORMATION

|  | March 31,<br>2005   | March 31,<br>2004   | December 31,<br>2004 | December 31,<br>2003 |
|--|---------------------|---------------------|----------------------|----------------------|
|  | <u>Three months</u> | <u>Three months</u> | <u>Annual</u>        | <u>Annual</u>        |
| <i>Period ended:</i>                                 |                     |                     |                      |                      |
| Sales  | 530,485             | 402,820             | 2,879,782            | \$ 910,379           |
| Cost of sales  | <u>403,851</u>      | <u>263,517</u>      | <u>2,151,764</u>     | <u>625,730</u>       |
| Gross profit   | 126,634             | 139,303             | 728,017              | 284,649              |
| <i>Gross profit %</i>                                | 23.9%               | 34.5%               | 25.3%                | 31.5%                |
| Selling, general and administrative expenses         | 279,297             | 168,381             | 771,802              | 797,984              |
| Other items:   |                     |                     |                      |                      |
| Interest income                                      | 9,625               | 5,250               | 21,000               | 10,500               |
| Gain on sale of equipment                            | -                   | -                   | 9,292                | -                    |
| Write-down of license                                | -                   | -                   | -                    | -                    |
| Write-down of intangible assets                      | -                   | -                   | 32,628               | -                    |
| Income (loss) from continuing operations             | (143,038)           | (23,828)            | (46,120)             | (502,835)            |
| Gain on sale of discontinued operations              | -                   | -                   | -                    | 5,846,550            |
| Income (loss) from discontinued operations           | -                   | <u>9,173</u>        | <u>(189,620)</u>     | <u>(2,136,860)</u>   |
| Income (loss) for the year                           | \$(143,038)         | \$(14,655)          | \$(235,740)          | \$ 3,206,855         |
| Income (loss) per share from discontinued operations | (\$0.00)            | \$0.00              | (\$0.01)             | (\$0.08)             |
| Income (loss) per share                              | (\$0.01)            | (\$0.01)            | (\$0.01)             | (\$0.07)             |

The table above presents the Company's results of operations for each of its last three fiscal years and three months, showing continuing operations separately.

## RELATED PARTY TRANSACTIONS

|                                     | March, 2005  | 2004       | 2003       |
|-------------------------------------|--------------|------------|------------|
|                                     | Three months | Annual     | Annual     |
| <i>For the period:</i>              |              |            |            |
| Consulting fees, wages and benefits | \$ 76,240    | \$ 177,204 | \$ 290,202 |
| Lease of equipment from a Director  | -            | -          | 7,200      |
|                                     |              |            |            |
| <i>As at balance sheet date:</i>    |              |            |            |
| Included in accounts payable        | \$ 30,000    | 15,000     | -          |
| Shareholder loan                    | \$ -         | -          | \$ 47,000  |
|                                     |              |            |            |

Amounts due to related parties are unsecured and non-interest bearing with no specific terms of repayment (except the shareholder loan which bore interest at 10% per annum). All transactions are in the normal course of operations and are recorded at exchange amounts established and agreed between the related parties.

## LAST QUARTER

The following last quarter transactions should be noted:

1. the Company issued additional notes payable of \$137,000 CDN as per note 8 of its unaudited financial statements.

## PROPOSED TRANSACTIONS

Subsequent to March 31, 2005, the Company:

1. issued 548,000 pre-consolidation common shares as a bonus to note holders for the additional notes payable issued during the period totaling \$137,000 CDN.
2. at its annual and special meeting of shareholders held on May 24, 2005, adopted a special resolution approving the consolidation of the Company's common shares on the basis of one (1) post-consolidation share for every ten (10) pre-consolidation common shares outstanding, and, adopted a special resolution approving the change of the Company's name to StonePoint Global Brands Inc.

## CHANGES IN ACCOUNTING POLICIES

The Company has not changed accounting policies

## FINANCIAL INSTRUMENTS

The Company's financial instruments consists of cash and cash equivalents, accounts receivable, note receivable, accounts payable and accrued liabilities and shareholder loan. Management has determined that the carrying value of the financial instruments approximate fair value due to their short-term nature. The Company is exposed to credit risk only with respect to uncertainties as the timing and amount of collectibility of accounts receivable. The Company mitigates credit risk through standard credit and reference checks.