

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)

DECEMBER 31, 2006

AUDITORS' REPORT

To the Shareholders of
Stonepoint Global Brands Inc.

We have audited the consolidated balance sheets of Stonepoint Global Brands Inc. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

April 13, 2007

A Member of **SC INTERNATIONAL**

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
CONSOLIDATED BALANCE SHEETS
(Expressed in United States dollars)
AS AT DECEMBER 31

	2006	2005
ASSETS		
Current		
Cash	\$ 1,066,691	\$ 356,544
Accounts receivable	140,426	207,676
Subscriptions receivable	5,047	-
Prepaid expenses	86,479	-
Current portion of notes receivable (Note 3)	<u>328,116</u>	<u>190,000</u>
	1,626,759	754,220
Notes receivable (Note 3)	214,431	95,880
Intangible assets and deferred financing costs (Note 4)	103,012	47,879
Property and equipment (Note 5)	<u>236,074</u>	<u>2,949</u>
	<u>\$ 2,180,276</u>	<u>\$ 900,928</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 630,438	\$ 414,209
Notes payable (Note 7)	<u>700,210</u>	<u>390,390</u>
	<u>1,330,648</u>	<u>804,599</u>
Shareholders' equity		
Capital stock (Note 8)		
Authorized		
Unlimited number of preferred shares		
Unlimited number of special shares		
Unlimited number of voting common shares		
Issued		
13,277,031 common shares (2005 – 8,555,386 common shares)	8,520,395	6,746,348
Contributed surplus	501,633	288,414
Cumulative translation adjustment	(2,129)	(2,110)
Deficit	<u>(8,170,271)</u>	<u>(6,936,323)</u>
	<u>849,628</u>	<u>96,329</u>
	<u>\$ 2,180,276</u>	<u>\$ 900,928</u>

Nature and continuance of operations (Note 1)

Commitments (Note 9)

Contingencies (Note 10)

Subsequent events (Note 16)

On behalf of the Board:

"James Borkowski"

Director

"Michael Kinley"

Director

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

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in United States dollars)
YEAR ENDED DECEMBER 31

	2006	2005
REVENUES		
Sales	\$ 6,410,836	\$ 3,141,945
Royalties	<u>107,000</u>	<u>88,938</u>
	6,517,836	3,230,883
COST OF GOODS SOLD (Schedule)	<u>(4,816,076)</u>	<u>(2,351,845)</u>
GROSS PROFIT	1,701,760	879,038
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Schedule)	<u>(2,742,081)</u>	<u>(1,447,712)</u>
Loss before other items and income taxes	(1,040,321)	(568,674)
OTHER ITEMS		
Write-down of note receivable (Note 3)	(35,338)	(68,134)
Write-down of intangible assets (Note 4)	(149,751)	-
Gain on debt settlement (Note 8)	-	11,307
Interest income and renewal fees	<u>4,459</u>	<u>53,351</u>
	<u>(180,630)</u>	<u>(3,476)</u>
Loss before income taxes	(1,220,951)	(572,150)
Income tax expense (Note 13)	<u>(12,997)</u>	<u>(18,908)</u>
Loss for the year	<u>\$ (1,233,948)</u>	<u>\$ (591,058))</u>
Basic loss per common share	<u>\$ (0.12)</u>	<u>\$ (0.11)</u>
Weighted average number of common shares outstanding - basic	10,526,952	5,424,436

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

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
CONSOLIDATED SCHEDULES
(Expressed in United States dollars)
YEAR ENDED DECEMBER 31

	2006	2005
COST OF GOODS SOLD		
Purchases and other product costs	\$ 4,265,363	\$ 2,043,126
Freight	<u>550,713</u>	<u>308,719</u>
	\$ 4,816,076	\$ 2,351,845
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization of deferred financing costs	\$ 4,702	\$ 27,871
Amortization of equipment	7,488	709
Amortization of intangible assets	43,178	102,508
Bad debts	4,885	8,897
Business development costs (Note 6(e))	401,936	-
Consulting	583,467	338,509
Design and marketing	284,168	164,766
Financing	14,290	14,459
Foreign exchange	25,452	815
Insurance	8,491	14,037
Interest	81,599	55,256
Investor relations	29,913	-
Office	80,671	45,680
Professional fees	274,844	154,056
Regulatory and filing fees	22,494	14,783
Rent	52,232	17,655
Stock based compensation (Note 8)	243,989	77,355
Telephone	36,952	24,749
Travel	212,045	112,559
Wages and benefits	<u>329,285</u>	<u>273,048</u>
	\$ 2,742,081	\$ 1,447,712

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

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)
YEAR ENDED DECEMBER 31

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (1,233,948)	\$ (591,058)
Items not affecting cash:		
Amortization	55,368	131,088
Stock based compensation	243,989	77,355
Interest and fees accrued on note receivable	(4,459)	(53,351)
Bonus shares included in financing cost	8,556	-
Bad debts	4,885	8,897
Gain on debt settlement	-	(11,307)
Write-down of intangible assets	149,751	-
Write-down of note receivable	35,338	68,134
Change in non-cash working capital items:		
Accounts receivable	62,364	(67,024)
Subscriptions receivable	(5,047)	-
Prepaid expenses	(86,479)	-
Accounts payable and accrued liabilities	<u>170,461</u>	<u>87,675</u>
Net cash used in operating activities	<u>(599,221)</u>	<u>(349,591)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Intangible assets	(249,805)	-
Purchase of equipment	(203,260)	(2,640)
Repayment of notes receivable	200,001	80,837
Note receivable	<u>(487,547)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(740,611)</u>	<u>78,197</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares for cash	1,771,328	286,025
Share issue costs	(28,051)	-
Repayment of notes payable	(28,317)	(25,000)
Proceeds from notes payable	<u>338,091</u>	<u>259,209</u>
Net cash provided by financing activities	<u>2,053,051</u>	<u>520,234</u>
Foreign exchange effect on cash	<u>(3,072)</u>	<u>9,109</u>
Increase in cash	710,147	257,949
Cash, beginning of year	<u>356,544</u>	<u>98,595</u>
Cash, end of year	<u>\$ 1,066,691</u>	<u>\$ 356,544</u>

Supplemental disclosure with respect to cash flows (Note 14)

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

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Expressed in United States dollars)

	Number of Shares Issued	Capital Stock Amount	Contributed Surplus	Cumulative Translation Adjustment	Deficit	Total
Balance at December 31, 2004	4,444,588	\$ 6,368,887	\$ 211,059	\$ (132)	\$ (6,345,265)	\$ 234,549
Shares issued as bonus for note holders	54,800	17,755	-	-	-	17,755
Shares issued as settlement of debt	690,998	73,681	-	-	-	73,681
Private placement	3,365,000	286,025	-	-	-	286,025
Stock-based compensation	-	-	77,355	-	-	77,355
Cumulative translation adjustment	-	-	-	(1,978)	-	(1,978)
Loss for the year	-	-	-	-	(591,058)	(591,058)
Balance at December 31, 2005	8,555,386	6,746,348	288,414	(2,110)	(6,936,323)	96,329
Private placements	2,740,145	1,559,222	-	-	-	1,559,222
Exercise of stock options	296,500	32,841	-	-	-	32,841
Exercise of warrants	1,685,000	179,265	-	-	-	179,265
Stock-based compensation	-	30,770	213,219	-	-	243,989
Share issue costs	-	(28,051)	-	-	-	(28,051)
Cumulative translation adjustment	-	-	-	(19)	-	(19)
Loss for the year	-	-	-	-	(1,233,948)	(1,233,948)
Balance at December 31, 2006	13,277,031	\$ 8,520,395	\$ 501,633	\$ (2,129)	\$ (8,170,271)	\$ 849,628

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

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

1. NATURE AND CONTINUANCE OF OPERATIONS

StonePoint Global Brands Inc. (the “Company”) was incorporated under the laws of the Province of Ontario on January 23, 1997. The Company’s currently operates in two business segments: (a) the development, branding and distribution of premium beverage products, and (b) a hospitality guest room marketing business through a newly incorporated U.S. subsidiary. Effective June 28, 2005, the Company changed its name from StonePoint Group Limited and completed a consolidation of its issued and outstanding capital stock, warrants and options on the basis of ten old shares for one new share (10 for 1). All share, warrant, option and per unit data included in these financial statements have been adjusted to retroactively reflect this change.

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 Company has incurred operating losses and its continuing operations are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

	2006	2005
Working capital (deficiency)	\$ 296,111	\$ (50,379)
Deficit	(8,170,271)	(6,936,323)

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 States 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 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. Financial results as determined by actual events may differ from those estimates.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

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

Property and 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	20% declining balance
Furniture	20% declining balance
Computer software	2 years straight-line
Computer hardware	30% declining-balance
Leasehold improvements	Over the term of the lease

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.

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.

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.

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. The Company recognizes royalty revenue as earned and collection is reasonably assured.

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

Foreign currency translation

The Company's functional currency is the Canadian dollar. 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.

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.

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 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 years presented, this calculation proved to be anti-dilutive.

Basic 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 and expensed over the period of vesting. 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.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

3. NOTES RECEIVABLE

	December 21, 2005 Promissory Note	Credit Facility Promissory Notes	Total
Balance, December 31, 2005	\$ 285,880	\$ -	\$ 285,880
Advances	-	487,547	487,547
Accrued interest	4,459	-	4,459
Repayments	(200,001)	-	(200,001)
Write-down	(35,338)	-	(35,338)
	55,000	487,547	542,547
Less current portion	(55,000)	(273,116)	(328,116)
Balance, December 31, 2006	\$ -	\$ 214,431	\$ 214,431

a) December 21, 2005 promissory note:

During the year ended December 31, 2006, the Company entered into a Debt Settlement Agreement (“DSA”) whereby principal and interest totaling \$353,530 were written down by \$68,134 to \$285,396, which was recorded in fiscal 2005. During fiscal 2006, the Company received proceeds of \$130,605 prior to commencing foreclosure proceedings on the under the DSA due to default by the borrower, and seized the assets of the borrower. The seized assets were sold resulting in consideration of \$124,396, which, after recognizing a loss of accrued interest, resulted in a write-down of \$35,338. Of the sale consideration, \$55,000 remained outstanding as at December 31, 2006.

b) Credit facility promissory notes:

The Company provided a credit facility of up to C\$600,000 to a supplier. During fiscal 2006, the Company advanced \$487,547 (C\$568,170) through the issuance of promissory notes. All advances are secured by equipment and other collateral held by the supplier and are repayable on a monthly basis based upon production volumes at the supplier’s facilities. The underlying agreements contemplate a term of three years, subject to product volume limits and other requirements, and would be payable on demand in the event of early termination by the supplier with interest accruing at 10% per annum from time of default. At December 31, 2006, repayments estimated under the terms of the credit facility amount to \$273,116 for the next twelve months.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

4. 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 which is being amortized over a 3 year period.

Product development costs

Product development costs consist of a proprietary brand of enhanced water as well as a line of products for the hospitality industry. During the year ended December 31, 2006, the Company capitalized \$245,653 (2005 - \$Nil) of costs directly related to the development of products and supporting materials, less a write-down of \$149,751 (2005 - \$Nil) to estimated realizable value.

Deferred financing costs

The Company had deferred the cost of bonus shares issued to the note holders referred to in Note 7 and was amortizing the cost thereof on a straight line basis over the period to maturity of the related notes.

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Product development costs:						
Beverage	\$ 70,685	\$ 70,685	\$ -	\$ 70,685	\$ 52,508	\$ 18,177
Hospitality	103,012	-	103,012	-	-	-
Royalty rights	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>125,000</u>	<u>25,000</u>
	323,697	220,685	103,012	220,685	177,508	43,177
Deferred financing costs	<u>48,481</u>	<u>48,481</u>	<u>-</u>	<u>48,481</u>	<u>43,779</u>	<u>4,702</u>
	<u>\$ 372,178</u>	<u>\$ 269,166</u>	<u>\$ 103,012</u>	<u>\$ 269,166</u>	<u>\$ 221,287</u>	<u>\$ 47,879</u>

5. PROPERTY AND EQUIPMENT

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 185,112	\$ 3,637	\$ 181,475	\$ 616	\$ 530	\$ 86
Furniture	20,788	346	20,442	-	-	-
Leasehold improvements	28,854	1,202	27,652	-	-	-
Computer software	36,220	36,220	-	36,220	36,220	-
Computer hardware	<u>10,860</u>	<u>4,355</u>	<u>6,505</u>	<u>4,386</u>	<u>1,523</u>	<u>2,863</u>
	<u>\$ 281,834</u>	<u>\$ 45,760</u>	<u>\$ 236,074</u>	<u>\$ 41,222</u>	<u>\$ 38,273</u>	<u>\$ 2,949</u>

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued wages and benefits of \$191,109 (2005 - \$195,197) to directors and officers of the Company.
- b) Paid or accrued consulting fees of \$127,490 (2005 - \$70,947) to companies controlled by two directors of the Company and to two consultants performing senior management functions.
- c) Issued Nil (2005 - 423,571) common shares valued at \$Nil (2005 - \$45,508) in exchange for debt valued at \$Nil (2005 - \$52,509) owed to directors of the Company.
- d) Paid or accrued investor relations services of \$25,678 (2005 - \$Nil), rent of \$14,605 (2005 - \$Nil) , and granted 100,000 (2005 - Nil) stock options valued at \$46,145 to a significant shareholder.
- (e) Engaged two consultants who perform senior management functions relating to its hospitality business operations conducted through its Nevada subsidiary. The underlying agreements, which have a three year term commencing September 15, 2006, required the Company to pay retainer and project milestone fees totaling \$401,936 (paid) to December 31, 2006 (Note 9).

Included in accounts payable was \$690 (December 31, 2005 - \$1,235) owing to directors of the Company, and \$7,138 to the related parties referred to in (e) above.

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

7. NOTES PAYABLE

During the year ended December 31, 2006, the Company issued notes totalling \$338,091 (C\$ 394,000), bearing interest at the rate of 12% per annum and are repayable one year from the date of issuance, and repaid one note for \$28,317 (C\$33,000). Included in accounts payable is an obligation to issue 10,000 bonus shares to a note holder valued at \$8,556.

During the year ended December 31, 2005, the Company issued notes totalling \$259,209 (C\$315,000), repaid a US\$25,000 note and issued 54,800 common shares as a bonus to those note holders valued at \$17,755.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

8. CAPITAL STOCK

Authorized

Unlimited number of voting common shares.

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.

Share consolidation

Effective June 28, 2005, the Company consolidated its issued and outstanding share capital on a 10:1 basis. All share and per share amounts have been restated to reflect the consolidation.

Issuances

During the year ended December 31, 2006, the Company issued 1,217,211 common shares pursuant to a private placement at a price of C\$0.45 per share for gross proceeds of \$479,092 (C\$547,745), and 1,522,934 common shares pursuant to a private placement at a price of C\$0.80 per share for gross proceeds of \$1,080,130 (C\$1,218,347), less share issue costs of \$28,051 (C\$31,800) (2005 - \$Nil). The Company also issued 1,685,000 common shares pursuant to the exercise of warrants at a price of C\$0.12 per share for proceeds of \$179,265 (C\$202,200) and 296,500 common shares on the exercise of options for proceeds of \$32,841 (C\$36,680).

During the year ended December 31, 2005, the Company completed a private placement issuing 3,365,000 units at a price of C\$0.10 per unit for gross proceeds of \$286,025 (C\$336,500), each unit consisting of one common share and one warrant to purchase one additional common share at a price of C\$0.12. The expiry date of 3,165,000 and 200,000 of the warrants is October 18, 2007 and November 18, 2007 respectively. The Company also issued 690,998 shares valued at \$73,681 in settlement of accounts payable totalling \$84,988 (C\$103,650) resulting in a gain on settlement of debt of \$11,307, and 54,800 bonus shares valued at \$17,755 relating to notes payable issued during the year (Note 7).

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

8. CAPITAL STOCK (cont'd...)

Stock options

The Company has a stock option plan (the "Plan") under which a maximum of 10% of the issued and outstanding shares of the Company can be reserved for issuance from time to time. 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 and have a maximum term of 5 years. Options granted either vest immediately or are subject to certain vesting requirements as determined by the Board of Directors.

Stock option transactions are summarized as follows:

	2006	2005
Outstanding, beginning of year	797,000	Nil
Granted:		
Exercisable at C\$0.10	-	490,000
Exercisable at C\$0.12	-	307,000
Exercisable at C\$0.50	50,000	-
Exercisable at C\$0.50	244,000	-
Exercisable at C\$0.60	35,000	-
Exercisable at C\$0.80	160,000	-
Exercisable at C\$0.80	50,000	-
Exercisable at C\$0.82	100,000	-
Exercised:		
Exercised at C\$0.10	(185,000)	-
Exercised at C\$0.12	(101,500)	-
Exercised at C\$0.60	(10,000)	-
Cancelled	(20,000)	-
Outstanding, end of year	1,119,500	797,000

The following incentive stock options were outstanding at December 31, 2006:

Number of Shares	Exercise Price	Expiry Date
285,000	C\$0.10	August 2, 2010
205,500	0.12	November 1, 2010
50,000	0.50	April 20, 2007 (subsequently exercised)
25,000	0.60	September 1 2007
160,000	0.80	December 22, 2007
50,000	0.80	December 22, 2008
244,000	0.50	December 22, 2008
100,000	0.82	June 7, 2008
1,119,500		

The following incentive stock options were outstanding at December 31, 2005:

Number of Shares	Exercise Price	Expiry Date
490,000	\$0.10	August 2, 2010
307,000	\$0.12	November 1, 2010
797,000		

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

8. CAPITAL STOCK (cont'd...)

Warrants

During the year ended December 31, 2006, 1,685,000 warrants were exercised at a price of C\$0.12 for gross proceeds of \$179,265 (C\$ 202,200). At December 31, 2006 there were 1,680,000 warrants outstanding to purchase common shares at a price of C\$0.12 until October 18, 2007.

Stock-based compensation

During the year ended December 31, 2006, the Company granted 639,000 (2005 – 797,000) stock options with a weighted average fair value of \$0.38 (2005 - \$0.10) per option. The options vested on the date of grant. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value of \$243,989 (2005 - \$77,355) in the statement of operations. The amount was also recorded as contributed surplus on the balance sheet.

The following assumptions were used for the Black-Scholes valuation of stock options granted:

	Weighted Average 2006	Weighted Average 2005
Risk-free interest rate	4.125%	3.59%
Expected life of options	1.7 years	5 years
Annualized volatility	119.69%	206.11%
Dividend rate	0.00%	0.00%

9. COMMITMENTS

(a) The Company leases certain premises under an operating lease. The future minimum annual lease payments under operating lease arrangements are as follows:

2007	\$ 70,624
2008	70,624
2009	70,624
2010	<u>70,624</u>
	<u>\$ 282,496</u>

(b) Pursuant to the agreements referred to in Note 6(e), the Company is committed to pay the following amounts relating to its hospitality business:

- i. Consulting fees totaling C\$16,666 per month
- ii. Bonus commissions calculated in reference to the operating results of the Nevada subsidiary in excess of the monthly advances in (i) above.
- iii. Fees in the event of a third party sale of the business.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

10. 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. No provision for this claim has been made as of December 31, 2006.

11. ECONOMIC DEPENDENCE AND CREDIT RISK

The Company sells products to one customer in Japan, under an agreement expiring January, 2013. During the year ended December 31, 2006, this customer accounts for 97% (2005 - 96%) of revenues and 18% (2005 - 71%) of accounts receivable.

12. SEGMENTED INFORMATION

The Company operates in two business segments being (a) the sale and development of enhanced beverage products in various geographic locations, and (b) a hospitality business operating in the United States.

Geographic information is as follows:

	2006	2005
Sales and royalties during the year:		
Canada (including royalties)	\$ 159,278	\$ 124,216
Japan	6,338,934	3,100,125
United States	<u>19,624</u>	<u>6,542</u>
	<u>\$ 6,517,836</u>	<u>\$ 3,230,883</u>

	2006	2005
<i>As at December 31:</i>		
Capital assets:		
Canada	\$ 339,086	\$ 50,828
Japan	-	-
United States	<u>-</u>	<u>-</u>
	<u>\$ 339,086</u>	<u>\$ 50,828</u>

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

12. SEGMENTED INFORMATION (cont'd)...

Selected information concerning segment operations is presented below. The Company operated in only one business segment in 2005.

<i>Business segment data (selected items)</i> <i>Year ended December 31, 2006:</i>	Beverage	Hospitality	Total
Sales	\$ 6,498,212	\$ 19,624	\$ 6,517,836
Interest expense	77,881	3,718	81,599
Amortization – equipment and intangibles	55,951	-	55,951
Consulting and business development	485,368	500,035	985,403
Design and marketing	146,651	137,516	284,168
Write down of notes receivable and intangible assets	185,089	-	185,089
Interest income	(4,459)	-	(4,459)
Income taxes	12,997	-	12,997
Segment loss	\$ (447,215)	\$ (786,733)	\$ (1,233,948)

13. INCOME TAXES

The reconciliation of income taxes at statutory rates is as follows for the year ended December 31:

	2006	2005
Loss before income taxes	\$ (1,220,951)	\$ (572,150)
Expected income tax (recovery)	\$ (416,589)	\$ (195,218)
Non-deductible items	102,340	65,350
Unrecognized benefit of non-capital losses	<u>327,246</u>	<u>148,776</u>
Income tax expense	\$ 12,997	\$ 18,908

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2006

13. INCOME TAXES (cont'd)....

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

	2006	2005
Loss carry-forwards		
Canadian non-capital losses	\$ 846,000	\$ 717,000
Finance costs	32,000	20,000
United States net operating losses	<u>334,000</u>	<u>32,000</u>
Total loss carry-forwards	1,212,000	769,000
Less: valuation allowance	<u>(1,212,000)</u>	<u>(769,000)</u>
	\$ -	\$ -

The Company has available for deduction against future taxable income Canadian non-capital losses of approximately \$2,500,000 and United States losses of \$950,000, both of which will expire through to 2026. Future tax benefits which may arise as a result of these non-capital losses and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2006	2005
Cash paid for interest	\$ 81,599	\$ 55,256
Cash paid for income taxes	\$ 12,997	\$ 18,908

During the year ended December 31, 2006, the significant non-cash transactions of the Company include:

- a) The obligation to issue 10,000 common shares valued at \$8,556 as a bonus for notes payable issued;
- b) The recording of equipment of \$37,211 included in accounts payable;
- c) The allocation of contributed surplus of \$30,770 to common stock on the exercise of stock options

During the year ended December 31, 2005, the Company issued 54,800 common shares as a bonus for notes payable issued valued at \$17,755, and 690,998 shares were issued in settlement of debts valued at \$73,681.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consists of cash, 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.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2006, the Company:

- a) Advanced \$54,000 under the credit facility promissory notes (Note 3).
- b) Closed a brokered private placement of unsecured debentures for gross proceeds of C\$600,000 bearing interest at a rate of 12% per annum and maturing three years from the date of issuance.
- c) Issued 50,000 shares pursuant to the exercise of warrants at C\$0.12 each for gross proceeds of C\$6,000, and issued 10,000 bonus shares pursuant to notes payable issued.