

STONEPOINT GLOBAL BRANDS INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)

(Unaudited – Prepared by Management)

SEPTEMBER 30, 2007

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 GLOBAL BRANDS INC.
CONSOLIDATED BALANCE SHEETS
(Expressed in United States dollars)
(Unaudited – Prepared by Management)

	September 30, 2007	December 31, 2006 (audited)
ASSETS		
Current		
Cash	\$ 1,203,865	\$ 1,066,691
Accounts receivable	176,927	140,426
Subscriptions receivable	-	5,047
Inventory	41,658	-
Prepaid expenses	40,103	86,479
Current portion of notes receivable (Note 4)	<u>298,651</u>	<u>328,116</u>
	1,761,204	1,626,759
Notes receivable (Note 4)	201,066	214,431
Intangible assets and deferred financing costs (Note 5)	148,351	103,012
Property and equipment (Note 6)	<u>379,562</u>	<u>236,074</u>
	<u>\$ 2,490,183</u>	<u>\$ 2,180,276</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 394,714	\$ 630,438
Current portion of notes payable (Note 8)	<u>797,407</u>	<u>700,210</u>
	1,192,121	1,330,648
Notes payable (Note 8)	1,326,994	-
Shareholders' equity		
Capital stock (Note 9)		
Authorized		
Unlimited number of preferred shares		
Unlimited number of special shares		
Unlimited number of voting common shares		
Issued		
13,512,031 common shares (December 31, 2006 – 13,277,031 common shares)	8,555,094	8,520,395
Contributed surplus	639,880	501,633
Accumulated other comprehensive income	(75,575)	(2,129)
Equity component of convertible notes payable (Note 8)	38,982	-
Deficit	<u>(9,187,313)</u>	<u>(8,170,271)</u>
	<u>(28,932)</u>	<u>849,628</u>
	<u>\$ 2,490,183</u>	<u>\$ 2,180,276</u>

Nature and continuance of operations (Note 1)
Commitments (Note 10); **Contingencies** (Note 11)
Subsequent events (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 GLOBAL BRANDS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in United States dollars)
(Unaudited – Prepared by Management)

	Three Month Period Ended September 30, 2007	Three Month Period Ended September 30, 2006	Nine Month Period Ended September 30, 2007	Nine Month Period Ended September 30, 2006
REVENUES				
Sales	\$ 1,350,895	\$ 2,481,636	\$ 5,015,869	\$ 5,598,336
Royalties	<u>22,188</u>	<u>23,406</u>	<u>37,101</u>	<u>101,406</u>
	1,373,083	2,505,042	5,052,970	5,699,742
COST OF GOODS SOLD (Schedule)	<u>(1,025,743)</u>	<u>(1,888,658)</u>	<u>(3,366,371)</u>	<u>(4,173,357)</u>
GROSS PROFIT	347,340	616,384	1,686,599	1,526,385
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Schedule)	<u>(954,406)</u>	<u>(688,229)</u>	<u>(2,703,641)</u>	<u>(1,478,540)</u>
Income (loss) before other item	(607,066)	(71,845)	(1,017,042)	47,845
OTHER ITEM				
Write-down of note receivable (Note 4)		(13,782)		(13,782)
Interest income	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,459</u>
Income (loss) before income taxes	(607,066)	(85,627)	(1,017,042)	38,522
Income tax expenses	<u>-</u>	<u>(8,600)</u>	<u>-</u>	<u>(8,600)</u>
Income (loss) for the period	\$ (607,066)	\$ (94,227)	\$ (1,017,042)	\$ 29,922
Basic loss per common share	\$ (0.04)	\$ (0.01)	\$ (0.08)	\$ 0.01
Weighted average number of common shares outstanding - basic	13,512,031	11,050,279	13,425,236	9,787,212
Weighted average number of common shares outstanding - diluted	N/A	N/A	N/A	13,017,388

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

STONEPOINT GLOBAL BRANDS INC.
CONSOLIDATED SCHEDULES
(Expressed in United States dollars)
(Unaudited – Prepared by Management)

	Three Month Period Ended September 30, 2007	Three Month Period Ended September 30, 2006	Nine Month Period Ended September 30, 2007	Nine Month Period Ended September 30, 2006
COST OF GOODS SOLD				
Purchases and other product costs	\$ 922,167	\$ 1,667,747	\$ 3,093,176	\$ 3,683,267
Freight	<u>103,576</u>	<u>210,911</u>	<u>272,655</u>	<u>490,090</u>
	\$ 1,025,743	\$ 1,888,658	\$ 3,366,371	\$ 4,173,357
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization of deferred financing costs	\$ -	\$ (40)	\$ -	\$ 4,841
Amortization of equipment	10,231	501	51,583	1,427
Amortization of intangible assets	32,888	(154)	89,169	43,715
Bad debts	4,055	(1,660)	4,705	(1,101)
Consulting	199,170	231,028	682,829	405,254
Design and marketing	136,989	68,184	444,684	134,751
Financing	-	21,128	-	30,124
Foreign exchange	7,714	14,470	32,122	34,351
Insurance	193	460	7,002	9,019
Interest	51,867	25,168	125,661	67,655
Investor relations	(406)	13,210	4,959	18,267
Office	20,807	29,421	116,347	54,084
Professional fees	46,252	93,622	102,729	175,286
Regulatory and filing fees	4,093	1,605	22,039	12,204
Rent	30,639	19,650	71,652	32,255
Stock based compensation (Note 8)	-	-	141,120	42,431
Telephone	18,791	8,239	53,874	23,733
Travel	60,185	61,326	191,892	149,177
Wages and benefits	<u>330,938</u>	<u>102,071</u>	<u>561,274</u>	<u>237,906</u>
	\$ 954,406	\$ 688,229	\$ 2,703,641	\$ 1,478,540

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

STONEPOINT GLOBAL BRANDS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)
(Unaudited – Prepared by Management)

	Three Month Period Ended September 30, 2007	Three Month Period Ended September 30, 2006	Nine Month Period Ended September 30, 2007	Nine Month Period Ended September 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the period	\$ (607,066)	\$ (94,227)	\$ (1,017,042)	\$ 29,922
Items not affecting cash:				
Amortization	43,118	307	140,752	49,983
Stock based compensation	-	-	141,120	42,431
Interest and fees accrued on note receivable	-	-	-	(4,459)
Bad debts	4,055	(1,660)	4,705	(1,101)
Write-down of note receivable	-	13,782	-	13,782
Change in non-cash working capital items:				
Accounts receivable	454,679	552,457	(41,206)	85,421
Subscriptions receivable	-	-	5,047	-
Inventory	320	(8,049)	(41,658)	(8,049)
Prepaid expenses	(4,932)	(138,190)	46,376	(138,190)
Accounts payable and accrued liabilities	<u>(168,657)</u>	<u>(236,485)</u>	<u>(227,417)</u>	<u>98,008</u>
Net cash used in operating activities	<u>(278,483)</u>	<u>87,935</u>	<u>(989,324)</u>	<u>167,748</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Intangible assets	(79,604)	-	(135,835)	(155,652)
Purchase of equipment	(44,994)	(69,916)	(153,781)	(163,821)
Repayment of notes receivable	(300)	-	145,796	130,604
Note receivable	<u>43,664</u>	<u>(343,929)</u>	<u>(25,069)</u>	<u>(388,584)</u>
Net cash provided by (used in) investing activities	<u>(81,234)</u>	<u>(413,845)</u>	<u>(168,889)</u>	<u>(577,453)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares for cash	-	663,749	23,520	1,263,188
Subscriptions received in advance	-	(4,534)	-	-
Proceeds from notes payable	767,184	91,678	1,234,554	220,285
Repayment of notes payable	<u>5</u>	<u>(26,937)</u>	<u>(13,815)</u>	<u>(26,937)</u>
Net cash provided by financing activities	<u>767,189</u>	<u>723,956</u>	<u>1,244,259</u>	<u>1,456,536</u>
Foreign exchange effect on cash	<u>107,289</u>	<u>8,670</u>	<u>51,127</u>	<u>36,952</u>
Increase (decrease) in cash	514,761	406,716	137,174	1,083,783
Cash, beginning of year	<u>689,104</u>	<u>1,033,611</u>	<u>1,066,691</u>	<u>356,544</u>
Cash, end of year	\$ 1,203,865	\$ 1,440,327	\$ 1,203,865	\$ 1,440,327

Supplemental disclosure with respect to cash flows (Note 15)

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

STONEPOINT GLOBAL BRANDS INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Expressed in United States dollars)
(Unaudited – Prepared by Management)

	Number of Shares Issued	Capital Stock Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Equity Component of Convertible Debentures	Deficit	Total
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)
Currency 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
Exercise of stock options	25,000	2,224	-	-	-	-	2,224
Exercise of warrants	200,000	21,296	-	-	-	-	21,296
Shares issued as bonus for note holders	10,000	8,306	-	-	-	-	8,306
Stock-based compensation	-	2,873	138,247	-	-	-	141,120
Currency translation adjustment	-	-	-	(73,446)	-	-	(73,446)
Convertibility option of debentures	-	-	-	-	38,982	-	38,982
Loss for the period	-	-	-	-	-	(1,017,042)	(1,017,042)
Balance at September 30, 2007	13,512,031	\$ 8,555,094	\$ 639,880	\$ (75,575)	\$ 38,982	\$ (9,187,313)	\$ (28,932)

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

STONEPOINT GLOBAL BRANDS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
(Unaudited – Prepared by Management)
SEPTEMBER 30, 2007

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.

	September 30, 2007	December 31, 2006
Working capital (deficiency)	\$ 569,083	\$ 296,111
Deficit	(9,187,313)	(8,170,271)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventory

Inventory is recorded at the lower of average cost or net realizable value.

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.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

i) Financial Instruments – Recognition and Measurement (Section 3855)

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in

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3. CHANGE IN ACCOUNTING POLICY (cont'd)

certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to January 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification.

ii) Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of the net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

Accordingly, the Company now reports a consolidated statement of comprehensive income (loss) and includes the account "accumulated other comprehensive income" in the shareholders' equity section of the consolidated balance sheet.

4. NOTES RECEIVABLE

	December 21, 2005 Promissory Note	Credit Facility C\$ Promissory Notes	Total
Balance, December 31, 2006	\$ 55,000	\$ 487,547	\$ 542,547
Advances	-	25,069	25,069
Repayments	(55,000)	(90,796)	(145,796)
Foreign exchange effect	-	77,897	77,897
	-	499,717	499,717
Less current portion	-	(298,651)	(298,651)
Balance, September 30, 2007	\$ -	\$ 201,066	\$ 201,066

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4. NOTES RECEIVABLE (cont'd)

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 which was recorded as of December 31, 2006. The balance of the loan was repaid during the current period.

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. Further advances of \$25,069 (C\$ 27,638) were made during the nine months ended September 30, 2007.

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 September 30, 2007, repayments estimated under the terms of the credit facility amount to \$298,651 for the next twelve months.

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 which was 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 has deferred financing costs and the cost of bonus shares issued to the note holders referred to in Note 8 and amortizes the cost thereof on a straight line basis over the period to maturity of the related notes.

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5. INTANGIBLE ASSETS AND DEFERRED FINANCING COSTS (cont'd)

	September 30, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Product development costs:						
Beverage	\$ 70,685	\$ 70,685	\$ -	\$ 70,685	\$ 70,685	\$ -
Hospitality	103,012	77,259	25,753	103,012	-	103,012
Royalty rights	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
	323,697	297,944	25,753	323,697	220,685	103,012
Deferred financing costs	<u>135,836</u>	<u>13,238</u>	<u>122,598</u>	<u>48,481</u>	<u>48,481</u>	<u>-</u>
	<u>\$ 459,533</u>	<u>\$ 311,182</u>	<u>\$ 148,351</u>	<u>\$ 372,178</u>	<u>\$ 269,166</u>	<u>\$ 103,012</u>

6. PROPERTY AND EQUIPMENT

	September 30, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 311,682	\$ 42,776	\$ 268,906	\$ 185,112	\$ 3,637	\$ 181,475
Furniture	45,159	5,506	39,653	20,788	346	20,442
Leasehold improvements	49,865	9,668	40,197	28,854	1,202	27,652
Computer software	48,253	42,556	5,697	36,220	36,220	-
Computer hardware	<u>34,933</u>	<u>9,824</u>	<u>25,109</u>	<u>10,860</u>	<u>4,355</u>	<u>6,505</u>
	<u>\$ 489,892</u>	<u>\$ 110,330</u>	<u>\$ 379,562</u>	<u>\$ 281,834</u>	<u>\$ 45,760</u>	<u>\$ 236,074</u>

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued salaries and benefits of \$185,112 (2006 - \$162,272) to directors and officers of the Company.
- b) Paid or accrued consulting fees of \$328,856 (2006- \$112,595) to companies controlled by directors and officers of the Company and to two consultants performing senior management functions.
- c) 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, require the Company to pay retainer and project milestone fees which totaled \$123,334 for the period ended September 30, 2007 (2006 - \$Nil) (Note 9).

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7. RELATED PARTY TRANSACTIONS (cont'd)

Included in accounts payable was \$8,706 (December 31, 2006 - \$4,881) owing to directors of the Company, and \$Nil (December 31, 2006 - \$7,135) to the related parties referred to in (c) above.

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

8. NOTES PAYABLE

	September 30, 2007	December 31, 2006
Notes payable, unsecured, bearing interest at 12% per annum and due one year from the date of issuance or renewal	\$ 797,407	\$ 700,210
Notes payable, unsecured, bearing interest at 12% per annum and due three years from the date of issuance	554,455	-
Notes payable, unsecured, bearing interest at 10% per annum and due three years from the date of issuance, convertible into common shares of the Company at a price of \$1.40 per share, if converted in the first two years of the term and at a price of \$1.60 per share if converted in the third year of the term ending August 31, 2010.	811,521	-
Less present value of equity component of conversion option	<u>(38,982)</u>	<u>-</u>
	2,124,401	700,210
Less current portion	<u>(797,407)</u>	<u>(700,210)</u>
	<u>\$ 1,326,994</u>	<u>\$ -</u>

During the period ended September 30, 2007, the Company issued notes totalling \$1,234,554 (C\$1,355,000), and issued 10,000 common shares as a bonus to those note holders valued at \$8,306 (C\$9,700). Notes of \$13,815 (C\$15,000) were repaid during the period.

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.

9. 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.

9. CAPITAL STOCK (cont'd)

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 period ended September 30, 2007, 200,000 warrants at a price of C\$0.12 per share and 25,000 stock options at a price of C\$0.10 per share were exercised for gross proceeds of \$23,520 (C\$26,500). 10,000 bonus shares valued at \$8,306 (C\$9,700) were issued in settlement of an obligation to issue notes payable (Note 8).

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).

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.

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9. CAPITAL STOCK (cont'd)

Stock option transactions are summarized as follows:

	Nine month ended September 30, 2007	Year ended December 31, 2006
Outstanding, beginning of period	1,119,500	797,000
Granted:		
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
Exercisable at C\$0.65	18,000	-
Exercisable at C\$0.55	300,000	-
Exercised:		
Exercised at C\$0.10	(25,000)	(185,000)
Exercised at C\$0.12	-	(101,500)
Exercised at C\$0.60	-	(10,000)
Cancelled/expired	(185,000)	(20,000)
Outstanding, end of period	1,227,500	1,119,500

The following incentive stock options were outstanding as at September 30, 2007:

Number of Shares	Exercise Price	Expiry Date
20,000	C\$0.10	August 2, 2007 (extended)
240,000	0.10	August 2, 2010
205,500	0.12	November 1, 2010
160,000	0.80	December 22, 2007
50,000	0.80	December 22, 2008
234,000	0.50	December 22, 2008
18,000	0.65	March 30, 2009
300,000	0.55	June 26, 2009
1,227,500		

Warrants

During the period ended September 30, 2007, 200,000 warrants at a price of C\$0.12 per share were exercised for gross proceeds of \$21,296 (C\$24,000). At September 30, 2007 there were 1,480,000 warrants outstanding to purchase common shares at a price of C\$0.12 until October 18, 2007

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.

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9. CAPITAL STOCK (cont'd)

Stock-based compensation

During the period ended September 30, 2007, the Company granted 318,000 (2006 – 185,000) stock options with a weighted average fair value of C\$0.49 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 \$141,120 (2006 - \$42,431) in the statement of operations. The amount was also recorded as contributed surplus on the balance sheet.

During the year ended December 31, 2006, the Company granted 639,000 (2005 – 797,000) stock options with a weighted average fair value of C\$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 2007	Weighted Average 2006
Risk-free interest rate	4.43%	4.125%
Expected life of options	2.33 years	1.7 years
Annualized volatility	166.95%	119.69%
Dividend rate	0.00%	0.00%

10. 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	\$ 63,225
2008	70,326
2009	74,017
2010	67,925
2011	<u>6,742</u>
	<u>\$ 282,235</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.

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. No provision for this claim has been made as of September 30, 2007.

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12. ECONOMIC DEPENDENCE AND CREDIT RISK

The Company sells products to one customer in Japan, under an agreement expiring January, 2013. During the period ended September 30, 2007, this customer accounts for 60% (2006 - 97%) of revenues and 1.6% (December 31, 2006 – 18%) of accounts receivable.

13. 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:

	September 30, 2007	September 30, 2006
<i>Sales and royalties during the nine month period:</i>		
Canada (including royalties)	\$ 53,717	\$ 111,658
Japan	3,416,232	5,588,084
United States	<u>1,583,021</u>	<u>-</u>
	<u>\$ 5,052,970</u>	<u>\$ 5,699,742</u>

	September 30, 2007	December 31, 2006
<i>As at the balance sheet date:</i>		
<i>Equipment, intangibles and deferred financing costs:</i>		
Canada	\$ 467,858	\$ 339,086
Japan	-	-
United States	<u>60,055</u>	<u>-</u>
	<u>\$ 527,913</u>	<u>\$ 339,086</u>

Selected information concerning segment operations is presented below.

<i>Business segment data (selected items)</i>	Beverage	Hospitality	Total
<i>Nine month period ended September 30, 2007:</i>			
Sales	\$ 3,469,949	\$ 1,583,021	\$ 5,052,970
Interest expense	115,383	10,278	125,661
Amortization – equipment and intangibles	59,344	81,407	140,752
Consulting and business development	367,453	315,376	682,829
Design and marketing	199,745	244,939	444,684
Wages and benefits	365,135	196,139	561,274
Segment gain (loss)	<u>\$ (766,690)</u>	<u>\$ (250,352)</u>	<u>\$ (1,017,042)</u>

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13. SEGMENTED INFORMATION (cont'd)

<i>Business segment data (selected items)</i> <i>Nine months ended September 30, 2006</i>	Beverage	Hospitality	Total
Sales	\$ 5,699,742	\$ -	\$ 5,699,742
Interest expense	67,338	317	67,655
Amortization – equipment and intangibles	49,983	-	49,983
Consulting and business development	316,158	89,096	405,254
Write down of notes receivable	13,782	-	13,782
Interest income	(4,459)	-	(4,459)
Income taxes	8,600	-	8,600
Wages and benefits	208,155	29,751	237,906
Segment profit (loss)	\$ 222,450	\$ (192,528)	\$ 29,922

14. INCOME TAXES

The reconciliation of income taxes at statutory rates is as follows for the period ended September 30:

	2007	2006
Income (loss) before income taxes	\$ (1,017,042)	\$ 38,522
Expected income tax (recovery)	\$ (347,015)	\$ 13,144
Non-deductible items	96,175	31,531
Unrecognized benefit (utilization) of non-capital losses	<u>250,840</u>	<u>(36,075)</u>
Income tax expense	\$ -	\$ 8,600

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

	September 30, 2007	December 31 2006
Loss carry-forwards		
Canadian non-capital losses	\$ 1,140,000	\$ 846,000
Finance costs	32,000	32,000
United States net operating losses	<u>394,000</u>	<u>334,000</u>
Total loss carry-forwards	1,566,000	1,212,000
Less: valuation allowance	<u>(1,566,000)</u>	<u>(1,212,000)</u>
	\$ -	\$ -

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14. INCOME TAXES (cont'd)

The Company has available for deduction against future taxable income Canadian non-capital losses of approximately \$3,340,000 and United States losses of \$1,150,000, both of which will expire through to 2027. 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.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Nine month period ended September 30	2007	2006
Cash paid for interest	\$ 125,661	\$ 67,655
Cash paid for income taxes	\$ -	\$ 8,600

During the period ended September 30, 2007, the significant non-cash transactions of the Company include:

- a) The obligation to issue 10,000 common shares valued at \$8,306 as a bonus for notes payable issued.

There were no significant non-cash transactions during the period ended September 30, 2006.

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consists of cash, accounts receivable, notes 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 September 30, 2007, the Company:

- a) Issued 20,000 shares pursuant to the exercise of stock options at C\$0.10 each for gross proceeds of C\$2,000.
- b) Issued 1,480,000 shares pursuant to the exercise of warrants at C\$0.12 each for gross proceeds of C\$177,600.

MANAGEMENT DISCUSSION AND ANALYSIS

To the Shareholders of StonePoint Global Brands Inc.:

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) provides a detailed analysis of the business of StonePoint Global Brands Inc. (“StonePoint” or the “Company”) and compares its financial results for the six months ended June 30, 2007 to the previous year’s comparable period. This MD&A should also be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2006, and its unaudited financial statements for the nine months ended September 30, 2007. The Company’s reporting currency is the United States dollar and all amounts in this MD&A are expressed in United States dollars. The Company reports its financial position, results of operations and cash-flows in accordance with Canadian generally accepted accounting principles. This MD&A is made as of November 26, 2007.

This MD&A contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company’s ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Additional information relating to the Company can be located on the SEDAR website at www.sedar.com.

OVERALL PERFORMANCE

- The new hospitality segment, started in Q4 of fiscal 2006, reports revenue of \$1,583,021 and strong gross margins;
- International beverage segment sales of \$3,469,949 represent a 40.1% decrease over 2006 in case volume.
- The Company’s enhanced water exports have decreased due to an early 2007 delay in the stabilizing of increased production capacity. The Company is working closely with its largest Japanese customer to further develop sales and prepare for key presentations in Q4 of 2007. The Company has implemented several sales enhancement initiatives involving sales training, product promotion and incentive programs.
- The Company is now focused on growing its enhanced beverage line (utilizing the Life O2 patent and technology acquired in 2003), securing additional clients for its hospitality business and developing and deploying brands in higher margin categories which are well suited for the Company’s experience and contacts.
- In addition to marketing its own brands and technology, the Company continues to attract many third party brand opportunities. The Company is utilizing its experience and contacts to assist other companies with their global expansion.

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SELECTED FINANCIAL INFORMATION

	September 30, 2007	September 30, 2006	December 31, 2006	December 31, 2005
All figures in U.S Dollars	<u>Nine months</u>	<u>Nine months</u>	<u>Annual</u>	<u>Annual</u>
<i>(Selected items only)</i>				
Sales	\$ 5,015,869	\$ 5,598,336	\$ 6,410,836	\$ 3,141,945
Cost of sales	<u>3,366,371</u>	<u>4,173,357</u>	<u>4,816,076</u>	<u>2,351,845</u>
Gross profit	1,649,498	1,424,979	1,594,760	790,100
Gross profit %	32.9%	25.5%	24.9%	25.1%
Royalties	37,101	101,406	107,000	88,938
Selling, general and administrative expenses	2,703,641	1,478,540	2,742,081	1,447,712
Other items:				
Interest and renewal fee income (note receivable)	-	4,459	4,459	53,351
Gain on sale of equipment / debt settlement	-	-	-	11,307
Write-down of note receivable	-	(13,782)	(35,338)	(68,134)
Write-down of intangible assets	-	-	(149,751)	-
Income (loss) before income taxes	(1,017,042)	38,522	(1,220,951)	(572,150)
Income taxes	-	(8,600)	(12,997)	(18,908)
Income (loss) for the period	\$ (1,017,642)	\$ 29,922	\$ (1,233,948)	\$ (591,058)
Income (loss) per share – basic	\$ (0.08)	\$ 0.01	\$ (0.12)	\$ (0.11)

The table above presents the Company's results of operations for each of its last two fiscal years, together with the comparative results for the period ended September 30, 2007 and 2006.

All figures in U.S. Dollars	September 30, 2007	September 30, 2006	December 31, 2006	December 31, 2005
<i>Balance sheet data (selected items only):</i>				
Assets				
Cash and equivalents	\$ 1,203,865	\$ 1,440,327	\$ 1,066,691	\$ 356,544
Receivables	176,927	123,355	140,426	207,676
Inventory	41,658	8,049	-	-
Prepaid expense	40,103	138,190	86,479	-
Note receivables – total	499,717	534,536	542,547	285,880
Intangible assets, royalty rights, deferred financing costs	148,351	160,408	103,012	47,879
Equipment	379,562	166,911	236,074	2,949
Liabilities / equity				
Notes payable – current	797,407	600,695	700,210	390,390
Notes payable – long term	1,326,994	-	-	-
Other current liabilities	1,192,121	501,474	630,438	414,209
Shareholders' equity (deficiency)	(28,932)	1,469,607	849,628	96,329
Working capital (deficiency)	\$ 569,083	\$ 928,704	\$ 296,111	\$ (50,379)

Average shares outstanding – basic	13,425,236	9,787,212	10,526,952	5,424,436
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The above data shows working capital of \$543,548 at September 30, 2007, due to a debt financing of \$1,234,554 during the period. Since the Company's capital re-organization in 2005, equity financing has raised \$23,520 in 2007 (2006 fiscal year - \$1,771,328). Debt financing totaled \$1,220,739 (2006 - \$309,774) net of repayments.

The Company's financial statements are prepared in accordance 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 current rate method as explained in the notes accompanying the Company's audited annual financial statements.

RESULTS OF OPERATIONS

International (beverage) segment

Revenues are comprised of sales and royalties derived from its enhanced beverage line of \$3,469,949 for the nine month period ended September 30, 2007 compared with \$5,699,742 for 2006. The period over period change is due to a decreased case volume (40.1%) caused by early 2007 capacity issues and other market conditions (including the strengthening Canadian dollar and increased petroleum costs) over the comparable 2006 period. Gross profit on sales decreased to 25.7% for the nine months ended September 30, 2007 when compared to 26.8% for the same period of previous year.

Total SG&A expense for the nine month period \$1,657,856 is higher than 2006 \$1,478,540 as a result of:

- Design and marketing increased to \$199,745 from \$107,306 due to the fact that the Company's messaging, materials (including brochures and website) and branding required an update to reflect the new projects recently launched.;
- Consulting amounted to \$367,453 (2006 - \$316,158) due to an increased focus on business development and quality control;
- Wages and benefits amounted to \$365,135 (2006 - \$208,155);
- Increased interest expense due to additional notes payable;
- Higher rent costs due to an increase in the space required to support operations;
- Stock based compensation expense related to the fair value of stock option grants (\$141,120), which was higher than the 2006 comparable figure (\$42,431);

Hospitality segment

Revenues totaled \$1,583,021 for the period ended September 30, 2007, with no comparable figure for 2006. Gross profit was on budget, and has served to increase our combined gross profit to 33.4% period over period.

SG&A expense for the period was \$1,045,785, of which the under noted items are noteworthy:

- Consulting of \$315,376 comprised of three individuals, two of whom are related parties;
- Design and marketing costs of \$244,939 associated with launching this new business segment;
- Wages and benefits of \$196,139;
- Amortization of deferred charges of \$77,259.

General

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We have deferred \$103,012 of business development costs relating to our hospitality segment concerning which amortization of \$77,259 was recorded. Financing costs of \$135,835 relating to our recent debenture financing was also deferred, and will be amortized over the term to maturity of the debt (\$13,238 was amortized to September 30, 2007).

QUARTERLY FINANCIAL INFORMATION

<i>Selected data only:</i>	September, 2007	June, 2007	March, 2007	December, 2006
Sales and royalties	\$ 1,373,083	\$ 1,861,957	\$ 1,817,931	\$ 818,094
Gross profit	347,340	751,464	587,795	175,375
Gross profit %	25.3%	40.4%	32.3%	21.4%
SG&A expense	954,406	1,039,684	709,551	1,263,541
Net income (loss)	(607,066)	(288,220)	(121,756)	(1,263,870)
Per common share - basic	\$ (0.05)	\$ (0.02)	\$ (0.01)	\$ (0.12)

<i>Selected data only:</i>	September, 2006	June, 2006	March, 2006	December, 2005
Sales and royalties	\$ 2,505,042	\$ 2,144,412	\$ 1,050,288	\$ 776,875
Gross profit	616,384	607,915	302,086	255,803
Gross profit %	24.6%	28.3%	28.7%	25.1%
SG&A expense	688,229	490,849	299,462	498,064
Net income (loss)	(94,227)	119,002	5,147	(270,957)
Per common share - basic	\$ (0.01)	\$ 0.01	\$ 0.00	\$ (0.05)

Quarter ended September 30, 2007 vs September 30, 2006

See “Results of Operations” for general comments which also apply to the quarter ended September 30, 2007. In addition, segment data for the quarter is summarized as follows:

3 Months to September 30, 2007

	<u>Beverage</u>	<u>Hospitality</u>	<u>Total</u>
Sales	\$ 1,251,922	121,161	\$ 1,373,083
SG&A	\$ 622,444	331,962	\$ 954,406

NEW HOSPITALITY BUSINESS SEGMENT

On August 17, 2006, the Company incorporated a wholly owned Nevada subsidiary, StonePoint Global Brands USA, LLC, to conduct its new hospitality business. The Company has been selling beverages to hotels and retailers for many years and has identified an opportunity to leverage its experience and contacts by marketing an expanded line of consumer products within the hospitality industry. The Company will focus on product development, full service logistics and customer service. The Company has engaged three consultants to perform senior management functions relating to the sales, marketing and operational aspects of this business and also hired three additional employees to assist in the process.

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For the nine months ended September 30, 2007, summarized operations of the hospitality segment were as follows:

<i>Business segment data (selected items only)</i>	Total
Sales	\$ 1,583,021
Interest expense	10,278
Amortization of deferred charges	77,259
Consulting	315,376
Design and marketing	244,939
Professional fees	34,675
Travel	81,718
Wages	196,139
Segment loss	\$ (250,352)

In addition to the above operating results, the business incurred pre-operating costs of \$16,012 and acquired new customer purchase orders pursuant to an acquisition agreement for \$87,000 which are included in intangible assets. Amortization of \$77,259 was recorded in current period relating to these charges.

SHARE DATA

As at September 30, 2007, the Company had 13,512,031 shares outstanding (13,277,031 shares - December 31, 2006).

The following incentive stock options were outstanding:

	Nine months ended September 30, 2007	Year ended December 31, 2006
Outstanding, beginning of period	1,119,500	797,000
Granted:		
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
Exercisable at C\$0.65	18,000	
Exercisable at C\$0.55	300,000	
Exercised:		
Exercised at C\$0.10	(25,000)	(185,000)
Exercised at C\$0.12	-	(101,500)
Exercised at C\$0.60	-	(10,000)
Cancelled/Expired	(185,000)	(20,000)
Outstanding, end of period	1,227,500	1,119,500

At September 30, 2007 there were 1,480,000 warrants outstanding to purchase common shares at a price of C\$0.12 until October 18, 2007. These were all exercised subsequent to September 30, 2007.

LIQUIDITY

Working capital has been also impacted by financing operations with short term notes payable during the past two years, however, the Company's revenue growth, new opportunities and share consolidation has permitted a return to equity financing and an improvement in debt financing terms to allow for three year maturities. The Company raised additional debenture financing of \$1,234,554 (C\$1,355,000) during nine months ended September 30, 2007 and equity financing of \$1,771,328 during fiscal 2006, as it strives to achieve a balanced capitalization approach during a period of anticipated revenue growth.

	September 30, 2007	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2003
Working capital (deficiency)	\$ 569,083	\$ 296,111	\$ (50,379)	73,815	\$ 279,320

Decreasing sales from its enhanced beverage line, offset by emerging revenue from its hospitality segment, have resulted in decreased cash flow from operations of (\$989,324) (2006 - \$167,748) for the period ended September 30, 2007.

The Company currently has \$499,717 invested in notes receivable, but expects \$298,651 to be repaid within the next 12 months.

The Company's ongoing commitments for annual premises lease/rental amount to approximately C\$5,500 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 hospitality division 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.

During the period ended September 30, 2007, the Company issued 200,000 common shares pursuant to the exercise of warrants at a price of C\$0.12 per share, 25,000 stock options at a price of C\$0.10 per share for the total gross proceeds of \$23,520 (C\$26,500) and 10,000 bonus shares valued at \$8,306 (C\$9,700) in settlement of an obligation to issue notes payable. The Company also issued notes totalling \$1,234,554 (C\$1,355,000) and repaid one note for \$13,820 (C\$15,000).

During the year ended December 31, 2006, the Company raised \$1,559,222 in two private placements at C\$0.45 and C\$0.80 issuing 2,740,145 shares. An additional \$179,265 and \$32,841 were raised through the exercise of warrants and options respectively. Debt financing totalled \$309,774 for the year.

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.

RELATED PARTY TRANSACTIONS

	<u>September 30,</u> <u>2007</u>	<u>2006</u>	<u>2005</u>
	(nine months)	(annual)	(annual)
<i>For the year:</i>			
Wages and benefits (James Borkowski , Aubrey Ryals and David Housey)	\$ 185,112	\$ 191,109	\$ 195,197
Consulting fees (Frank Port, Michael Kinley, Cameron Ree, Tom Koltai and a company controlled by a director)	328,856	127,490	70,947
Debt settled for shares (James Borkowski, Aubrey Ryals, Frank Port, Michael Kinley)	-	-	52,509
Business development fees	123,334	\$401,936	-
Longview Strategies Inc., a control block holder of common shares – investor relations services	-	\$25,678	-
<i>As at balance sheet date:</i>			
Included in accounts payable	\$ 8,706	\$ 7,399	\$ 1,235

Amounts due to related parties are unsecured and non-interest bearing with no specific terms of repayment. All transactions are in the normal course of operations and are recorded at exchange amounts established and agreed between the related parties.

LAST QUARTER

There were no significant last quarter transactions not otherwise disclosed.

SUBSEQUENT EVENTS

Subsequent to September 30, 2007, the Company:

- a) Issued 20,000 shares pursuant to the exercise of stock options at C\$0.10 each for gross proceeds of C\$2,000.
- b) Issued 1,480,000 shares pursuant to the exercise of warrants at C\$0.12 each for gross proceeds of C\$177,600.
- c)

CHANGES IN ACCOUNTING POLICIES

The Company has implemented the new financial instruments policy of the CICA Handbook effective January 1, 2007 (see Note 3 to the unaudited financial statements for the nine months ended September 30, 2007).

CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted as part of the Company's continuous disclosure requirements is recorded, processed, summarized and reported, within the time periods specified by applicable regulatory authority. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure

EVALUATION OF DISCLOSURE ON CONTROLS AND PROCEDURES.

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this quarterly report, our CEO and CFO have determined that our current disclosure controls and procedures are effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING.

There have not been any changes in our internal control over financial reporting or any other factors during the period ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, notes 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. The Company is exposed to credit risk only with respect to uncertainties as the timing and amount of collectibility of accounts receivable and the note receivable. The Company mitigates credit risk through standard credit and reference checks, and its settlement agreement with the borrower of the note receivable.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements and all information in the annual report are the responsibility of the Board of Directors and management. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management maintains the necessary systems of internal controls, policies and procedures to provide assurance that assets are safeguarded and that the financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee, which reports to the Board of Directors, meets with the independent auditors and reviews the consolidated financial statements.

The consolidated financial statements have been audited by Davidson & Company LLP, Chartered Accountants, who were appointed by the shareholders. The auditors' report outlines the scope of their examination and their opinion on the consolidated financial statements.

RISK FACTORS

This MD&A contains forward-looking statements that involve risks and uncertainties. The forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual

events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the company and other factors.

The business of brand development involves a high degree of risk. The Company's activities are highly concentrated in this sector, and are exposed to above average cyclical fluctuations due to economic conditions, product supply/demand imbalances and global political factors. The Company's beverage segment relies substantially on one customer in Japan, while the hospitality segment is a completely new business initiative. Junior companies in this sector focus on early-stage business opportunities, but few of these opportunities are ultimately developed into profitable enterprises. At present, none of the Company's segments generate sufficient cash flow internally to support their operations. Thus, they are reliant on raising additional financing to continue their development. The Company's businesses are also exposed to intense competition, environmental and insurance risks, as well as political and environmental instability.

Other risks facing the Company include competition which can either increase costs or reduce the number of attractive opportunities; reliance on third parties, including consultants; statutory and regulatory requirements and uncertainty of additional financing. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.