

STONEPOINT GLOBAL BRANDS INC.

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

December 31, 2007

AUDITORS' REPORT

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIENCY)

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, 2007 and 2006 and the consolidated statements of operations, shareholders' equity (deficiency) 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, 2007 and 2006 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 21, 2008



STONEPOINT GLOBAL BRANDS INC.
CONSOLIDATED BALANCE SHEETS
(Expressed in United States dollars)
AS A DECEMBER 31

	2007	2006
ASSETS		
Current		
Cash	\$ 525,050	\$ 1,066,691
Accounts receivable	243,607	140,426
Subscriptions receivable	-	5,047
Inventory	52,003	-
Prepaid expenses	92,733	86,479
Current portion of notes receivable (Note 4)	<u>300,245</u>	<u>328,116</u>
	1,213,638	1,626,759
Notes receivable (Note 4)	154,237	214,431
Intangible assets and deferred financing costs (Note 5)	-	103,012
Property and equipment (Note 6)	<u>366,027</u>	<u>236,074</u>
	<u>\$ 1,733,902</u>	<u>\$ 2,180,276</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 369,773	\$ 630,438
Notes payable – short term (Note 8)	<u>550,805</u>	<u>700,210</u>
	920,578	1,330,648
Notes payable – long term (Note 8)	<u>1,455,391</u>	<u>-</u>
	<u>2,375,969</u>	<u>1,330,648</u>
Shareholders' equity (deficiency)		
Share capital (Note 9)	8,741,301	8,520,395
Contributed surplus	637,452	501,633
Equity component of convertible notes (Note 8)	39,010	-
Accumulated other comprehensive loss	(73,196)	(2,129)
Deficit	<u>(9,986,634)</u>	<u>(8,170,271)</u>
	<u>(642,067)</u>	<u>849,628</u>
	<u>\$ 1,733,902</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 "Frank Port" 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)
YEAR ENDED DECEMBER 31

	2007	2006
REVENUES		
Sales	\$ 5,547,268	\$ 6,410,836
Royalties	<u>57,823</u>	<u>107,000</u>
	5,605,091	6,517,836
COST OF GOODS SOLD (Schedule)	<u>(3,840,332)</u>	<u>(4,816,076)</u>
GROSS PROFIT	1,764,759	1,701,760
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Schedule)	<u>(3,561,847)</u>	<u>(2,742,081)</u>
Loss before other items and income taxes	<u>(1,797,088)</u>	<u>(1,040,321)</u>
OTHER ITEMS		
Write-down of note receivable (Note 4)	(21,053)	(35,338)
Write-down of intangible assets (Note 5)	-	(149,751)
Interest income	<u>1,778</u>	<u>4,459</u>
	<u>(19,275)</u>	<u>(180,630)</u>
Loss before income taxes	(1,816,363)	(1,220,951)
Income tax expense (Note 14)	<u>-</u>	<u>(12,997)</u>
Loss and comprehensive loss for the year	<u>\$ (1,816,363)</u>	<u>\$ (1,233,948)</u>
PER SHARE INFORMATION		
Weighted average number of common shares outstanding	13,756,716	10,526,952
Loss per common share – basic & diluted	<u>\$ (0.13)</u>	<u>\$ (0.12)</u>

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

STONEPOINT GLOBAL BRANDS INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in United States dollars)

	Number of Shares Issued	Capital Stock Amount	Contributed Surplus	Equity Component of Convertible Notes	Accumulated Other Comprehensive Income	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	45,000	4,294	-	-	-	-	4,294
Exercise of warrants	1,680,000	203,005	-	-	-	-	203,005
Shares issued as bonus for note holders	10,000	8,306	-	-	-	-	8,306
Stock-based compensation	-	5,301	135,819	-	-	-	141,120
Currency translation adjustment	-	-	-	-	(71,067)	-	(71,067)
Convertibility option of debentures	-	-	-	39,010	-	-	39,010
Loss for the year	-	-	-	-	-	(1,816,363)	(1,816,363)
Balance at December 31, 2007	15,012,031	\$8,741,301	\$ 637,452	\$ 39,010	\$ (73,196)	\$(9,986,634)	\$ (642,067)

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)
YEARS ENDED DECEMBER 31

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (1,816,363)	\$ (1,233,948)
Items not affecting cash:		
Non-cash settling on note receivable	24,529	-
Accretion interest expense	29,497	-
Amortization	174,001	55,368
Stock-based compensation	141,120	243,989
Interest and fees accrued on note receivable	-	(4,459)
Bonus shares included in financing cost	-	8,556
Bad debts	4,854	4,885
Write-down of intangible assets	-	149,751
Write-down of note receivable	21,239	35,338
Change in non-cash working capital items:		
Accounts receivable	(100,207)	62,634
Subscriptions receivable	4,681	(5,047)
Inventory	(48,235)	-
Prepaid expenses	(5,801)	(86,479)
Accounts payable and accrued liabilities	(219,173)	170,461
Net cash used in operating activities	<u>(1,789,858)</u>	<u>(599,221)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Intangible assets	-	(249,805)
Purchase of equipment	(159,745)	(203,260)
Repayment of notes receivable	129,785	200,001
Note receivable advances	(27,891)	(487,547)
Net cash used in investing activities	<u>(57,851)</u>	<u>(740,611)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from sale of common shares	207,299	1,743,277
Proceeds from notes payable	1,234,554	338,091
Repayment of notes payable	(13,820)	(28,317)
Notes payable financing costs	(138,367)	-
Net cash provided by financing activities	<u>1,289,666</u>	<u>2,053,051</u>
Foreign exchange effect on cash	<u>16,402</u>	<u>(3,072)</u>
Increase (decrease) in cash	(541,641)	710,147
Cash, beginning of year	<u>1,066,691</u>	<u>356,544</u>
Cash, end of year	\$ 525,050	\$ 1,066,691

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 SCHEDULES
(Expressed in United States dollars)
YEARS ENDED DECEMBER 31

	2007	2006
COST OF GOODS SOLD		
Purchases and other product costs	\$ 3,528,378	\$ 4,265,363
Freight	311,954	550,713
	\$ 3,840,332	\$ 4,816,076
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization of deferred financing costs	\$ -	\$ 4,702
Amortization of equipment	70,989	7,488
Amortization of intangible assets	103,012	43,178
Bad debts	4,854	4,885
Consulting	793,884	583,467
Product development costs (Note 7(c))	123,334	401,936
Design and marketing	474,137	284,168
Financing	-	14,290
Foreign exchange	42,229	25,452
Insurance	7,223	8,491
Interest	189,344	81,599
Interest expense accreted	29,497	-
Investor relations	6,119	29,913
Office	164,086	80,671
Professional fees	139,165	274,844
Regulatory and filing fees	24,133	22,494
Rent	106,568	52,232
Stock based compensation (Note 9)	141,120	243,989
Telephone	71,518	36,952
Travel	246,477	212,045
Wages and benefits	824,158	329,285
	\$ 3,561,847	\$ 2,742,081

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)
DECEMBER 31, 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.

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 significant operating losses, has a shareholders’ deficiency 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.

	December 31, 2007	December 31, 2006
Working capital (deficiency)	\$ 293,060	\$ 296,111
Deficit	(9,986,634)	(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. Significant estimates include current portion of notes receivable, the fair value measurement of the equity portion of convertible debt, property and equipment, stock-based compensation, and future income taxes.

Inventory

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

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 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 while 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's functional currency is the Canadian dollar. For presentation purposes, 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.

Recent Accounting pronouncements

i) Goodwill and Intangible Assets

The CICA Accounting Standards Board (the "AcSB") issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new standard establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including those developed internally. At the same time the CICA accounting standards board amended section 1000, Financial Statement Concepts, to clarify the criteria for recognition of an asset. Therefore items that no longer meet the definition of an asset are no longer recognized with assets. The new standard and amended standard are both effective for annual and interim periods beginning on or after October 1, 2008. The Company is currently evaluating the impact of these sections on its results of operation and financial position.

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

Recent Accounting pronouncements (cont'd...)

ii) Assessing Going Concern

The CICA accounting standards board amended section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company does not expect the adoption of this amendment to have an impact on its consolidated financial statements.

iii) Capital Disclosure

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. The new standard is effective for annual and interim periods beginning on or after October 1, 2007 and requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The new accounting standard covers disclosure only and will have no effect on the financial results of the Company.

iv) Inventories

The AcSB issued CICA Handbook Section 3031 (superseding Section 3030) which establishes new standards for the measurement and disclosure of inventories. The new standard is effective for annual and interim periods beginning on or after January 1, 2008 and provides expanded guidance on the measurement and disclosure requirements for inventories. Specifically, the new standard requires that inventories be measured at the lower of cost and net realizable value, and provides more guidance on the determination of cost and its subsequent recognition as expense, including any write-down to net realizable value. The Company is assessing the effect of the new standard.

v) Financial Instruments

The AcSB issued CICA Handbook Section 3862, *Financial Instruments – Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The AcSB issued CICA Handbook Section 3863, *Financial Instruments – Presentation*, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

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

Recent Accounting pronouncements (cont'd...)

vi) International Financial Reporting Standards (“IFRS”)

In 2006, Canada’s Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with IFRS over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. This initiative is in its early stages as of the date on these annual consolidated financial statements. Accordingly, it would be premature to assess the impact of the initiative on the Company at this time.

3. ADOPTION OF NEW ACCOUNTING POLICIES

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 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 comprehensive income (loss) in the statement of operations and includes the account “accumulated other comprehensive income” in the shareholders’ equity section of the consolidated balance sheet.

STONEPOINT GLOBAL BRANDS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2007

3. ADOPTION OF NEW ACCOUNTING POLICIES (cont'd...)

iii) Accounting Changes

The AcSB issued CICA Handbook Section 1506. The main features of this new standard are (a) voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information; (b) changes in accounting policy are applied retrospectively unless doing so is impracticable (as defined in the section); (c) prior period errors are corrected retrospectively; and (d) new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. This new standard is effective for fiscal years beginning on or after January 1, 2007.

4. NOTES RECEIVABLE

	December 21, 2005 Promissory Note	Credit Facility C\$ Promissory Notes	2007	2006
Balance, beginning of year	\$ 55,000	\$ 487,547	\$ 542,547	\$ 285,880
Advances	-	27,891	27,891	487,547
Accrued interest	-	-	-	4,459
Cash repayments	(55,000)	(74,785)	(129,785)	(200,001)
Non cash repayment in kind	-	(40,592)	(40,592)	-
Write-down to net realizable value	-	(21,053)	(21,053)	(35,338)
Foreign exchange effect	-	75,474	75,474	-
	-	454,482	454,482	542,547
Less current portion	-	(300,245)	(300,245)	(328,116)
Balance, end of year	\$ -	\$ 154,237	\$ 154,237	\$ 214,431

a) December 21, 2005 promissory note:

During fiscal 2006, the Company received proceeds of \$130,605 prior to commencing foreclosure proceedings under a Debt Settlement Agreement due to default by the borrower, and seized the assets of the borrower. The seized assets were sold resulting in consideration of \$69,396 and a receivable amount of \$55,000, which, after recognizing a loss of accrued interest of \$4,459, resulted in a write-down of \$35,338 which was recorded as of December 31, 2006. The balance of the receivable was repaid during fiscal 2007.

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 \$27,891 (C\$ 27,638) were made during the year ended December 31, 2007.

STONEPOINT GLOBAL BRANDS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2007

4. NOTES RECEIVABLE (cont'd...)

b) Credit facility promissory notes: (cont'd...)

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. Cash repayments during the year totalled \$74,785 and non-cash repayments included product valued at \$24,529 and the settlement of accounts payable of \$16,063. At December 31, 2007, the Company and the supplier have agreed to an adjusted value of the remaining balance outstanding of \$454,483, resulting in a write-down of \$21,053. Repayments estimated under the terms of the credit facility amount to \$300,245 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, 2007, the Company capitalized \$Nil (2006 - \$245,653) of costs directly related to the development of products and supporting materials, less a write-down of \$Nil (2006 - \$149,751) and the balance of \$103,012 was full amortized in 2007.

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.

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Product development costs:						
Beverage	\$ -	\$ -	\$ -	\$ 70,685	\$ 70,685	\$ -
Hospitality	103,012	103,012	-	103,012	-	103,012
Royalty rights	-	-	-	150,000	150,000	-
	103,012	103,012	-	323,697	220,685	103,012
Deferred financing costs	-	-	-	48,481	48,481	-
	\$ 103,012	\$ 103,012	\$ -	\$ 372,178	\$ 269,166	\$ 103,012

STONEPOINT GLOBAL BRANDS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2007

6. PROPERTY AND EQUIPMENT

	December 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 318,083	\$ 56,032	\$ 262,051	\$ 185,112	\$ 3,637	\$ 181,475
Furniture	45,488	7,243	38,245	20,788	346	20,442
Leasehold improvements	42,645	11,433	31,212	28,854	1,202	27,652
Computer	89,489	54,970	34,519	47,080	40,575	6,505
	<u>\$ 495,705</u>	<u>\$ 129,678</u>	<u>\$ 366,027</u>	<u>\$ 281,834</u>	<u>\$ 45,760</u>	<u>\$ 236,074</u>

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2007 the Company entered into the following transactions with related parties:

- a) Paid or accrued wages and benefits of \$281,472 (2006 - \$191,109) to directors and officers of the Company.
- b) Paid or accrued consulting fees of \$492,569 (2006 - \$127,490) to companies controlled by directors and officers of the Company and to two consultants performing senior management functions.
- c) Paid or accrued consulting fees of \$123,334 (2006 - \$401,936) to two consultants who perform senior management functions pursuant to consulting agreements as discussed in Note 10(b).
- d) Paid or accrued investor relations of \$Nil (2006 - \$25,678), rent of \$Nil (2006 - \$14,605), and granted Nil (2006 - 100,000) stock options valued at \$Nil (2006 - \$46,145) to a significant shareholder.

Included in accounts payable was \$21,399 (December 31, 2006 - \$690) 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.

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8. NOTES PAYABLE

	2007	2006
The Company issued \$550,805 (C\$546,000) notes payable, unsecured, bearing interest at 12% per annum and due on August 15, 2008.	\$ 550,805	\$ 700,210
The Company issued \$605,280 (C\$600,000) notes payable, unsecured, bearing interest at 12% per annum and due on March 22, 2010.	605,280	-
\$196,716 (C\$195,000) notes payable, unsecured, bearing interest at 12% per annum and due on August 31, 2010.	196,716	-
\$812,084 (C\$805,000) 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.	<u>812,084</u>	<u>-</u>
Face value of notes payable issued	2,164,885	700,210
Deferred financing costs, net	(123,835)	-
Unamortized equity component	<u>(34,854)</u>	<u>-</u>
Book value of notes payable	2,006,196	700,210
Current portion of notes payable	<u>(550,805)</u>	<u>(700,210)</u>
Long term portion of notes payable	\$ 1,455,391	\$ -

Bonus shares

During the year ended December 31, 2007, the Company issued 10,000 common shares as a bonus to note holders valued at \$8,306 (C\$9,700) in completion of a 2006 obligation. The cost associated with the bonus share issuance was considered a period cost during fiscal 2006.

On the issuance of, convertible debt during fiscal 2007, the value attributed to the convertible feature was \$39,010 which will be accreted to the related debt with a corresponding charge to interest over the term of the note.

Schedule of repayments (Note 10 (c)).

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8. NOTES PAYABLE (cont'd...)

	2007		
	Open	Accreted	Balance
Items subject to accretion:			
Deferred financing costs	\$ 149,177	\$ 25,342	\$ 123,835
Equity portion of convertible debt	<u>39,010</u>	<u>4,156</u>	<u>34,854</u>
	<u>\$ 188,187</u>	<u>\$ 29,498</u>	<u>\$ 158,689</u>

9. SHARE CAPITAL

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.

Issuances

During the year ended December 31, 2007, 1,680,000 warrants at a price of C\$0.12 each were exercised for gross proceeds of \$203,005 (C\$201,600) and 45,000 stock options at a price of C\$0.10 per share were exercised for gross proceeds of \$4,294 (C\$4,500) (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. SHARE CAPITAL (cont'd...)

Stock options (cont'd...)

Stock option transactions are summarized as follows:

	2007	2006
Outstanding, beginning of year	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	(45,000)	(185,000)
Exercised at C\$0.12	-	(101,500)
Exercised at C\$0.60	-	(10,000)
Cancelled/expired	(385,000)	(20,000)
Outstanding, end of year	1,007,500	1,119,500

The following incentive stock options were outstanding as at December 31, 2007:

Number of Shares	Exercise Price	Expiry Date
18,000	0.65	March 30, 2009
300,000	0.55	June 26, 2009
240,000	0.10	August 2, 2010
165,500	0.12	November 1, 2010
50,000	0.80	December 22, 2008
234,000	0.50	December 22, 2008
1,007,500		

Warrants

During the year ended December 31, 2007, 1,680,000 warrants at a price of C\$0.12 per share were exercised for gross proceeds of \$203,005 (C\$201,600). At December 31, 2007 there were no share purchase warrants outstanding.

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).

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9. SHARE CAPITAL (cont'd...)

Stock-based compensation

During the year ended December 31, 2007, the Company granted 318,000 (2006 – 639,000) stock options with a weighted average fair value of C\$0.56 (2006 - \$0.38) per option. The options vested on the date of grant. Accordingly, using the Black-Scholes option pricing model, the stock options were recorded at fair value of \$141,120 (2006 - \$243,989) 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 premises under operating leases. The future minimum annual lease payments under operating lease arrangements are as follows:

2008	\$	92,322
2009		92,322
2010		92,322

(b) Pursuant to the agreements referred to in Note 7(c), 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.

(c) The Company's following commitment to repay the issued notes payable is as follows (Note 8):

2008	\$	550,805
2009		-
2010		1,614,080
	\$	2,164,885

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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 December 31, 2007.

12. 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, 2007, this customer accounts for 72% (2006 - 97%) of revenues and 34% (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:

	2007	2006
Sales and royalties during the year:		
Canada (including royalties)	\$ 76,139	\$ 159,278
Japan	3,890,267	6,338,934
United States	<u>1,638,685</u>	<u>19,624</u>
	<u>\$ 5,605,091</u>	<u>\$ 6,517,836</u>

	2007	2006
<i>As at the balance sheet date:</i>		
Capital assets:		
Canada	\$ 339,345	\$ 339,086
Japan	-	-
United States	<u>26,682</u>	<u>-</u>
	<u>\$ 366,027</u>	<u>\$ 339,086</u>

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

Selected information concerning segment operations is presented below.

<i>Business segment data (selected items)</i>	Beverage	Hospitality	2007
Sales	\$ 3,966,406	\$ 1,638,685	\$ 5,605,091
Interest expense	178,891	10,453	189,344
Amortization and accretion	95,962	107,537	203,499
Consulting and business development	454,846	462,372	917,218
Design and marketing	208,009	266,128	474,137
Wages and benefits	533,220	290,938	824,158
Segment loss	\$ (1,221,585)	\$ (594,778)	\$ (1,816,363)

<i>Business segment data (selected items)</i>	Beverage	Hospitality	2006
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	284,167
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)

14. INCOME TAXES

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

	2007	2006
Loss before income taxes	\$ (1,816,363)	\$ (1,220,951)
Expected income tax (recovery)	\$ (619,743)	\$ (416,589)
Non-deductible items	101,874	102,340
Unrecognized benefit (utilization) of non-capital losses	517,869	327,246
Income tax expense	\$ -	\$ 12,997

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

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

	2007	2006
Loss carry-forwards		
Canadian non-capital losses	\$ 924,000	\$ 846,000
Finance costs	95,000	32,000
Property and equipment	44,000	-
United States net operating losses	<u>503,000</u>	<u>334,000</u>
Total loss carry-forwards	1,720,000	1,212,000
Less: valuation allowance	<u>(1,720,000)</u>	<u>(1,212,000)</u>
	\$ -	\$ -

The Company has available for deduction against future taxable income Canadian non-capital losses of approximately \$2,710,000 and United States losses of \$1,475,000, 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

	2007	2006
Cash paid for interest	\$ 189,344	\$ 81,599
Cash paid for income taxes	\$ -	\$ 12,997

During the year ended December 31, 2007, the significant non-cash transactions of the Company include:

- a) The issuance 10,000 common shares valued at \$8,306 for accounts payable and accrued liabilities.
- b) The allocation of contributed surplus of \$5,301 to common stock on the exercise of stock options
- c) The partial non cash settlement of notes receivable of \$24,529 through receipt of inventory.
- d) The recording of an equity component of convertible debt valued at \$39,010 on the issuance of convertible notes payable.
- e) The partial non cash settlement of notes receivable of \$16,063 through the settlement of accounts payable.

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

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

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 December 31, 2007 the Company:

- a) Closed a non-brokered private placement of 3,620 unsecured convertible debentures at a price of \$100.00 per debenture for gross proceeds of \$362,000. The debentures mature 3 years from the closing date of the private placement and bear an interest rate of 10% per annum compounded monthly in arrears, with such interest payable monthly. The debentures will be convertible in common shares of the Company at the option of the debenture holder at any time prior to the maturity date and at a conversion price of \$0.80 per common share.
- b) Closed a non-brokered private placement of 3,980 unsecured debentures at a price of \$100 per debenture with gross proceeds of \$398,000. The debentures mature 3 years from the closing date of the private placement and bear an interest rate of 12% per annum compounded monthly in arrears, with such interest payable monthly.