

**STONEPOINT GLOBAL BRANDS INC.**

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

**(Unaudited – Prepared by Management)**

**March 31, 2008**

**CONSOLIDATED BALANCE SHEETS**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIENCY)**

## **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)

	<b>March 31, 2008</b>	December 31, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 694,118	\$ 525,050
Accounts receivable	91,525	243,607
Inventory	135,820	52,003
Prepaid expenses	28,175	92,733
Current portion of notes receivable (Note 4)	<u>300,245</u>	<u>300,245</u>
	<b>1,229,884</b>	1,213,638
Notes receivable (Note 4)	134,629	154,237
Property and equipment (Note 5)	<u>344,388</u>	<u>366,027</u>
	<b>\$ 1,728,901</b>	<b>\$ 1,733,902</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 139,126	\$ 369,773
Notes payable – short term (Note 7)	<u>531,203</u>	<u>550,805</u>
	<b>670,329</b>	920,578
Notes payable – long term (Note 7)	<u>2,091,391</u>	<u>1,455,391</u>
	<b>2,761,721</b>	2,375,969
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 8)	8,755,670	8,741,301
Contributed surplus	628,512	637,452
Equity component of convertible notes	55,928	39,010
Accumulated other comprehensive loss	(44,130)	(73,196)
Deficit	<u>(10,428,800)</u>	<u>(9,986,634)</u>
	<b>(1,032,820)</b>	(642,067)
	<b>\$ 1,728,901</b>	<b>\$ 1,733,902</b>

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

**Commitments** (Note 9)

**Contingencies** (Note 10)

**On behalf of the Board:**

\_\_\_\_\_ Director \_\_\_\_\_ Director

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

**STONEPOINT GLOBAL BRANDS INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
**THREE MONTHS ENDED MARCH 31**

	<b>2008</b>	2007
<b>REVENUES</b>		
Sales	\$ 574,488	\$ 1,815,794
Royalties	<u>-</u>	<u>2,137</u>
	<b>574,488</b>	1,817,931
<b>COST OF GOODS SOLD</b> (Schedule)	<u><b>(426,934)</b></u>	<u>(1,230,136)</u>
<b>GROSS PROFIT</b>	<b>147,554</b>	587,795
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Schedule)	<u><b>(754,054)</b></u>	<u>(709,551)</u>
<b>Loss before other items and income taxes</b>	<u><b>(606,500)</b></u>	<u>(121,756)</u>
<b>OTHER ITEMS</b>		
Write-down of note receivable (Note 4)	-	-
Gain from write off of historical trade payable balances	<b>162,607</b>	-
Interest income	<u><b>1,727</b></u>	<u>-</u>
	<u><b>164,334</b></u>	<u>(121,756)</u>
<b>Loss before income taxes</b>	<b>(443,157)</b>	(121,756)
Income tax expense	<u>-</u>	<u>-</u>
<b>Loss and comprehensive loss for the period</b>	<u><b>\$ (442,166)</b></u>	<u>\$ (121,756)</u>
<b>PER SHARE INFORMATON</b>		
Weighted average number of common shares outstanding	<b>15,037,364</b>	13,284,127
Loss per common share – basic & diluted	<u><b>\$ (0.03)</b></u>	<u>\$ (0.01)</u>

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

	Number of Shares Issued	Capital Stock Amount	Contributed Surplus	Equity Component of Convertible Notes	Accumulated Other Comprehensive Income	Deficit	Total
Balance at December 31, 2006	13,277,031	\$8,520,395	\$ 501,633	\$ -	\$ (2,129)	\$(8,170,271)	\$ 849,628
Private placements	-	-	-	-	-	-	-
Exercise of stock options	45,000	4,294	-	-	-	-	4,294
Bonus shares	10,000	8,306	-	-	-	-	8,306
Exercise of warrants	1,680,000	203,005	-	-	-	-	203,005
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)	(1,816,393)
Balance at December 31, 2007	15,012,031	\$8,741,301	\$ 637,452	\$ 39,010	\$ (73,196)	\$(9,986,634)	\$ (642,067)
Exercise of stock options	51,500	14,369	(8,940)	-	-	-	5,429
Exercise of warrants	-	-	-	-	-	-	-
Shares issued as bonus for note holders	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	29,066	-	29,066
Convertibility option of debentures	-	-	-	16,918	-	-	16,918
Loss for the year	-	-	-	-	-	(442,166)	(442,166)
Balance at March 31, 2008	15,063,531	\$8,755,670	\$ 628,512	\$ 55,928	\$ (44,130)	\$(10,428,800)	\$(1,032,820)

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

**STONEPOINT GLOBAL BRANDS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
**THREE MONTHS ENDED MARCH 31**

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (442,166)	\$ (121,756)
Items not affecting cash:		
Accretion interest expense	17,548	-
Amortization	21,506	38,070
Stock-based compensation	-	20,508
Bad debts	-	629
Gain from removal of historical trades payables	(162,607)	-
Change in non-cash working capital items:		
Accounts receivable	147,778	(772,239)
Subscriptions receivable	-	2,969
Inventory	(83,817)	(304,169)
Prepaid expenses	63,709	(44,133)
Accounts payable and accrued liabilities	(70,995)	135,386
Net cash used in operating activities	<u>(509,044)</u>	<u>(1,044,735)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Intangible assets	-	(56,231)
Purchase of property and equipment	(11,486)	(14,350)
Repayment of notes receivable	-	-
Note receivable advances	-	(62,544)
Net cash used in investing activities	<u>(11,486)</u>	<u>(133,125)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from issuance of common shares	5,428	13,449
Proceeds from notes payable, net of costs	685,914	467,370
Net cash provided by financing activities	<u>691,343</u>	<u>480,819</u>
Foreign exchange effect on cash	<u>(1,742)</u>	<u>7,822</u>
<b>Increase (decrease) in cash</b>	<b>170,811</b>	<b>(688,219)</b>
<b>Cash, beginning</b>	<u><b>525,049</b></u>	<u><b>1,066,691</b></u>
<b>Cash, ending</b>	<u><b>\$ 694,118</b></u>	<u><b>\$ 377,472</b></u>

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

**STONEPOINT GLOBAL BRANDS INC.**  
**CONSOLIDATED SCHEDULES**  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
**THREE MONTHS ENDED MARCH 31**

	2008	2007
<b>COST OF GOODS SOLD</b>		
Purchases and other product costs	\$ 382,784	\$ 1,129,865
Freight	44,149	100,271
	<b>\$ 426,934</b>	<b>\$ 1,230,136</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Amortization of equipment	21,506	12,317
Amortization of intangible assets	-	25,753
Bad debts	-	629
Consulting	62,970	192,656
Design and marketing	11,088	144,442
Foreign exchange	396	193
Insurance	-	(240)
Interest	65,307	29,524
Interest expense accreted	17,548	-
Investor relations	-	2,048
Office	64,304	49,452
Professional fees	64,368	23,924
Regulatory and filing fees	9,195	11,901
Rent	30,191	17,539
Travel	51,674	52,521
Wages and benefits	355,506	126,384
	<b>\$ 754,054</b>	<b>\$ 709,551</b>

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

**STONEPOINT GLOBAL BRANDS INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States dollars)  
(Unaudited – Prepared by Management)  
MARCH 31, 2008

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**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.

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	March 31, 2008	December 31, 2007
Working capital	\$ 559,555	\$ 293,060
Deficit	(10,428,800)	(9,986,634)

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These unaudited consolidated financial statements have been prepared by management in U.S. dollars, unless otherwise stated, in accordance with generally accepted accounting principles in Canada (“Canadian GAAP”) for interim financial statements.

Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with Canadian GAAP have been condensed or excluded. As a result, these unaudited interim consolidated financial statements do not contain all disclosures required for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2007.

All material adjustments which, in the opinion of management, are necessary for fair presentation of the results of the interim periods have been reflected in these financial statements. The results of operations for the three months ended March 31, 2008 are not necessarily indicative of the results to be expected for the full year.

These unaudited interim consolidated financial statements are prepared following accounting policies consistent with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2007, except for the changes noted under the “Adoption of New Accounting Policies” section below.

**Comparative figures**

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

### **Accounting Standards Issued but not yet Adopted**

#### **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.

#### **ii) 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.

**3. ADOPTION OF NEW ACCOUNTING POLICIES (continued)**

**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.

**iii) Accounting Changes (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.

Effective January 1, 2008, 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 – Disclosure (Section 3862)**

The standard 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*.

**ii) Financial Instruments – Presentation (Section 3863)**

The standard enhances 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.

**iii) Inventories (Section 3031)**

The standard establishes new standards for the measurement and disclosure of inventories 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. There was no impact to the Company's financial results from adopting this standard.

**STONEPOINT GLOBAL BRANDS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. ADOPTION OF NEW ACCOUNTING POLICIES (continued)**

**iv) Capital Disclosures**

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.

**v) 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.

**4. NOTES RECEIVABLE**

	<b>March 31, 2008</b>	December 31, 2007
Balance, beginning (C\$)	\$ 446,987	\$ 568,170
Advances	-	27,891
Accrued interest	-	-
Cash repayments	-	(129,785)
Non cash repayment in kind	-	(40,592)
Write-down to net realizable value	-	(21,053)
Foreign exchange effect	<u>(12,113)</u>	<u>49,851</u>
Balance, ending	<b>434,874</b>	454,482
Less current portion	<u>(300,245)</u>	<u>(300,245)</u>
Balance, end	<b>\$ 134,629</b>	\$ 154,237

**a) 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 \$542,547 (C\$568,170) through the issuance of promissory notes. Further advances of \$27,638 (C\$ 27,891) were made during the year ended December 31, 2007.

**STONEPOINT GLOBAL BRANDS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. NOTES RECEIVABLE (continued)**

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 ended 2007 totalled \$129,785 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.

During the 3 month ended March 31, 2008, there were no repayments made, nor were there additional advances made to the supplier.

**5. PROPERTY AND EQUIPMENT**

	March 31, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 306,763	\$ 66,673	\$ 240,090	\$ 318,083	\$ 56,032	\$ 262,051
Furniture	44,238	8,883	35,355	45,488	7,243	38,245
Leasehold improvements	41,471	13,683	27,788	42,645	11,433	31,212
Software	11,484	1,436	10,049	-	-	-
Computer	<u>45,633</u>	<u>14,526</u>	<u>31,307</u>	<u>89,489</u>	<u>54,970</u>	<u>34,519</u>
	<u>\$ 449,589</u>	<u>\$ 105,201</u>	<u>\$ 344,388</u>	<u>\$ 495,705</u>	<u>\$ 129,678</u>	<u>\$ 366,027</u>

**6. RELATED PARTY TRANSACTIONS**

Included in accounts payable was \$25,149 (December 31, 2007 - \$21,399) owing to directors of the Company.

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

**STONEPOINT GLOBAL BRANDS INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**7. NOTES PAYABLE**

	March 31, 2008	December 31, 2007
\$531,203 (C\$546,000) notes payable, unsecured, bearing interest at 12% per annum and due on August 15, 2008.	\$ 531,203	\$ 550,805
\$583,740 (C\$600,000) notes payable, unsecured, bearing interest at 12% per annum and due on March 22, 2010.	583,740	605,280
\$189,716 (C\$195,000) notes payable, unsecured, bearing interest at 12% per annum and due on August 31, 2010.	189,716	196,716
\$783,185 (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.	783,185	812,084
\$352,190 (C\$362,000) 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 \$0.80 per share.	352,190	-
\$387,214 (C\$398,000) notes payable, unsecured, bearing interest at 12% per annum due three years from date of issuance.	387,214	-
	<u>2,827,247</u>	<u>2,164,885</u>
Face value of notes payable issued	2,827,247	2,164,885
Deferred financing costs, net	(148,725)	(123,835)
Unamortized equity component	(55,928)	(34,854)
Book value of notes payable	<u>2,622,594</u>	<u>2,006,196</u>
Current portion of notes payable	(531,203)	(550,805)
Long term portion of notes payable	<u>\$ 2,091,391</u>	<u>\$ 1,455,391</u>

**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 9 (c)).

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**8. 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 7).

During the period ended March 31, 2008, there 51,500 stock options with a weighted average exercise price of \$0.11 were exercised for proceeds of \$5,428. During the period ended March 31, 2008, there were no issuances of share purchase warrants.

**Stock options**

The Company has a stock option plan (the “Plan”) under which a maximum of 10% of the issued and outstanding shares of the Company can be reserved for issuance from time to time. Periodically, directors, officers, key employees and consultants of the Company will be offered options to purchase common shares under the Plan. The exercise price of the options granted pursuant to the Plan may not be less than the price permitted by the TSX Venture Exchange and have a maximum term of 5 years. Options granted either vest immediately or are subject to certain vesting requirements as determined by the Board of Directors.

Stock option transactions are summarized as follows:

	<b>March 31, 2008</b>		December 31, 2007	
	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	Shares	Weighted Average Exercise Price
Outstanding, beginning	<b>1,007,500</b>	<b>\$ 0.37</b>	1,119,500	\$ 0.42
Granted	-	-	318,000	0.56
Exercised	<b>51,500</b>	<b>0.11</b>	45,000	0.10
Forfeited/cancelled	-	-	385,000	0.67
<b>Outstanding, ending</b>	<b>956,000</b>	<b>\$ 0.39</b>	1,007,500	\$ 0.37

**STONEPOINT GLOBAL BRANDS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States dollars)  
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**8. SHARE CAPITAL (continued)**

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		

The weighted average life of stock options issued and outstanding is 1.58 years (2007 – 1.83 years).

**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%

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**9. COMMITMENTS**

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

2008	\$	82,680
2009		82,680
2010		82,680

(b) Pursuant to the agreements referred to in Note 7, the Company is committed to pay the following amounts relating to its hospitality business:

- i) Consulting fees totaling C\$15,333 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 7):

2008	\$	531,203
2009		-
2010		<u>2,296,044</u>
	\$	<u>2,827,247</u>

**10. CONTINGENCIES**

A claim against the Company for \$40,000 has been filed. The Company believes this claim is without merit and the outcome cannot be determined at this time. No provision for this claim has been made as of March 31, 2008 (2007 – Nil).

**11. 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:

	<b>March 31, 2008</b>	March 31, 2007
Sales and royalties during the periods:		
Canada (including royalties)	\$ -	\$ 8,836
Japan	<b>442,585</b>	1,340,487
United States	<b>131,902</b>	<u>468,607</u>
	<b>\$ 574,487</b>	<u>\$ 1,817,931</u>

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**12. SEGMENTED INFORMATION (continued)**

	<b>March 31, 2008</b>	December 31, 2007
<i>As at the balance sheet date:</i>		
Capital assets:		
Canada	\$ 319,489	\$ 339,345
Japan	-	-
United States	<u>24,899</u>	<u>26,682</u>
	<b>\$ 344,388</b>	<b>\$ 366,027</b>

Selected information concerning segment operations is presented below for the three month periods then ended.

<i>Business segment data (selected items)</i>	Beverage	Hospitality	March 31, 2008
	\$	\$	\$
Sales	442,485	131,902	574,487
Interest expense	32,653	32,654	65,307
Amortization and accretion	37,272	1,783	39,055
Consulting and business development	1,882	61,088	62,970
Design and marketing	-	11,088	11,088
Segment loss	(192,100)	(250,066)	(442,166)

<i>Business segment data (selected items)</i>	Beverage	Hospitality	March 31, 2007
	\$	\$	\$
Sales	1,394,324	468,607	1,817,931
Interest expense	14,762	14,762	29,524
Amortization – equipment and intangibles	38,070	25,753	63,823
Consulting and business development	120,270	72,386	192,656
Design and marketing	62,895	81,546	144,442
Segment loss	(93,367)	(22,389)	(121,756)

### **13. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS**

#### **Capital Management**

The Company's capital includes debt and shareholder's equity. The Company's primary objective with respect to its capital management is to ensure that it has sufficient capital to maintain its ongoing operations, to provide returns for shareholders and benefits for other stakeholders and to pursue growth opportunities. As at March 31, 2008, the Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy.

#### **Fair Values of Financial Instruments**

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and price risk.

##### **a) Credit risk**

The Company sells products to one customer in Japan, under an agreement expiring January, 2013. During the period ended March 31, 2008, this customer accounts for 77% (2007 - 74%) of revenues.

##### **b) Liquidity risk**

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its development plans. The Company ensures that there is sufficient committed capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

##### **c) Currency risk**

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates specifically affecting long term debt (Note 7) which is repayable in Canadian dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

##### **d) Interest rate risk**

The Company is not exposed to interest rate risk on its outstanding borrowings. Presently, all of the Company's outstanding borrowings are at a fixed rate. The average interest rate paid by the Company during the quarter on its outstanding borrowings was approximately 11.01%.