Fireswirl Technologies Inc.

Management Discussion and Analysis of
Financial Condition and Results of Operations

For the three and nine month ended September 30, 2011 and 2010

November 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with Fireswirl Technologies Inc. ("Fireswirl" or the "Company") interim consolidated financial statements and the accompanying notes for the three months ended March 31, 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information about the Company is available on SEDAR at (www.sedar.com) under Fireswirl Technologies Inc. and on the Company website at www.fireswirl.com.

Special Note Regarding Forward Looking Statements

This MD&A contains certain forward looking statements which reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities.

Statements about the Company's future plans and intentions, results level of activity, performance or achievements or other future events constitute forward looking statements. Whenever possible, words such as "anticipate", "estimate", "may", "will", "could", "should", "expect", "plan", "intend", "believe", "estimate", or "potential" or similar words, have been used to identify these forward looking statements.

The Company cautions that the forward-looking statements reflect the current views and/or expectations of the Company with respect to its performance, business and future events. Investors are cautioned that all forward looking statements involve risks, uncertainties and assumptions. Including, without limitations; those relating to a limited operating history, an uncertain regulatory environment, a competitive environment, internet viability and system infrastructure and reliability, dependence on key personnel and foreign exchange fluctuations. These risks may cause the Company's actual results to differ materially from those projected in the forward looking statements. The Company does not undertake any obligations to release publicly any revisions for updating any voluntary forward looking statements.

Factors which could cause results or events to differ from current expectations include among other things: the impact of government legislation; the impact of competition; the ability of the Company to retain and attract qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with current and perspective major customers; general industry and market conditions, growth rates and currency rate fluctuations. The Company disclaims any intentions or obligations to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law. No assurance can be given that actual results, performance or achievement expressed or implied by forward looking statements within this disclosure will occur; or if they do, that any benefits can be derived from them.

Past performance has been considered in drawing conclusions with respect to forward looking statements contained in this MD&A.

OVERVIEW

Fireswirl Technologies Inc. (TSX Venture: FSW;"the Company") was founded in 1999 and operated as a software development and project management company specializing in payment platforms and online gaming software for the internet. In 2006, the Company became a publically listed company through a reverse takeover and a $3.2 million equity financing accompanying its qualifying transaction.

In 2007, the Company formed its first wholly owned subsidiary in China to explore the rapidly emerging market. The Company has since increased its business presence in the country gradually.

In 2009, the Company successfully completed its acquisition of 50% of all rights and interests of Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD"), an e-commerce outsourcing and fulfillment solution provider in China, in consideration for 6,058,673 common shares of the Company. Fireswirl has majority voting rights and majority board control over XCXD according to the agreements related to the transaction. Fireswirl also has an option to purchase the remaining 50% rights and interests of XCXD in 2011.

XCXD is a leader in the branded online store outsourcing market for mobile handsets in China. XCXD is currently the exclusive operator of the official online store for Nokia, Motorola, Sony-Ericsson and Dopod in China. XCXD is also expanding its business into other product categories, such as computer accessories, shoes and apparels. XCXD has recently become the sole operator of the official online store for Logitech, a personal peripheral company. Recently, it has also become the sole operator of the official online store for XiYangYang, the No.1 cartoon series in China with its merchandize managed by Disney, and the sole operator of the Taobao Flagship Store for Casio, a Japanese electronics company.

Fireswirl is continuing to complete its long-term plan to becoming the largest e-commerce service platform in China for international brands, providing the technology and fulfillment know-how for these brands to break into the country's rapid growing e-commerce market.

China being the predominant geographic location for Fireswirl has over 1.3 billion people in population and is the fastest growing major economy in the world. To this end, the business opportunities in China are enormous. The e-commerce market in China continues to expand at a rapid rate. According to the China Internet Network Information Centre, there are 457 million Internet users in China at the end of 2010, which has grown by 19% compared to the same period in 2009. The number of Internet shopper has also grown from 108.3 million in 2009 to 161 million in 2010, representing an increase of 48.6%. As both the number of Internet users and the percentage of people who would make online purchase grow, Fireswirl believes that China will remain as a strong revenue source for the Company in 2011.

By diversifying outside of e-commerce for mobile phones into other verticals, such as computer accessories, cameras and apparels, the Company is building technologies for and gaining important experience in branded e-commerce for a variety of merchandize types. Such wide scope of operation capability is rare in the market, which makes the Company's service appeals to an array of international brands. The Company is quickly expanding its network of potential international brands that is interested in working with the Company.

The Company's goal is to achieve economies-of-scale by increasing the number of brands it signs up in driving overall revenues, to achieve profitability. All branded official online stores the Company operates are running on the same technology platform, and will leverage off the Company's existing resources including data infrastructure, warehouse management and administrative support base. To this end, cost per transaction can be substantially reduced as high transaction volume is obtained.

SUMMARY OF FINANCIAL RESULTS

Key Financial Events

- Total operating revenue increased to $5,957,481 and $15,136,428 for the three and nine months ended September 30, 2011 compared to $4,743,827 and $13,692,034 during the same period in 2010, representing an increase of 25.6% and 10.6%. The merchandise revenue has increased by 22.1% and 11.4% respectively while service revenue has increased by 201.3% and 19.7% respectively offset by no advertising revenue in the current period.

- Total operating expense was $6,075,687 and $15,916,984 for the three and nine months ended September 30, 2011 compared to $4,925,489 and $14,060,530 for the same period of 2010, representing an increase of 23.4% and 13.2% respectively. The increase was mainly due to the increase in cost of sales related expenses corresponding to increase in revenue and an increase in depreciation expense due to additions to assets in 2011 Q1.

- The Company reported a comprehensive loss on common shares of $30,933 and $638,868 for the three and nine month period ended September 30, 2011 compared to a comprehensive loss on common share of $272,827 and $647,453 for the same period of 2010, representing a decrease in loss of 88.7% and 1.3% respectively. This is mainly due to foreign exchange adjustment gain.

- Fully diluted loss per share was $0.00 and $0.02 for the three and nine month period ended September 30, 2011 compared to fully diluted losses of $0.01 and $0.02 for the same period of 2010.

- As at September 30, 2011, the Company had cash and cash equivalents (including restricted cash) of $2,623,359 compared to $1,145,859 as at December 31, 2010, representing an increase of 128.9%. As at September 30, 2011, the Company had working capital of $1,217,688 compared to $1,181,647 as at December 31, 2010, representing a increase of 3.1%. The Company had long term debt of $nil as at September 30, 2011 compared to $17,424 as at December 31, 2010.

- On August 29, 2011, the Company has granted 400,000 stock options at an exercise price of $0.15 to its employees, officers and directors. Granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years. The grant fair value of options was $0.08.

- On September 28, 2011, the Company announced that its subsidiary, Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD"), has been appointed by Casio (Shanghai) Trading Co., Ltd. to exclusively build and operate its online flagship store in Taobao Mall, the largest online B2C shopping portals in China, and sell original Casio products.

SELECTED QUARTERLY FINANCIAL DATA

The following table sets out selected unaudited financial information of the Company on a consolidated basis for the last eight quarters.

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Operating revenues								
Sales Revenue	5,631,757	4,903,963	4,159,212	6,356,033	4,612,967	4,527,041	4,049,064	4,029,843
Advertising Revenue	-	-	-	23,868	22,767	50,266	61,172	686,967
Service Revenue	325,724	98,012	17,760	205,147	108,093	201,077	59,587	24,376
	5,957,481	5,001,975	4,176,972	6,585,048	4,743,827	4,778,384	4,169,823	4,741,186
Other operating income	-	-	-	30	-		(440)	
Total operating income	5,957,481	5,001,975	4,176,972	6,585,078	4,743,827	4,778,384	4,169,383	4,741,186
Cost of good sold								3,729,865
	5,957,481	5,001,975	4,176,972	6,585,078	4,743,827	4,778,384	4,169,383	1,011,321
Operating expenses								
Change in inventory	5,016,399	4,683,332	3,600,724	5,726,577	3,934,968	3,992,738	3,575,349	
Delivery charges	151,420	140,694	75,697	133,298	104,689	80,788	76,547	
Other related expense	116,619	85,394	57,501	90,980	110,287	122,068	126,986	
Amortization	39,946	42,915	38,815	19,522	19,611	13,689	25,022	18,487
Sales and marketing	49,736	27,439	26,485	82,317	51,185	62,759	43,183	55,165
General administration	247,435	183,613	174,152	328,355	290,143	176,048	196,486	295,637
Salaries and benefits	436,202	365,852	331,955	466,386	412,557	352,251	287,028	261,271
Share-based payment expense	17,930	-	-	904	2,050	2,050	2,050	9,471
Impairment	-	5,280	1,450				-	424,094
Bad Debt Expense	-	-	-	1,492	-	-	-	
Total Operating Expense	6,075,687	5,534,519	4,306,779	6,849,832	4,925,490	4,802,391	4,332,651	1,064,126
Operating Income/(Loss)	(118,206)	(532,544)	(129,807)	(264,755)	(181,663)	(24,007)	(163,268)	(52,805)
Interest (expenses)								(42,886)
Other income/(loss)								(10,635)
Foreign exchange gain (loss)								(41,227)
Loss on investment								(4,344)
Finance income	4,712	2,357	1,644	6,231	489	200	654	
Finance costs	(92,241)	(68,495)	(63,915)	(57,112)	(26,116)	(21,402)	(10,736)	
Income/(loss) before income tax	(205,735)	(598,682)	(192,078)	(315,636)	(207,290)	(45,209)	(173,350)	(151,897)
Income tax recovery (expenses)	(8,915)		(4,551)		(4,731)	(33,453)	(25,174)	(87,051)
Net income/(loss)	(214,650)	(598,682)	(196,629)	(315,636)	(212,021)	(78,662)	(198,524)	(238,948)
Other comprehensive income/(loss)								
Foreign exchange currency adjustment	294,052	28,905	(26,194)	(41,236)	(11,118)	(12,708)	14,457	
Share of loss of equity investment	-	-	-				-	
Comprehensive income/(loss)	79,402	(569,777)	(222,823)	(356,872)	(223,140)	(91,370)	(184,067)	(238,948)
Net income/(loss) attribute to:								
Common shares	(324,985)	(411,752)	(198,896)	(203,007)	(268,094)	(141,258)	(235,118)	(554,921)
Non-controlling interest	110,335	(186,930)	2,267	(112,628)	25,001	62,597	36,594	315,973
	(214,650)	(598,682)	(196,629)	(315,636)	(243,094)	(78,662)	(198,524)	(238,948)
Comprehensive income/(loss) attributable to:								
Common shares	(30,933)	(382,847)	(225,090)	(244,243)	(272,826)	(153,967)	(220,661)	(554,921)
Non-controlling interest	110,335	(186,930)	2,267	(112,628)	25,001	62,597	36,594	315,973
	79,402	(569,777)	(222,823)	(356,872)	(247,825)	(91,370)	(184,067)	(238,948)
Basic/Diluted income/(loss) per share	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)

QUARTERLY RESULTS

Comparison of the three and nine month period ended September 30, 2011 and September 30, 2010

Revenue

The Company reported total operating revenue of $5,957,481 and $15,136,428 for the three and nine months ended September 30, 2011 compared to $4,743,827 and $13,692,034 for the same period in 2010, representing an increase of 25.6% and 10.6% mainly due to an increase in merchandise revenue by 22.1% and 11.4% respectively offset by a decrease in advertising and service revenue.

The breakdown of the Company's revenues by category for the three and nine months ended September 30, 2011 and 2010 are as follow:

	Three months ended		Nine months ended	
	30-Sep-11	30-Sep-10	30-Sep-11	30-Sep-10
Merchandize resale and trading	$ 5,631,757	$ 4,612,967	$ 14,694,931	$ 13,189,072
Advertising	-	22,767	-	134,205
Service and software fees	325,724	108,093	441,497	368,757
Total Revenue	5,957,481	4,743,827	15,136,428	13,692,034
Change in inventory	5,016,399	3,934,968	13,300,455	11,503,055
Delivery charges	151,420	104,689	367,811	262,023
Other related expense	116,619	110,287	259,514	359,341
Total Cost of Goods Sold	5,284,438	4,149,944	13,927,780	12,124,419
Gross profit	$ 673,043	$ 593,883	$ 1,208,648	$ 1,567,615

During the nine month period ended September 30, 2011, the Company recognized $14,694,931 (same period 2010: $13,189,072) of revenue from the online merchandize sales in China. Associated cost of goods sold of $13,927,780 (same period 2010: $12,124,419) resulting in the gross profit margin on merchandize sales of 5.2% (same period 2010: 8.1%).

The Company recognized $nil revenue from advertising during the nine month period ended September 30, 2011 (same period 2010: $134,205). Advertising fee is earned as advertisers post advertisement on our websites and online stores operate by the Company in China or uses the Company's advertising service.

The Company recognized $441,497 (same period 2010: $368,757) of revenue from service and maintenance fees during the nine month period ended September 30, 2011. Within this amount, $356,971 (same period in 2010: $257,752) was contributed by XCXD. This revenue is mainly generated from software development and maintenance services.

Operating Expenses

Previously, Canadian GAAP did not provide the same level of specificity of expense analysis. IFRS-IASB requires that expenses be presented using either a nature approach or a function approach; the Company has selected the nature approach. Therefore, cost of good sold is being included in the Operating expense section. Total operating expenses increased to $6,075,687 and $15,916,984 for the three and nine month period ended September 30, 2011 compared to $4,925,489 and $14,060,530 for the same period of 2010, representing a increase of 23.4% and 13.2%.

Cost of Good Sold

Previously, cost of goods sold was presented as a separate line item under GAAP which includes the cost of purchasing the merchandize, sales tax, delivery, technical service and advertising expenses related to the sales. As we have chosen to present expense using the nature approach under IFRS, cost of goods sold is presented as change in inventory, delivery charges and other related expenses under operating expenses.

The overall cost of good sold has increased to $5,284,438 and $13,927,780 for the three and nine month period ended September 30, 2011 compared to $4,149,944 and $12,124,419 for the same period of 2010, representing an increase of 27.3% and 14.9% respectively. The increase is mainly due to the increase in inventory (27.5% and 15.6%) and delivery charges (44.6% and 40.4%) due to increase in sales revenue. Other related expense has increased by 5.7% and decreased by 27.8% respectively.

Depreciation and Amortization

The Company reported depreciation and amortization expense of $39,946 and $121,676 for the three and nine month period ended September 30, 2011 compared to $19,611 and $58,321 for the same period of 2010, representing an increase of 103.7% and 108.6% respectively.

The increase in depreciation and amortization expense is due to higher net book values of capital assets at September 30, 2011 as XCXD has increased in leasehold improvement in the latter half of 2010 and acquired new computer equipment, including servers, computers and data storage equipment in 2011 Q1 for dealing with potential increase in trade volume. During the nine months ended September 30, XCXD represented $116,355 (same period in 2010: 47,700) or 95.6% (same period in 2010: 81.7%) of the depreciation and amortization expenses.

Sales and Marketing

Sales and marketing expense decreased to $49,736 and $103,660 for the three and nine month ended September 30, 2011 compare to $51,185 and $157,127 for the same period of 2010, representing a decrease of 2.8% and 34%. This is due to less travel and entertainment expense being incurred during the period. During the nine month period ended September 30, 2011, XCXD represented $32,507 (same period in 2010: $45,847) or 31.3% (same period in 2010: 29.1%) of the sales and marketing expenses.

General and Administrative

General and administrative expense decreased to $247,435 and $605,199 for the three and nine month period ended September 30, 2011 compared to $290,143 and $662,677 for the same period of 2010 representing a decrease of 14.7% and 8.7% respectively. During the nine month period ended September 30, 2011, XCXD represented $318,358 (same period in 2010: $362,281) or 52.6% (same period in 2010: 54.7%) of the general and administrative expenses.

Salaries and Benefits

Salaries and benefits expense increased to $436,202 and $1,134,009 for the three and nine month period ended September 30, 2011 compared to $412,557 and $1,051,836 for the same period of 2010, representing an increase of 5.7% and 7.8%. During the nine month period ended September 30, 2011, XCXD represented $762,034 (same period in 2010: 595,532) or 67.2% (same period in 2010: 56.6%) of the salaries and benefits expenses. The increase is mainly attributable to the business expansion of operation in XCXD.

Share-based compensation

The Company recorded $17,930 share-based compensation expense for the three and nine month period ended September 30, 2011 compared to $2,050 and $6,150 for the same period of 2010. The increase is due to an option grant happened on August 29, 2011 where the Company granted 400,000 stock options at an exercise price of $0.15 to its employees, officers and directors. Granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years. The grant fair value of options was $0.08.

Loss on Disposal of Fixed Assets

During the first quarter of 2011, XCXD has written off the residual value of $1,450 (2010: Nil) of computer equipment bought in 2007.

During the second quarter of 2011, the lease of Fireswirl Systems has ended on June 30, 2011. Due to office moving, a loss on disposal of fixed assets of $5,280 (2010: Nil) was recognized in respect of office furniture and equipment.

Finance Income

The Company recorded $4,712 and $8,713 of interest income for the three and nine month period ended September 30, 2011 (same period in 2010: $489 and $1,343). This interest income is mainly earned by the XCXD restricted cash held as deposit for the three and nine month period ended September 30, 2011 and 2010.

Finance Expense

The Company recorded $92,241 and $224,651 of interest expense for the three and nine month period ended September 30, 2011 (same period in 2010: $26,117 and $58,255). This interest expense was incurred by the short term loans and long term loan drawn down by XCXD for the nine month period ended September 30, 2011 and 2010. This amount has been offset by $22,350 (RMB150,000) by a government subsidy for business on interest expense received in May, 2011~~Q2~~ for interest expensed in 2010.

Foreign Exchange Gain

The Company recognized foreign exchange gain of $294,052 and $296,764 for the three and nine month period ended September 30, 2011 compared to foreign exchange loss of $4,731 and $2,982 for the same period of 2010. The Company does not utilize any hedges or forward contract arrangements.

Net Comprehensive Loss

The Company reported net comprehensive loss attributable to the common shares is $30,933 and $638,868 for the three and nine month period ended September 30, 2011 compared to net comprehensive loss attributable to the common shares of $272,827 and $647,453 for the same period of 2010, representing a decrease in loss of 88.7% and 1.3%. This is due to the foreign exchange gain in the current quarter.

Diluted loss per share was $0.00 and $0.02 for the three and nine month period ended September 30, 2011 compared to a diluted loss of $0.01 and $0.02 in the same period of 2010.

Non Controlling Interest

The Company's foreign subsidiary, XCXD realized a net income of $220,669 and a net loss $148,657 for the three and nine month period ended September 30, 2011 compared to the same period in 2010 with net income at $50,001 and $248,383, an increase of 341.3% and a decrease of 160% respectively. Based on the Company's ownership of 50%, only 50% of the net income/loss is being taken out/added back to the interim condensed consolidated income statement.

CASH FLOW STATEMENT

Operating Activities

Cash provided by operating activities was an inflow of $100,726 and outflow of $694,958 for the three and nine month period ended September 30, 2011 compared to cash outflow of $838,744 and $1,638,978 for the same period of 2010, representing a 112% and 57.6% decrease in cash inflow and outflow respectively. The increase in cash inflow is mainly due to increase in loans from shareholders.

Investing Activities

Cash used by investing activities was $38,534 and $192,512 for the three and nine month period ended September 30, 2011 compared to $91,958 and $128,780 for the same period of 2010 representing a decrease of 58.1% and an increase of 49.5%. The company's investing activities in the nine months of 2011 consisted mainly of acquisition of capital assets by XCXD in 2011 Q1.

Financing Activities

Cash inflow by financing activities was $11,217 and $2,336,162 for the three and nine month period ended September 30, 2011 compared to $1,080,047 and $1,268,567 cash inflow for the same period of 2010 representing a decrease of 99% and an increase of 84.2%. The cash inflow for the nine month period ended September 30, 2011 is mainly from the short term loan drawn down in February, 2011, proceeds from private placement that was completed on April 28, 2011 and exercising of stock option. The cash outflow at the same period of time is the cash used for repaying of long term loan.

LIQUIDITY AND CAPITAL RESOURCES

The Company has $nil of long term debt, $669,759 in cash and short term investments, and working capital (defined as current assets less current liabilities) of $1,217,688. The Company has adequate cash and short term investments to meet the Company's planned growth and development activities. However, the recent dramatic change decline in the global economic environment results in increasing uncertainty regarding future revenue and customer commitments, both in terms of timing and magnitude for such future sales. Contractual commitments are summarized in "Contractual Obligations" section.

The Company does not have commitments for capital expenditures as of September 30, 2011. The Company's capital resources consist of common share issuances.

Contractual Obligations

The Company's future minimum annual payments under operating leases are the following:

2011	$45,020
2012	$150,787
2013	$114,648

Related Party Transactions

During the first nine months of 2011, the Company paid $132,215 (same period in 2010: $196,406) in salaries to its management. The decrease is due to company restructuring and eliminating the position of Chief Operating Officer. Also, the Company paid $49,500 (same period in 2010: $46,750) in professional fee to one of its officers and paid $8,400 (same period in 2010: $6,600) to directors as director fees. As of September 30, 2011, the accounts payable balance includes $29,008 (same period 2010: $48,592) that is incurred from regular operational expenses outstanding to an officer of the company and the Company also had a balance of $1,220,886 (same period in 2010: $567,636) due to the shareholders of Fireswirl Technologies Inc. and XCXD.

All of the above transactions were in the normal course of operations and are measured and recorded at the exchange amount of consideration established and agreed to by the related parties.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and methods used in preparation of the Company's financial statements are described in Note 2 of interim condensed consolidated financial statements of the Company for the three and nine month period ended September 30, 2011.

CHANGES IN ACCOUNTING POLICIES

The Company has prepared its September 30, 2011 interim condensed consolidated financial statements in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, and with IAS 34, Interim Financial Reporting, as issued by the IASB. Previously the Company prepared its financial statements in accordance with Canadian GAAP.

The Company's IFRS accounting policies are provided in note 2 to the interim condensed consolidated financial statements. In addition, note 22 to the interim condensed consolidated financial statements present reconciliations between the Company's 2010 previous GAAP results and the 2010 IFRS results. The reconciliations include the consolidated balance sheets as at September 30, 2010 and the consolidated statements of operation and comprehensive loss for nine months and three months ended in September 30, 2010. The adoption of IFRS did not result in material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous Canadian GAAP and thus the statements of cash flows have not been restated in accordance with IFRS.

The transition to IFRS has resulted in a number of changes to the presentation of our financial statements to the consolidated balance sheet and the consolidated statement of operations.

The company grants stock options to certain directors and certain employees of the Company as an element of compensation. In accordance with Canadian GAAP, the grant date fair value of such options is recognized as compensation expense over the related service period with a corresponding increase in contributed surplus.

In accordance with IFRS, contributed surplus does not arise as a result of the granting of stock options. Accordingly, contributed surplus related to stock options has been reclassified to “Share-based payments reserve” which is a separate component of equity.

Additionally, under IFRS, non-controlling interest in the consolidated balance sheet is classified as equity and is presented separately from equity attributable to equity holders of the Company.

Previously, Canadian GAAP did not provide the same level of specificity of expense analysis. IFRS-IASB requires that expenses be presented using either a nature approach or a function approach; the Company has selected the nature approach. Note 22 details the reclassifications made in order to comply with IFRS presentation requirements.

The above changes are reclassifications within our balance sheets and statements of operations so there is no net impact to our profit as a result of these changes.

Other exemptions

Other significant IFRS 1 exemptions taken by the Company as at January 1, 2010 include the following:

- Business combinations entered into prior to January, 2010 were not retrospectively restated in accordance with IFRS. Accordingly, any goodwill arising on such business combinations before the January 1, 2010 transition has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

- Currency translation differences – in accordance with IFRS transitional provisions, the Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the Transition Date. In the absence of this transitional provision, retrospective application of IFRS would require the company to determine cumulative translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates from the date a subsidiary was formed or acquired.

- Borrowing costs – IFRS 1 permits an entity to use the prospective transitional provisions in IAS 23, Borrowing Costs, for prospective application, with an effective date being the later of January 1, 2009 or the transition date. The Company has elected prospective application as of the Transition Date.

CRITICAL ACCOUNTING ESTIMATES

There are a number of accounting estimates underlying the accounting policies the Company applies in preparing its financial statements. The following are those which management has determined to be material.

Revenue Recognition

The Company generates its revenue from online merchandize resale, online advertising, system setup fees, customization fees, service and licensing fees.

Revenue from the sale of online merchandize is recognized in our accounts when title and risk passes to the buyer, collection is reasonably assured and the price is reasonably determinable.

System setup fees and customization fees are recognized at the time when service is delivered, following agreement of fees and contractual arrangements and when collection of amounts due is considered to be reasonably assured.

Advertising and service fees are recognized when the service is performed, there are no significant obligations remaining, the sales price is determinable and collectability is reasonably assured.

Licensing fees are recognized ratably over the period of the licensing term, once the service is delivered, following agreement of fees and contractual arrangements and when the collection of amounts due is considered to be reasonably assured. Cash received in excess of the revenue recognized is deferred.

Allowance for Doubtful Accounts

The Company charges license fees to licensees based on their level of activity. The Company's management exercises judgment in making collectability assumptions on a customer by customer basis in determining whether receivables are collectible and in determining the appropriate allowance for doubtful accounts based on knowledge of the customer's payment history and expectation of collectability.

Intangible Assets

The Company estimates future cash flows attributable to intangible assets for purposes of the evaluation of potential impairment based on its expectations of future market conditions. These estimates require the use of forward-looking assumptions based on past experience as well as future expectation arising from the Company's strategic and financial planning activities. Changes to these assumptions and future market conditions could result in changes to the impairment and recoverability assumption for these assets.

RISKS AND UNCERTAINTIES

Important risks factors that could cause actual results, performance or achievements to be materially different than past performance or those implied by forward looking statements include:

- Foreign currency exchange risk
- Uncertainty as to the degree of new and continuing market acceptance of our products;
- Our products could contain defects that lead to costs, damage of reputation or litigation;
- Our dependence on brand partners' ~~customer~~ performance;
- Uncertainty regarding future profitability;
- Uncertainty regarding the pricing, reporting and collection of accounts;
- Risks associated with sales in foreign countries and their government policy and regulations therein
- Our ability to attract and retain key personnel
- Availability of credit line and future financing
- ~~Our ability to diligently ensure that our customers operate in accordance with the terms of our license agreements that require observation of the laws of Canada and foreign countries;~~

Subsequent Events

There is no subsequent event.

Off Balance Sheet Arrangement

As at September 30, 2011 and the date of this report the Company has not entered into any off balance sheet arrangements.

Financial Instruments and Other Instruments

The Company's financial instruments consists of cash, short term investments, accounts receivable, accounts payable and accrued liabilities, income taxes recovery and capital lease obligations. The fair values of these financial instruments approximate their carrying values, except as noted below. It is management's opinion that the Company is not exposed to significant interest risks. The Company's short term investments consist of investments in low risk bank certificates. A substantial portion of the Company's revenue is earned in foreign currencies and is exposed to currency fluctuations. The Company does not use financial derivatives or "other financial instruments".

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Company evaluated the effectiveness and design of its disclosure controls and procedures for the period ended September 30, 2011 and based on this evaluation (which included testing of the key controls by examining evidence demonstrating their existence on a test basis) have determined these controls to be effective.

The Corporation's financial reporting procedures and practices have enabled the certification of Fireswirl Technologies Inc. annual filing in compliance with Multilateral Instrument 52-109 "Certification of Disclosure in Issuers Annual and Interim Filings". Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other annual filings in accordance with Canadian Generally Accepted Accounting Principles, except as noted below.

Given the size of the Company, the evaluation of the design of internal controls over financial reporting for the Company resulted in the identification of the following weaknesses:

> Management is aware that due to its relatively small scale of operation there is a lack of segregation of duties to a limited number of employees dealing with accounting and financial matters. However, management has concluded that considering the employees involved and the control procedures in place, including management and Audit Committee oversight, risks associated with such lack of segregation of duties are not significant enough to justify the expense associated with adding employees to segregate duties.
>
> Management is aware that in-house expertise to deal with complex taxation, accounting and reporting issues may not be sufficient. The Company requires outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues, which is common with companies of similar size.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting. The Company internal control systems continue to evolve as the Company grows. We believe these systems are sufficient to execute the business plan and provide meaningful information upon which to manage the business. Management believes the disclosure, controls and procedures currently in place are effective.

The Company has 44,641,285 common shares, 3,100,000 warrants and 1,279,000 options outstanding at September 30, 2011 and at the date of report. If all of the Company's options and warrants were exercised, the Company would have 48,820,285 common shares outstanding at the date of report.