Fireswirl Technologies Inc.

Management Discussion and Analysis of Financial Condition and Results of Operations

For the years ended December 31, 2011 and 2010

April 24, 2012

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") audited consolidated financial statements and the accompanying notes for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Reference to 2011 or fiscal 2011 means the twelve months ended December 31, 2011. Likewise, reference to 2010 or fiscal 2010 refers to the twelve months ended December 31, 2010.

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 has 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.

CORPORATE SUMMARY

XCXD is a leader in branded online store outsourcing market for mobile handsets in China. XCXD is currently the operator of the official online store or the exclusive Taobao Flagship store for Nokia, Motorola, Sony-Ericsson and HTC/Dopod in China. This acquisition is a major step for Fireswirl in completing its long-term plan to becoming the largest online and mobile 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.

With the experience and know-how in operating the official online stores for top international mobile phone brands in China, the Company has started diversification into e-commerce of other product categories in 2010 by customizing its system to handle a large variety of product types. In 2011, the Company engaged in the initial stages of conducting e-commerce for apparels, domestic electrical appliances, digital products and children products. A number of well-known international brands of various types of products have since signed agreement with the Company for it to solely operate their branded official online store or Taobao Flagship Store. Although the technology development and the workflow adjustment for the expansion into these new product categories have temporarily slowed revenue growth, the Company is well prepared to tackle a much bigger market after this capability expansion. The Company believes these markets are areas of growth for years to come.

The Company’s goal is to achieve economies-of-scale by increasing the number of brands it signs up and leveraging the intrinsic growth of each brand in the China market in driving overall revenues, to achieve profitability. All branded official online stores the Company operates are running on the same technology platform, and leverage off the Company’s existing resources including data infrastructure, warehouse management, customer service centre, office space, etc. To this end, cost per transaction can be substantially reduced as high transaction volume is obtained.

SIGNIFICANT EVENTS FOR 2011

Financial Events

- Total revenue decreased slightly to $20,038,277 for the year ended December 31, 2011 compared to $20,277,082 for the year ended December 31, 2010, representing a decrease of 1.2%. The decrease was due to a slight decrease in merchandise revenue, which in turn was due to the Company's new focus in technology development and workflow adjustment for the expansion into new product categories during the year in preparation for tackling a bigger e-commerce market.

  Total expenses increased to $21,111,796 for the year ended December 31, 2011 from $20,996,861 for the year ended December 31, 2010, representing an increase of 0.6%. The increase was mainly due to the increase in delivery charges and other related expenses with expanding into different product categories.

- Salaries and benefits remained the Company's single largest expenditure, $1,633,509 for the twelve months ended December 31, 2011 compared to $1,518,222 for the same period of 2010, representing an increase of 7.6%. The increase in salary expenditure is due to increase in headcounts in our Beijing operation as the company is expanding into other consumer sectors instead of relying on cell phones.

- As of December 31, 2011, the Company had cash and cash equivalents of $75,677 and restricted cash $1,696,800 compared to $783,699 and $362,160 respectively at December 31, 2010, representing a decrease of 90.3% and an increase of 368.5% respectively. As of December 31, 2011, the Company had working capital of $1,005,472 compared to $1,181,647 at December 31, 2010, representing a decrease of 14.9%. The Company has long term portion of long term debt of $nil as of December 31, 2011 compared to $17,424 at December 31, 2010.

- Total operating expense was $21,111,796 for the year ended December 31, 2011 compared to $20,996,861 for the same period of 2010, representing an increase of 0.6%.

- The Company reported a comprehensive loss attributable to common shares is $911,555 for the year ended December 31, 2011 compared to a loss of $891,698 for the same period of 2010, representing an increase in loss of 2.2%.

- Fully diluted loss per share was $0.03 for the year ended December 31, 2011 compared to fully diluted losses of $0.03 for the same period of 2010,.

Strategic Partner Highlights

- The Company's subsidiary, Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD"), signed an exclusive agreement with GuangDong SMW Garment Company Limited ("SMW") for XCXD to exclusively build and operate its online flagship store in Taobao Mall and QQ Mall, the two largest online B2C shopping portals in China, to sell original SMW products.

- The Company's subsidiary, XCXD signed an e-commerce collaboration agreement with Logitech to operate its official online store in China.

- The Company's subsidiary, XCXD signed an agreement with Netrada Management GmbH ("NETRADA") for a collaboration between the companies in the China e-commerce market for high-end fashion brands.

- The Company's subsidiary, XCXD 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.

- The Company's subsidiary, XCXD signed an e-commerce collaboration agreement with Sino Light Enterprise (Shenzhen) Limited ("SLE"), an associate company of Sandmartin International Holdings Limited (Hong Kong Stock Exchange: 482). SLE has engaged XCXD to set up, operate and maintain their official and flagship online stores, namely "XiYangYang Official Online Store" and "XiYangYang Taobao Flagship Store," respectively, to sell apparels with "Pleasant Goat and Big Big Wolf" branding for a term of two years.

Marketing Highlights

- The Company's subsidiary, XCXD selected as one of the twenty-one emerging enterprises with highest growth potential by the China Enterprise "Stars of the Future" Assembly 2011.

SELECTED ANNUAL FINANCIAL DATA
Comparison of the years ended December 31, 2011, 2010 and 2009.

	2011	2010	2009
Total revenues	20,038,277	20,276,672	4,985,310
Loss before discontinued operations and extraordinary items	(1,302,733)	(827,983)	(851,208)
Income (loss) from discontinued operation or extraordinary items	-	-	-
Net loss before income tax	(1,302,733)	(827,983)	(851,208)
Income tax expense	(13,504)	(94,431)	(87,051)
Net loss before other comprehensive income	(1,316,237)	(922,414)	(938,259)
Other Comprehensive Income/(loss)	281,726	42,279	(141,079)
Comprehensive loss for the year	(1,034,511)	(880,134)	(1,079,338)
Non controlling interest (Income)/loss	122,956	(11,564)	(315,973)
Comprehensive loss attributable to Common shares	(911,555)	(891,698)	(1,395,311)
Basic/diluted net loss per share	(0.03)	(0.03)	(0.05)
Total assets	8,146,571	6,189,024	5,147,551
Total long-term financial liabilities	-	17,424	64,315
Cash dividends declared per share	-	-	-

RESULTS OF OPERATIONS
Consolidated Statement of Operations and Deficit
Comparison of the years ended December 31, 2011 and 2010

	2011	**2010**
Operating revenues		
Sales Revenue	19,262,678	19,545,105
Advertising Revenue	-	158,073
Service Revenue	775,599	573,904
	20,038,277	20,277,082
Other operating income	-	(410)
Total operating income	20,038,277	20,276,672
Operating expenses		
Change in inventory	16,981,543	17,229,633
Delivery charges	692,639	395,322
Other related expense	563,471	450,321
Foreign Exchange (gain)/loss	(0)	86,497
Amortization	161,430	77,844
Sales and marketing	148,642	239,445
General administration	820,698	991,032
Salaries and benefits	1,633,509	1,518,222
Share-based payment expense	103,135	7,054
Impairment	6,729	-
Bad Debt Expense	-	1,492
Total Operating Expense	21,111,795	20,996,861
Operating Income/(Loss)	(1,073,519)	(720,190)
Finance income	11,502	7,573
Finance costs	(240,716)	(115,366)
Income/(loss) before income tax	(1,302,733)	(827,982)
Income tax recovery (expenses)	(13,504)	(94,431)
Net income/(loss)	(1,316,237)	(922,414)
Other comprehensive income/(loss)		
Foreign exchange currency adjustment	281,726	42,279
Comprehensive income/(loss)	(1,034,511)	(880,134)
Net income/(loss) attribute to:		
Common shares	(1,092,658)	(933,977)
Non-controlling interest	(223,579)	11,564
	(1,316,237)	(922,414)
Comprehensive income/(loss) attributable to:		
Common shares	(911,555)	(891,698)
Non-controlling interest	(122,956)	11,564
	(1,034,511)	(880,134)
Basic/Diluted net income/(loss) per share	$ (0.03)	$ (0.03)

REVENUE

Revenues for the year ended December 31, 2011 decreased slightly to $20,038,277 compared to $20,277,082 for the prior year representing a decrease of 1.2%. The decrease was due to a slight decrease in merchandise revenue.

The breakdown of the Company's revenues by category for the twelve months ended December 31, 2011 and 2010 are as follow:

	For the year ended	
	31-Dec-11	31-Dec-10
Merchandize resale and trading	$ 19,262,678	$ 19,545,105
Advertising	-	158,073
Service and software fees	775,599	573,904
Total Revenue	20,038,277	20,277,082
Change in inventory	16,981,543	17,229,632
Delivery charges	692,639	395,322
Other related expense	563,470	450,321
Total Cost of Goods Sold	18,237,652	18,075,275
Gross profit	$ 1,800,625	$ 2,201,807

In 2011, the Company recognized $19,262,678 of revenue from merchandise resale and trading in China. These sales incurred a cost of goods sold of $18,237,652 resulting in the gross profit margin of 5.3%.

The Company recognised $nil of revenue from advertising in 2011. Advertising fees are charged to advertiser who posts advertisements on websites and online stores operated by the Company in China or uses the Company's advertising service. The Company is gradually decreasing its business activities in online advertising in order to focus on its branded online store operations.

The Company recognised $775,599 of revenue from service and maintenance fees in 2011. Software development consulting and system maintenance services were conducted for various clients from China, the UK and the US.

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 goods sold is being included in the Operating expense section. Total operating expenses increased to $21,111,796 for the year ended December 31, 2011 compared to $20,996,861 for the same period of 2010, representing a increase of 0.6%.

Cost of Goods Sold

Previously, cost of goods sold was presented as a separate line item under GAAP which includes the cost of purchasing the merchandise, 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 according to their nature.

The overall cost of goods sold has increased to $ $18,237,652 for the year ended December 31, 2011 compared to $18,075,275 for the same period of 2010, representing an increase of 0.9%. The increase is mainly due to the increase in delivery charges (75.2%) and other related expense (25.1%) due to increase in expanding into goods which have other logistic arrangements and charges. The change of inventory has decreased to $16,981,543 to $17,229,632, representing a decrease of 1.4%.

Foreign Exchange gain or loss

The Company has a foreign exchange gain of $nil for the year ended December 31, 2011 compared to an exchange loss $86,497 for the same period of 2010, being an IFRS adjustment. Throughout fiscal 2011 and 2010 the Company did not utilize hedges or forward contracts.

Amortization

Amortization expenses increased to $161,430 for the year ended December 31, 2011 from $77,844 for the same period of 2010, representing an increase of 107.4%. The increase is attributable to our XCXD subsidiary increasing leasehold improvements 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 year ended December 31, XCXD represented $154,576 (same period in 2010: 65,590) or 95.8% (same period in 2010: 84.3%) of the amortization expenses.

Sales and Marketing

Sales and marketing expenses decreased to $148,642 for the year ended December 31, 2011 compared to $239,445 for the same period of 2010, representing a decrease of 37.9%. The decrease of expenses is due to one less executive traveling with the restructuring of management in the beginning of the year.

General and Administrative

General and Administrative expenses decreased to $820,698 for the year ended December 31, 2011 from $991,032 for the same period of 2010 (see detailed breakdown), representing a decrease of 17.2%.

	2011	2010
Bank charges	$ 59,830	$ 59,562
Insurance	19,477	18,950
Office and miscellaneous expense	133,716	278,700
Professional fees	242,013	256,135
Listing and filing	16,987	12,441
Rent, utilities, and maintenance	314,260	284,638
Sublet Labour	8,450	37,948
Telephone	25,965	42,658
Total	$ 820,698	$ 991,032

Salaries and Benefits

Salaries and benefits costs are the Company's single largest expenditure aside from the purchase of inventory. Salaries and benefits expenses increased to $1,633,509 for the year ended December 31, 2011 from $1,518,222 for the same period of 2010, representing an increase of 7.6%. The increase in salary expenditure is due to a general increase in salary and headcount for diversifying into selling other type of goods than cell phones.

Stock based compensation

Stock based compensation expenses increased to $103,135 for the year ended December 31, 2011 from $7,054 for the same period of 2010. The increase is due to options granted on August 29, 2011 and

December 7, 2011 where the Company granted 400,000 and 1,000,000 stock options to its employees, officers and directors respectively, both at an exercise price of $0.15. 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 both options grant was $0.13.

Impairment loss

The Company has $6,729 impairment loss for the year ended December 31, 2011 compared to the $nil for the same period of 2010.

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 $11,502 of interest income for the year ended December 31, 2011 (same period in 2010: $7,573). This interest income is mainly earned by the XCXD RMB2.4M restricted cash held as deposit for the year ended December 31, 2011 and 2010.

Finance Expense

The Company recorded $240,716 of interest expense for the year ended December 31, 2011 (same period in 2010: $115,366). This interest expense was incurred by the short term loans and long term loan drawn down by XCXD for the year December 31, 2011 and 2010. This amount has been offset by $86,830 (RMB550,000), a government subsidy for business on interest expense, received in May, 2011 and December, 2011, for interest expensed in 2010.

Provision for income taxes

The Company has not made any provisions for future tax benefits which arise from loss carry-forward and future deductions of deferred development costs. The valuation of tax assets is based on the amount of tax benefits available combined with the determination as to when the tax benefits will be realized and the tax rate in effect at that time.

The Company's foreign subsidiaries in China recognized the income tax expenses of $13,504 in 2011 ($94,430 in 2010).

Net Comprehensive Loss

The Company reported net comprehensive loss attributable to the common shares is $911,555 for the year ended December 31, 2011 compared to $891,698 for the same period of 2010, representing an increase in loss of 2.2%. This is due to an increase in finance cost offset by the foreign exchange gain.

Diluted loss per share was $0.03 for the year ended December 31, 2011 compared to a diluted loss of $0.03 in the same period of 2010.

Non Controlling Interest

The Company's foreign subsidiary XCXD realized a net loss of $245,913 for the year ended December 31, 2011 compared to net income of $23,128 in 2010. Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of $122,956 (net income $11,564 in 2009) was added back to the consolidated Comprehensive loss before NCI.

CASH FLOW STATEMENT FOR THE YEAR

Operating activities

Cash flow used by operating activities was $1,467,016 for the year ended December 31, 2011 compared to $2,900,791 used for the year ended December 31, 2010, representing a decrease of 49.4%. This is mainly due to increase in inventory, accounts payable and loan from shareholder.

Investing activities

Cash outflow by investing activities was $93,111 for the year ended December 31, 2011 compared to $169,881 for the year ended December 31, 2010, represented by a decrease of 45.2%. The company's investing activities in 2011 consisted of primarily the purchase of capital assets by XCXD while the investing activities in 2010 consisted mainly of purchase of capital assets and leasehold improvement by XCXD.

Financing activities

Cash provided by financing activities was $1,996,626 for the year ended December 31, 2011 compared to $2,406,967 for the same period of 2010, representing a decrease of 17%. The Company's financing activities during 2011and 2010 were mainly from a private placement carried out during the year and short term loans for financing inventory.

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.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Operating revenues								
Sales Revenue	4,567,746	5,631,757	4,903,963	4,159,212	6,356,033	4,612,967	4,527,041	4,049,064
Advertising Revenue	-	-	-	-	23,868	22,767	50,266	61,172
Service Revenue	334,102	325,724	98,012	17,760	205,147	108,093	201,077	59,587
	4,901,849	5,957,481	5,001,975	4,176,972	6,585,048	4,743,827	4,778,384	4,169,823
Other operating income		-	-	-	30	-		(440)
Total operating income	4,901,849	5,957,481	5,001,975	4,176,972	6,585,078	4,743,827	4,778,384	4,169,383
Operating expenses								
Change in inventory	3,681,088	5,016,399	4,683,332	3,600,724	5,726,577	3,934,968	3,992,738	3,575,349
Delivery charges	324,828	151,420	140,694	75,697	133,298	104,689	80,788	76,547
Other related expense	303,957	116,619	85,394	57,501	90,980	110,287	122,068	126,986
Foreign exchange (gain)/loss	296,763	(294,052)	(28,905)	26,194	83,515	4,731	12,708	(14,457)
Amortization	39,754	39,946	42,915	38,815	19,522	19,611	13,689	25,022
Sales and marketing	44,982	49,736	27,439	26,485	82,317	51,185	62,759	43,183
General administration	215,500	247,435	183,613	174,152	328,355	290,143	176,048	196,486
Salaries and benefits	499,499	436,202	365,852	331,955	466,386	412,557	352,251	287,028
Share-based payment expense	85,204	17,930	-	-	904	2,050	2,050	2,050
Impairment	-	-	5,280	1,450				-
Bad Debt Expense	-	-	-	-	1,492	-	-	-
Total Operating Expense	5,491,575	5,781,635	5,505,614	4,332,972	6,933,347	4,930,221	4,815,099	4,318,194
Operating Income/(Loss)	(589,727)	175,846	(503,639)	(156,001)	(348,270)	(186,394)	(36,715)	(148,811)
Finance income	2,789	4,712	2,357	1,644	6,231	489	200	654
Finance costs	(16,066)	(92,241)	(68,495)	(63,915)	(57,112)	(26,116)	(21,402)	(10,736)
Income/(loss) before income tax	(603,004)	88,317	(569,777)	(218,271)	(399,151)	(212,021)	(57,917)	(158,893)
Income tax recovery (expenses)	(37)	(8,915)		(4,551)		(35,805)	(33,453)	(25,174)
Net income/(loss)	(603,041)	79,402	(569,777)	(222,823)	(399,151)	(247,826)	(91,370)	(184,067)
Other comprehensive income/(loss)								
Foreign exchange currency adjustment	(15,037)	294,052	28,905	(26,194)	45,261	(4,731)	(12,708)	14,457
Comprehensive income/(loss)	(618,078)	373,454	(540,872)	(249,016)	(353,890)	(252,557)	(104,078)	(169,610)
Net income/(loss) attribute to:								
Common shares	(557,431)	69,320	(374,451)	(230,097)	(286,522)	(272,827)	(153,967)	(220,662)
Non-controlling interest	(45,610)	10,082	(195,326)	7,275	(112,628)	25,001	62,597	36,595
	(603,041)	79,402	(569,777)	(222,823)	(399,151)	(247,826)	(91,370)	(184,067)
Comprehensive income/(loss) attributable to:								
Common shares	(569,450)	263,119	(353,941)	(251,283)	(241,261)	(277,558)	(166,675)	(206,205)
Non-controlling interest	(48,628)	110,335	(186,930)	2,267	(112,628)	25,001	62,597	36,595
	(618,078)	373,454	(540,872)	(249,016)	(353,890)	(252,557)	(104,078)	(169,610)
Basic/Diluted income/(loss) per share	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.01)

QUARTERLY RESULTS

Comparison of the three months ended December 31, 2011 and three months ended December 31, 2010

Revenue

The Company reported gross operating revenues of $4,901,849 for the three months ended December 31, 2011 compared to $6,585,048 for the same period in 2010, representing a decrease of 25.6% mainly due to the drop in popularity of certain types of cell phones.

Operating Expenses

Total operating expenses decreased to $5,194,812 for the three months ended December 31, 2011 compared to $6,849,833 for the same period of 2010, representing a decrease of 24.2% due to decrease in change in inventory, sales and marketing expense and general administration expense.

Foreign Exchange gain or loss

The Company had a foreign exchange loss of $296,763 for the three months ended December 31, 2011 compared to foreign exchange loss of $83,515 for the same period of 2010, being an IFRS adjustment for the year. Throughout fiscal year 2011 and 2010, the Company did not utilize hedges or forward contracts.

Depreciation and Amortization

The Company reported depreciation and amortization expenses of $39,754 for the three months ended December 31, 2010 compared to $19,522 for the same period of 2010, representing an increase of 103.6% due to increase in capital asset in XCXD.

Sales and Marketing

Sales and marketing expenses decreased to $44,982 for the three months ended December 31, 2011 compared to $82,317 for the same period of 2010, representing a decrease of 45.4%.

General and Administrative

General and administrative expenses decreased to $215,500 for the three months ended December 31, 2011 compared to $328,356 for the same period of 2010 representing a decrease of 34.4%.

Salaries and Benefits

Salaries and benefits expenses increased to $499,499 for the three months ended December 31, 2011 compared to $466,386 for the same period of 2010, representing an increase of 7.1% due to headcount increases in XCXD with business expanding into goods other than cell phones.

Stock Based Compensation

The Company has $85,204 of stock based compensation expense for the three months ended December 31, 2011 compared to $904 for the same period of 2010. The increase is due to an option grant on December 7, 2011 where the Company granted 1,000,000 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 $0.13. The amount has also included an adjustment for the August 29 grant of $9,889.

Finance Income

The Company recorded $2,789 of interest income for the three month ended December 31, 2011 (same period in 2010: $6,231). This interest income is mainly earned by the XCXD $323,200 restricted cash held as deposit for the three month ended December 31, 2011 and 2010.

Finance Expense

The Company recorded $16,066 of interest expense for the three month ended December 31, 2011 (same period in 2010: $57,112). This interest expense was incurred by the short term loans and long term loan drawn down by XCXD for the year ended December 31, 2011 and 2010. This amount has been offset by $64,480 (RMB400,000) by a government subsidy for business on interest expense received in December, 2011 for interest expensed in 2010.

Provision for Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets from the benefit of losses available to be carried forward to future years for tax purposes are recognized only if it is more likely than not that they can be realized.

The Company's foreign subsidiaries in China has recognized $37 (RMB231) income tax expenses for the three month ended December31, 2011 and $nil for the same period in 2010.

Non Controlling Interest

The Company's foreign subsidiary realized net loss of $97,256 during the three month ended December 31, 2011 while for the same period in 2010, the subsidiary realized net loss of $225,256. Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of $48,628 net loss (net loss $112,628 in 2010) was added back to the consolidated Comprehensive loss before NCI.

Comprehensive Loss

The Company reported a comprehensive loss attributable to common shares of $569,450 for the three month ended December 31, 2011 compared to net losses of $241,262 for the same period of 2010, representing an increase in loss of 136%. This is mainly due to a decrease in operating revenue for the period, increase in other related expenses and increase in compensation expenses due to the option grants.

Basic/diluted loss per share was $0.01 for the three month ended December 31, 2011 compared to a basic/diluted loss of $0.01 in the same period of 2010.

CASH FLOW STATEMENT DURING Q4

Operating Activities

Cash used by operating activities was $722,058 for the three months ended December 31, 2011 compared to cash used by operation of $1,264,892 for the same period of 2010, representing a decrease of 39% mainly due to a decrease in amounts receivables and prepaid and deposits in XCXD.

Investing activities

Cash outflow from investing activities was $13,423 for the three months ended December 31, 2011 compared to cash outflow from investing activities $47,916 for the same period of 2010. The company's investing activities in the fourth quarter of 2010 consisted mainly of acquiring of capital assets and leasehold improvements in XCXD.

Financing Activities

Cash outflow from financing activities was $344,691 for the three months ended December 31, 2011 compared to cash provided by financing activities was $1,134,901 for the same period of 2010. The company's financing activities in the fourth quarter of 2010 consisted mainly of short term loan drawdown for financing of inventory.

LIQUIDITY AND CAPITAL RESOURCES

The Company has $nil of long term debt, $75,677 in cash and short term investments and working capital (defined as current assets less current liabilities) of $1,005,472. The Company has adequate cash and short term investments to meet the Company's planned growth and development activities. The Company does not see any material fluctuation in its liquidity or working capital position and based on the present level of revenue and expenses does not foresee any significant changes to its working capital requirements. However, the recent dramatic change 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 December 31, 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:

2012	$158,941
2013	$128,844

Related Party Transactions

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. During the year, the Company paid $184,668 in salaries to its management. Also, the Company paid $67,500 in professional fees to one of its directors and $12,400 as director fees. As of December 31, 2011, the accounts payable balance includes $24,205 that is incurred from regular operational expenses outstanding to officers of the company and the Company also had a balance of $282,954 due to a shareholder of Fireswirl Technologies Inc. and $741,591 due to a shareholder of XCXD.

CHANGES IN ACCOUNTING POLICIES

The following standards and amendments to existing standards have been published and are mandatory for the Company's annual accounting periods beginning January 1, 2013, or later periods:

Consolidated Financial Statements - IFRS 10 Consolidated Financial Statements ("IFRS 10") will replace existing guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC 12 Consolidation – Special Purpose Entities. The portion of IAS 27 that deals with separate financial statements will remain. IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. IFRS 10 requires continuous assessment of control of an investee in line with any changes in facts and circumstances.

Joint Arrangements - IFRS 11 Joint Arrangements ("IFRS 11") will replace IAS 31 Interests in Joint ventures, and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement require the unanimous consent of the parties sharing control. The focus is not solely on the legal structure of joint arrangements, but rather on how the rights and obligations are shared by the parties to the joint arrangement. IFRS 11 eliminates the existing policy choice of proportionate consolidation for jointly controlled entities. In addition, the Standard categorizes joint arrangements as either joint operations or joint ventures.

Disclosure of Interests in Other Entities - IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Matters covered include information about the significant judgments and assumptions that any entity has made in determining whether it has control, joint control or significant influence over another entity.

Separate Financial Statements - IAS 27 Separate Financial Statements ("IAS 27") has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The amended IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent currently within the scope of the current IAS 27 Consolidated and Separate Financial Statements that is replaced by IFRS 10.

Investments in Associates and Joint Ventures - IAS 28 Investments in Associates and Joint ventures ("IAS 28") has been revised and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of IAS 28 Investments in Associates does not include joint ventures.

IFRS 13 Fair Value Measurement ("IFRS 13") was issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.
The IASB has issued an amendment to IFRS 7, Financial Instruments: Disclosures ("IFRS 7"), requiring incremental disclosures regarding transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company will apply the amendment at the beginning of its 2012 financial year. The Company does not expect the implementation to have a significant impact on the Company's disclosures.

The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IA 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position and disclosures.

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements ("IAS 1"), which requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they might at some point be reclassified from OCI to profit or loss at a later date when specified conditions are met. By requiring items of OCI to be grouped on this basis, their potential effect on profit or loss in future periods will be clearer. This amendment is effective for annual periods beginning on or after July 1, 2012 and requires full retrospective application. The Company does not expect IAS 1 to have a material impact on the financial statements.

International financial reporting standards (IFRS)

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the handbook of the Canadian Institute of Chartered Accountants

("CICA handbook"). In 2010, the CICA handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly the Company has commenced reporting on this basis in its consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. A description of the impact of transition to IFRS is included in note 23 to our consolidated financial statements.

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.

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

Deferred Development Costs

The Company exercises in the determination of the costs which meet the criteria for deferral and amortization under Canadian generally accepted accounting principles. These costs are estimated based on employee salaries applicable to development activities believed to meet the criteria and have value to the Company. The amortization period is estimated on the period of expected benefit to the Company.

Goodwill

Goodwill is recognized as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquired, less the fair value of the net identifiable assets acquired and liabilities assumed, as of the acquisition date. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Goodwill acquired through a business combination is allocated to each cash-generating unit ("CGU"), or a group of CGUs, that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment.

Impairment

Financial assets

Financial assets not carried at fair value through profit or loss are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets. Cash-generating units to which goodwill has been allocated reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net loss. Impairment losses recognized in respect of the cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized..

Revenue Recognition

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

Revenue from the sale of online merchandise 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.

Foreign currency translation

The Company uses the Canadian dollar as its presentation currency.

Revenue and expense transactions that are denominated in foreign currencies and entered into directly by the Company are translated into Canadian dollars at the exchange rates prevailing at the time of the transactions. Amounts receivable and payable in foreign currencies are stated in Canadian dollars at the rates of exchange prevailing at the balance sheet dates, and the resulting foreign exchange gains and losses are recognized in the net income (loss) for the year.

For consolidation purposes, the assets and liabilities of subsidiary entities whose functional currencies differ from that of the Company are translated at the exchange rate prevailing at the balance sheet date. Income statements of such entities are translated at average rates of exchange during the year. All resulting exchange differences, including exchange differences arising from the translation of borrowings and other financial instruments are recognized directly in accumulated other comprehensive income (loss).

Should a foreign operation be sold, the cumulative exchange differences recognized in accumulated other comprehensive income (loss) since January 1, 2010 would be recognized in the income statement as part of the profit or loss on sale.

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' 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.

Subsequent Events

The company has an option to purchase the remaining 50% rights and interests of XCXD during 2011 expiring on December 31, 2011. As of this date, the company chose not to exercise the option.

Off Balance Sheet Arrangement

As at December 31, 2011 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 December 31, 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 1,579,000 options outstanding and exercisable at December 31, 2011. If all of the Company's exercisable warrants and options were exercised, the Company would have 49,320,285 common shares outstanding.