Fireswirl Technologies Inc.

**Management Discussion and Analysis of Financial Condition and Results of Operations**

**For the three months ended March 31, 2012 and 2011**

**May 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") interim consolidated financial statements and the accompanying notes for the three months ended March 31, 2012 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.

## CORPORATE SUMMARY

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 or the Taobao Flagship Store for Nokia, Motorola, Sony Mobile and HTC in China. XCXD is also expanding its business into other product categories, such as computer accessories, toys and apparels. XCXD has recently become the sole operator of the official online store and the Taobao Flaghsip Store for Toys"R"Us, an international toy retailer.

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 513 million Internet users in China at the end of 2010, which has grown by 12.3% compared to the same period in 2010. The number of Internet shopper has also grown from 161 million in 2010 to 194 million in 2011, representing an increase of 20.8%.

Fireswirl generates its revenue mainly from reselling branded products on the respective branded official online stores it operates. In light of its focus previously on mobile phone products and its reliance on a certain mobile phone brand previously, the Company started diversifying in both the types of products and also the number of brands in its portfolio in 2011. The strategy had successfully reduced the negative impact to the company when one of its key mobile phone brands in its portfolio suffered a significant drop in market-share and brand value. Since late 2011, the company has been steadily adding a number of major international brands into its portfolio and also diversified into more product categories.

For each new brand that launches an online store, it is typical for the new store to take nine months to one year to gain acceptance in the market before it shows meaningful growth in sales. To that end, Fireswirl believes that its branded stores launched since the end of 2011 and the new branded stores in the pipeline shall support the long-term growth of 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 decreased to $3,487,841 for the three months ended March 31, 2012 compared to $4,176,972 during the same period in 2011, representing a decrease of 16.5%. The merchandise revenue has decreased by 20.8% offset by an increase in service revenue by 978.3%.

- Total operating expense was $3,629,771 for the three months ended March 31, 2012 compared to $4,306,779 for the same period of 2011, representing a decrease of 16.7%. The decrease was mainly due to the decrease in purchases offset by increase in cost of sales related expenses, sales and marketing expense, general administration expense, salaries and benefits and depreciation expense.

- The Company reported a comprehensive loss on common shares of $337,576 for the quarter ended March 31, 2012 compared to a loss and comprehensive loss of $225,090 for the same period of 2011, representing an increase in loss of 50%.

- Fully diluted loss per share was $0.01 for the quarter ended March 31, 2012 compared to fully diluted losses of $0.01 for the same period of 2011.

- As at March 31, 2012, the Company had cash and cash equivalents of $55,401and restricted cash of $1,110,200 compared to $204,670 and $526,400 as at December 31, 2011, representing a decrease of 73% and an increase of 111% respectively. As at March 31, 2012, the Company had working capital of $634,112 compared to $1,005,472 as at December 31, 2011, representing a decrease of 36.9%. The Company has long term debt of $nil as at March 31, 2012 compared to $nil as at December 31, 2011.

### Marketing Highlights

- The Company's subsidiary, Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD"), the Company", was selected as a TOP20 Business Process Outsourcing Enterprise ("BPO TOP20") of China in the Chinese Service Outsourcing Leaders Conference 2012. It is the only e-commerce service provider among the 20 award winners.

- The Company announced that, with the record-breaking opening of the fourth movie of the "Pleasant Goat and Big Big Wolf" animation series "Mission Incredible: Adventures on the Dragon's Trail" (the "Movie") in China, the Company's "Pleasant Goat and Big Big Wolf" official online store and Taobao flagship store have broken through the benchmark 1,000 online orders per day this month, only after two months of the stores' opening.

## 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.

| | Q1 2012 | Q4 2011 | Q3 2011 | Q2 2011 | Q1 2011 | Q4 2010 | Q3 2010 | Q2 2010 |
|---|---|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | | | |
| Sales Revenue | 3,296,332 | 4,567,746 | 5,631,757 | 4,903,963 | 4,159,212 | 6,356,033 | 4,612,967 | 4,527,041 |
| Advertising Revenue | - | - | - | - | - | 23,868 | 22,767 | 50,266 |
| Service Revenue | 191,509 | 334,102 | 325,724 | 98,012 | 17,760 | 205,147 | 108,093 | 201,077 |
| | 3,487,841 | 4,901,849 | 5,957,481 | 5,001,975 | 4,176,972 | 6,585,048 | 4,743,827 | 4,778,384 |
| Other operating income | | | - | - | - | 30 | - | |
| Total operating income | 3,487,841 | 4,901,849 | 5,957,481 | 5,001,975 | 4,176,972 | 6,585,078 | 4,743,827 | 4,778,384 |
| **Operating expenses** | | | | | | | | |
| Purchases | 2,579,114 | 3,681,088 | 5,016,399 | 4,683,332 | 3,600,724 | 5,726,577 | 3,934,968 | 3,992,738 |
| Delivery charges | 164,372 | 324,828 | 151,420 | 140,694 | 75,697 | 133,298 | 104,689 | 80,788 |
| Other related expense | 127,915 | 303,957 | 116,619 | 85,394 | 57,501 | 90,980 | 110,287 | 122,068 |
| Foreign exchange (gain)/loss | 797 | - | - | - | - | 83,515 | 4,731 | 12,708 |
| Amortization | 40,159 | 39,754 | 39,946 | 42,915 | 38,815 | 19,522 | 19,611 | 13,689 |
| Sales and marketing | 33,740 | 44,982 | 49,736 | 27,439 | 26,485 | 82,317 | 51,185 | 62,759 |
| General administration | 214,250 | 215,500 | 247,435 | 183,613 | 174,152 | 328,355 | 290,143 | 176,048 |
| Salaries and benefits | 444,663 | 499,499 | 436,202 | 365,852 | 331,955 | 466,386 | 412,557 | 352,251 |
| Share-based payment expense | 22,377 | 85,204 | 17,930 | - | - | 904 | 2,050 | 2,050 |
| Impairment | 2,385 | - | - | 5,280 | 1,450 | | | |
| Bad Debt Expense | - | - | - | - | - | 1,492 | - | - |
| Total Operating Expense | 3,629,771 | 5,194,812 | 6,075,687 | 5,534,519 | 4,306,779 | 6,933,347 | 4,930,221 | 4,815,099 |
| Operating Income/(Loss) | (141,931) | (292,964) | (118,206) | (532,544) | (129,807) | (348,270) | (186,394) | (36,715) |
| Finance income | 2,718 | 2,789 | 4,712 | 2,357 | 1,644 | 6,231 | 489 | 200 |
| Finance costs | (85,301) | (16,066) | (92,241) | (68,495) | (63,915) | (57,112) | (26,116) | (21,402) |
| Income/(loss) before income tax | (224,514) | (306,241) | (205,735) | (598,682) | (192,078) | (399,151) | (212,021) | (57,917) |
| Income tax recovery (expenses) | - | (37) | (8,915) | | (4,551) | | (35,805) | (33,453) |
| Net income/(loss) | (224,514) | (306,278) | (214,650) | (598,682) | (196,629) | (399,151) | (247,826) | (91,370) |
| Other comprehensive income/(loss) | | | | | | | | |
| Foreign exchange currency adjustment | (197,419) | (15,037) | 294,052 | 28,905 | (26,194) | 45,261 | (4,731) | (12,708) |
| Comprehensive income/(loss) | (421,932) | (321,315) | 79,402 | (569,777) | (222,823) | (353,890) | (252,557) | (104,078) |
| Net income/(loss) attribute to: | | | | | | | | |
| Common shares | (227,764) | (260,667) | (224,732) | (403,356) | (203,904) | (286,522) | (272,827) | (153,967) |
| Non-controlling interest | 3,250 | (45,610) | 10,082 | (195,326) | 7,275 | (112,628) | 25,001 | 62,597 |
| | (224,514) | (306,278) | (214,650) | (598,682) | (196,629) | (399,151) | (247,826) | (91,370) |
| Comprehensive income/(loss) attributable to: | | | | | | | | |
| Common shares | (337,576) | (272,687) | (30,933) | (382,846) | (225,090) | (241,261) | (277,558) | (166,675) |
| Non-controlling interest | (84,357) | (48,628) | 110,335 | (186,930) | 2,267 | (112,628) | 25,001 | 62,597 |
| | (421,932) | (321,315) | 79,402 | (569,777) | (222,823) | (353,890) | (252,557) | (104,078) |
| Basic/Diluted income/(loss) per share | $ (0.01) | $ (0.01) | $ (0.00) | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.00) |

## QUARTERLY RESULTS

## Comparison of the three month period ended March 31, 2012 and three month period ended March 31, 2011

### Revenue

The Company reported total operating revenue of $3,487,841 for the three months ended March 31, 2012 compared to $4,176,972 for the same period in 2011, representing a decrease of 16.5% mainly due to a decrease in merchandise revenue offset by an increase in service revenue.

The breakdown of the Company’s revenues by category for the three months ended March 31, 2012 and 2011 are as follow:

| | Three months ended | |
|---|---|---|
| | 31-Mar-12 | 31-Mar-11 |
| Merchandize resale and trading | 3,296,332 | 4,159,212 |
| Service and software fees | 191,509 | 17,760 |
| **Total Revenue** | 3,487,841 | 4,176,972 |
| Purchases | 2,579,114 | 3,600,724 |
| Delivery charges | 164,372 | 75,697 |
| Other related expense | 127,915 | 57,501 |
| **Total Cost of Goods Sold** | 2,871,401 | 3,733,921 |
| **Gross profit** | $ 616,439 | $ 443,050 |

During the three months ended March 31, 2012, the Company recognized $3,296,332 (Q1 2011: $4,176,972) of revenue from the online merchandize sales in China. Associated cost of goods sold of $2,871,401 (Q1 2011: $3,733,921) resulting in the gross profit margin of 12.9% (Q1 2011: 10.2%).

The Company recognized $191,509 (Q1 2011: $17,760) of revenue from service and maintenance fees during the three months ended March 31, 2012.

**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 decreased to $3,629,771 for the three months ended March 31, 2012 compared to $4,306,779 for the same period of 2011, representing a decrease of 15.7% where there is a general decrease in Purchases due to decrease in revenue offset by increase in all other expenses.

**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.

**Depreciation and Amortization**

The Company reported depreciation and amortization expense of $40,159 for the three months ended March 31, 2012 compared to $38,815 for the same period of 2011, representing an increase of 3.5%.

The increase in depreciation and amortization expense is due to general increase in fixed assets. During the three months ended March 31 2012, XCXD represented $38,611 (Q1 2010: 36,885) or 96.1% (same period 2011: 95%) of the depreciation and amortization expenses.

**Sales and Marketing**

Sales and marketing expense increased to $33,740 for the three months ended March 31, 2012 compare to $26,485 for the same period of 2011, representing an increase of 27.4%. This is due to more travel and entertainment expense being incurred during the quarter. During the three months ended March 31 2012, XCXD represented $13,496 (Q1 2011: $7,066) or 40% (same period 2011: 26%) of the sales and marketing expenses.

**General and Administrative**

General and administrative expense increased to $214,250 for the three months ended March 31, 2012 compare to $174,152 for the same period of 2011 representing an increase of 23%. During the three months ended March 31 2012, XCXD represented $111,637 (Q1 2011: $93,905) or 52.1% (same period 2011: 53%) of the general and administrative expenses. This is a general increase in overall office expense.

**Salaries and Benefits**

Salaries and benefits expense increased to $444,663 for the three months ended March 31, 2012 compared to $331,955 for the same period of 2011, representing an increase of 34%. During the three months ended March 31 2012, XCXD represented $315,456 (Q1 2010: 198,690) or 70.1% (same period 2011: 59%) of the salaries and benefits expenses. The increase is mainly due to potential expansion of operation in XCXD into other areas of merchandises.

**Share-based compensation**

The Company recorded $22,377 share-based compensation expense for the three months ended March 31, 2012 compared to $ nil for the same period of 2011. The increase is due to two stock option grants happened in August, 2011 and December, 2012 in which $16,307 is related to stock option grant to staff in XCXD.

**Finance Income**

The Company recorded $2,718 of interest income for the quarter ended March 31, 2012 (Q1 2011: $1,644). This interest income is mainly earned by XCXD restricted cash deposit for the quarter ended March 31, 2012 and 2011.

**Finance Expense**

The Company recorded $85,301 of interest expense for the quarter ended March 31, 2012 (Q1 2011: $63,915). This interest expense was incurred by the short term loans and long term loan drawn down by XCXD for the quarter ended March 31, 2012 and 2011.

**Foreign Exchange Gain**

The Company recognized realized foreign exchange loss of $797 for the three months ended March 31, 2012 compared to $nil for the same period of 2011. 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 $337,576 for the three months ended March 31, 2012 compared to net comprehensive loss attributable to the common shares of $225,090 for the same period of 2011, representing an increase in loss of 50%. This is mainly due to the unrealized exchange loss related to XCXD.

Diluted loss per share was $0.01 for the three months ended March 31, 2012 compared to a diluted loss of $0.01 in the same period of 2011.

**Non Controlling Interest**

The Company's foreign subsidiary, XCXD realized the net profit of $6,500 for the three months ended March 31, 2011 compared to the same period in 2010 at $4,534. Based on the Company's ownership of 50%, only 50% of the income and expense are being accounted for in the interim condensed consolidated statement of comprehensive income.

## CASH FLOW STATEMENT DURING Q1 2012 and 2011

**Operating Activities**

Cash used by operating activities was $1,220,833 for the three months ended March 31, 2012 compared to cash used by operation of $1,937,288 for the same period of 2011, representing a decrease of 36%. During the three month period ended March 31, 2012 mainly due to a decrease of XCXD in accounts receivables, prepaid and deposits and in accounts payable offset by increase in inventory.

**Investing Activities**

Cash used by investing activities was $23,556 for the three month period ended March 31, 2012 compared to $164,189 for the same period of 2011 representing a decrease of 85.7%. The company's investing activities in the first quarter of 2011 consisted mainly of acquisition of capital assets by XCXD.

**Financing Activities**

Cash inflow by financing activities was $835,225 for the three months ended March 31, 2012 compared to $1,679,215 cash inflow for the same period of 2011. The cash inflow for both periods is mainly from the short term loan drawn down in March, 2012 and February, 2011 respectively.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has $nil of long term debt, $55,401 in cash and short term investments and working capital (defined as current assets less current liabilities) of $634,112. With 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. To the extent the Company is unable to cover its ongoing cash requirements through operations; the Company expects to raise additional equity financing to cover any shortfall. There can be no assurance that such financing and profitability will occur in the amounts and with terms expected. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the Company be unable to continue as a going concern.

The Company does not have commitments for capital expenditures as of March 31, 2012. 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 | $169,417 |
| 2013 | $134,611 |
| 2014 | $ 46,093 |
| 2015 | $ 17,900 |

**Related Party Transactions**

In the first quarter of 2012, the Company paid $42,900 (Q1 2011: $50,015) in salaries to its management. The decrease is due to company restructuring and eliminating the position of Chief Operating Officer in the beginning of 2011. Also, the Company paid $18,000 (Q1 2011: $15,750) in professional fee to one of its officers and paid $4,000 (Q1 2011: $2,200) to directors as director fees. As of March 31, 2012, the accounts payable balance includes $47,005 (Q1 2011: $19,253) that is incurred from regular operational expenses outstanding to an officer of the company and the Company also had a balance of $730,225 (Q1 2011: $279,661) 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 month period ended March 31, 2012.

## CHANGES IN ACCOUNTING POLICIES

The Company has prepared its March 31, 2012 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 transition to IFRS has resulted in a number of changes to the presentation of our financial statements to the consolidated statement of financial position and the consolidated statement of comprehensive income.

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.

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' 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**

There is no subsequent event.

**Off Balance Sheet Arrangement**

As at March 31, 2012 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 March 31, 2012 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 44,691,285 common shares, 2,270,000 options and 3,050,000 warrants outstanding at March 31, 2012 and as at the date of report, the company has 45,571,285 common shares and 1,570,000 options outstanding and exercisable. If all of the Company's exercisable options were exercised, the Company would have 47,141,285 common shares outstanding at the date of report.