



Fireswirl

Technologies Inc.

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

For the years ended December 31, 2012 and 2011

April 25, 2013

**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, 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Reference to 2012 or fiscal 2012 means the twelve months ended December 31, 2012. Likewise, reference to 2011 or fiscal 2011 refers to the twelve months ended December 31, 2011.

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.

CORPORATE SUMMARY

XCXD specializes in the branded online store outsourcing market in China. XCXD is currently the operator of the branded official online store and/or the Taobao Flagship Store for Toys "R" Us, Casio, LEGO, Nokia, Motorola, Sony Mobile, Logitech and many other international brands in China. In order to gain access to more international brand clients and expand its business network, the company also signed a partnership with GSI Commerce to expand its footprint in China. GSI Commerce is a world leader in e-commerce solutions, serving over 1,000 retailers and brands globally and is a wholly owned subsidiary of eBay Inc.

Fireswirl is continuing to execute on 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 considered by management to be significant. The e-commerce market in China continues to expand at a rapid rate despite the global economic stagnation.

Fireswirl's core business is to operate the "official online store" in China on behalf of international brands it has contractual agreements with, thus it is not in direct competition with most other online retailers who do not represent any particular brand and sell products from a variety of brand names. The Company generates its revenue mainly from reselling branded products on the respective official branded online stores it operates. Management views this as a major competitive advantage over other online retailers in China. As China e-commerce is becoming a priority for many international brands, the partnerships between these brands and Fireswirl is an important part of the company's sustainable growth strategy.

For each new brand that launches a branded online store, it is typical for the new store to take anywhere between nine months to one year to gain market acceptance before it shows meaningful growth in sales. To that end, the branded stores launched since the end of 2011 have been contributing to the significant revenue growth in the fiscal year. Fireswirl believes that the new branded stores in the current pipeline shall support the mid to long-term growth of the Company.

To achieve profitability and high growth, the Company is focused in two directions:

- (I) Achieve economies-of-scale by increasing the number of brands it signs up to grow overall recurring revenues. 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. Economies of scale are

achieved as the cost per transaction can be substantially reduced as high transaction volume is obtained.

- (II) Nurture key brands for rapid online sales growth to increase the company's long-term sales-based revenue. Many brands clients have experienced rapid e-commerce growth in North America and other markets, and it is to the mutual benefit for Fireswirl and these brands to repeat such success in China. For example, the online store of Toys "R" Us in the US generates over US\$1 billion of annual sales. The company believes key clients such as this will be successful in China as well and generate comparable revenue to their US online stores in the long term. Fireswirl strives to nurture the stores of these key brands to achieve significant revenue growth in the future.

SIGNIFICANT EVENTS FOR 2012

Financial Events

- Total revenue increased to \$27,551,357 for the year ended December 31, 2012 compared to \$20,038,277 for the year ended December 31, 2011, representing an increase of 37.5%. The increase was due to increase in both merchandise and service 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 for tackling a bigger e-commerce market.
- Total expenses increased to \$27,803,202 for the year ended December 31, 2012 from \$21,111,796 for the year ended December 31, 2011, representing an increase of 31.7%. The increase was mainly due to the corresponding increase in purchases with increase in revenue.
- Salaries and benefits remained the Company's single largest expenditure, \$1,859,094 for the twelve months ended December 31, 2012 compared to \$1,633,509 for the same period of 2011, representing an increase of 13.8%. 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, 2012, the Company had cash and cash equivalents of \$594,921 and restricted cash \$319,400 compared to \$75,677 and \$1,696,800 respectively at December 31, 2011, representing an increase of 686.1% and a decrease of 81.2% respectively. As of December 31, 2012, the Company had working capital of \$752,508 compared to \$1,005,472 at December 31, 2011, representing a decrease of 25.2%. The Company does not have long term portion of long term debt of December 31, 2012 and 2011.
- The Company reported a comprehensive loss attributable to common shares is \$851,963 for the year ended December 31, 2012 compared to a loss of \$911,555 for the same period of 2011, representing a decrease in loss of 6.5%.
- Fully diluted loss per share was \$0.02 for the year ended December 31, 2012 compared to fully diluted losses of \$0.03 for the same period of 2011.

Strategic Partner Highlights

- The Company's formed partnership with GSI Commerce Inc, a world leader in e-commerce solutions servicing over 1000 retailers and brands globally.
- The Company's two subsidiaries have jointly signed an agreement with Toys"R"Us Retailing (China) Limited ('Toys"R"Us, China') to provide e-commerce operation service, including to its Taobao Flagship Store in China.

Marketing Highlights

- The Company's subsidiary was named China's Best Service Outsourcing Provider in the 16th Best Customer Service Award Presentation Ceremony co-organized by China Information Industry Association and China Service Trade Association.
- The Company's subsidiary was selected as a TOP20 Business Process Outsourcing Enterprise ("BPO TOP20") of China in the Chinese Service Outsourcing Leaders Conference 2012. It was the only e-commerce service provider among the 20 award winners.

SELECTED ANNUAL FINANCIAL DATA
Comparison of the years ended December 31, 2012, 2011 and 2010.

	2012	2011	2010
Total revenues	27,551,357	20,038,277	20,276,672
Loss before discontinued operations and extraordinary items	(657,400)	(1,302,733)	(827,982)
Income (loss) from discontinued operation or extraordinary items	-	-	-
Net loss before income tax	(657,400)	(1,302,733)	(827,982)
Income tax expense	(36,702)	(13,504)	(94,431)
Net loss before other comprehensive income	(694,102)	(1,316,237)	(922,413)
Other Comprehensive Income/(loss)	(187,829)	281,726	42,280
Comprehensive loss for the year	(881,931)	(1,034,511)	(880,134)
Non controlling interest (Income)/loss	29,968	122,956	(11,564)
Comprehensive loss attributable to Common shares	(851,964)	(911,555)	(891,697)
Basic/diluted net loss per share	(0.02)	(0.03)	(0.03)
Total assets	6,653,112	8,146,571	6,189,024
Total long-term financial liabilities	-	-	17,424
Cash dividends declared per share	-	-	-

RESULTS OF OPERATIONS

For the years ended December 31, 2012 and 2011

REVENUE

Revenues for the year ended December 31, 2012 increase to \$27,551,357 compared to \$20,038,277 for the prior year representing an increase of 37.5%. The increase was due to increase in both merchandise and service revenue.

The breakdown of the Company's revenues by category for the twelve months ended December 31, 2012 and 2011 are as follow:

	Twelve months ended	
	31-Dec-12	31-Dec-11
Merchandise resale and trading	\$ 25,558,045	\$ 19,262,678
Service and software fees	1,993,312	775,599
Total Revenue	27,551,357	20,038,277
Purchases	23,294,786	16,981,543
Delivery charges	446,600	692,639
Other related expense	827,436	563,471
Total Cost of Goods Sold	24,568,822	18,237,653
Gross profit	\$ 2,982,535	\$ 1,800,624

In 2012, the Company recognized \$25,558,045 compare to \$19,262,678 in 2011, an increase of 32.7% from merchandise resale and trading in China. These sales incurred a cost of goods sold of \$24,568,822 in 2012 and \$18,237,653 in 2011 respectively, resulting in the gross profit margin of 3.9% in 2012 compare to 5.3% in 2011.

The Company recognised \$1,993,312 of revenue from service and maintenance fees in 2012 compared to \$775,599 in 2011, an increase of 157%. Software development consulting and system maintenance services were conducted for various clients from China, the UK and the US.

OPERATING EXPENSES

Total operating expenses increased to \$27,803,202 for the year ended December 31, 2012 compared to \$21,111,796 for the same period of 2011, representing a increase of 31.7%.

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 \$24,568,822 for the year ended December 31, 2012 compared to \$18,237,652 for the same period of 2011, representing an increase of 34.7%. The increase is mainly due to the increase in purchases (32.7%) and other related expense (46.8%) due to increase in setup fees for customer e-commerce platforms. The purchases has increased to \$23,294,786 compare to \$16,981,543 in 2011, representing an increase of 37.1%.

Foreign Exchange gain or loss

The Company has a foreign exchange gain of \$4,466 for the year ended December 31, 2012 compared to \$nil for the same period of 2011. Throughout fiscal 2012 and 2011 the Company did not utilize hedges or forward contracts.

Amortization

Amortization expenses decreased to \$154,895 for the year ended December 31, 2012 from \$161,430 for the same period of 2011, representing a decrease of 4.1%. During the year ended December 31, 2012, XCXD represented \$148,985 (same period in 2011: \$154,576) or 94.2% (same period in 2011: 95.8%) of the amortization expenses.

Sales and Marketing

Sales and marketing expenses increased to \$172,616 for the year ended December 31, 2012 compared to \$148,642 for the same period of 2011, representing an increase of 16.1%.

General and Administrative

General and Administrative expenses increased to \$964,039 for the year ended December 31, 2012 from \$820,698 for the same period of 2011 (see detailed breakdown), representing an increase of 17.5%. The increase is mainly due to increase in bank charges on short loan service fees, in professional fees on consultation of future possible company structure and in rent due to renting of offsite warehouse facility.

	2012	2011
Bank charges	\$ 101,399	\$ 59,830
Insurance	18,162	19,477
Office and miscellaneous expense	92,486	133,716
Professional fees	314,327	242,013
Listing and filing	14,180	16,987
Rent, utilities, and maintenance	391,601	314,260
Sublet Labour	-	8,450
Telephone	31,884	25,965
Total	\$ 964,039	\$ 820,698

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 \$1,859,094 for the year ended December 31, 2012 from \$1,633,509 for the same period of 2011, representing an increase of 13.8%. The increase in salary expenditure is due to a general increase in salary and headcount for diversifying into selling other types of goods than cell phones.

Stock Based Compensation

Stock based compensation expenses decreased to \$76,885 for the year ended December 31, 2012 from \$103,135 for the same period of 2011. The decrease is due to ending of the amortization of expense for the 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.

Loss on Disposal of Assets

The Company has \$2,385 loss on disposal of asset for the year ended December 31, 2012 compared to the \$6,729 for the same period of 2011, a decrease of 64.6%.

Finance Income

The Company recorded \$10,807 of interest income for the year ended December 31, 2012 (same period in 2011: \$11,502). This interest income is mainly earned by the XCXD RMB2M restricted cash held as deposit for the year ended December 31, 2012 and 2011.

Finance Expense

The Company recorded \$416,362 of interest expense for the year ended December 31, 2012 (same period in 2011: \$240,716). This interest expense was incurred by the short term loans and long term loan drawn down by XCXD for the year December 31, 2012 and 2011. For the year 2011, 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 \$36,702 in 2012 (\$13,504 in 2011).

Comprehensive Loss

The Company reported net comprehensive loss attributable to the common shares is \$851,963 for the year ended December 31, 2012 compared to \$911,555 for the same period of 2011, representing a decrease in loss of 6.5%. This is due to an increase in service revenue.

Diluted loss per share was \$0.02 for the year ended December 31, 2012 compared to a diluted loss of \$0.03 in the same period of 2011.

Non Controlling Interest

The Company's foreign subsidiary XCXD realized a net comprehensive loss of \$59,936 for the year ended December 31, 2012 compared to net comprehensive loss of \$245,913 in 2011. Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of \$29,968 (net comprehensive loss \$122,956 in 2011) was deducted from the consolidated Comprehensive gain/(loss) before NCI.

CASH FLOW STATEMENT FOR THE YEAR

Operating activities

Cash flow used by operating activities was \$293,488 for the year ended December 31, 2012 compared to \$1,467,016 used for the year ended December 31, 2011, representing a decrease of 80%. This is mainly due to increase in net income.

Investing activities

Cash outflow by investing activities was \$81,298 for the year ended December 31, 2012 compared to \$93,111 for the year ended December 31, 2011, represented by a decrease of 12.7%. The company's investing activities in 2012 and 2011 consisted of primarily the purchase of capital assets by XCXD.

Financing activities

Cash outflow by financing activities was \$288,390 for the year ended December 31, 2012 compared cash inflows of \$1,996,626 for the same period of 2011, representing a decrease of 114.4%. During 2012 the Company focused on repaying short term loans by \$753,031, as opposed to obtaining loans in 2011 of \$1,251,776. The Company received financing from share issuances of \$172,500 in 2012, as opposed to financing of \$773,185 in 2011.

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 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Operating revenues								
Sales Revenue	10,993,101	5,815,967	5,452,645	3,296,332	4,567,746	5,631,757	4,903,963	4,159,212
Advertising Revenue	-	-	-	-	-	-	-	-
Service Revenue	820,464	603,806	377,533	191,509	334,102	325,724	98,012	17,760
	11,813,565	6,419,773	5,830,178	3,487,841	4,901,849	5,957,481	5,001,975	4,176,972
Other operating income	-	-	-	-	-	-	-	-
Total operating income	11,813,565	6,419,773	5,830,178	3,487,841	4,901,849	5,957,481	5,001,975	4,176,972
Operating expenses								
Purchases	10,553,200	5,344,922	4,817,550	2,579,114	3,681,088	5,016,399	4,683,332	3,600,724
Delivery charges	101,598	90,557	90,073	164,372	324,828	151,420	140,694	75,697
Other related expense	349,119	188,402	162,001	127,915	303,957	116,619	85,394	57,501
Foreign exchange (gain)/loss	1,701	1,493	475	797	-	-	-	-
Amortization	36,254	38,149	40,333	40,159	39,754	39,946	42,915	38,815
Sales and marketing	37,658	53,582	47,637	33,740	44,982	49,736	27,439	26,485
General administration	274,501	227,696	247,592	214,250	215,500	247,435	183,613	174,152
Salaries and benefits	486,488	464,901	463,042	444,663	499,499	436,202	365,852	331,955
Share-based payment expense	11,807	20,324	22,377	22,377	85,204	17,930	-	-
Impairment	-	-	-	2,385	-	-	5,280	1,450
Bad Debt Expense	-	-	-	-	-	-	-	-
Total Operating Expense	11,852,325	6,430,026	5,891,080	3,629,771	5,194,812	6,075,687	5,534,519	4,306,779
Operating Income/(Loss)	(38,760)	(10,253)	(60,902)	(141,931)	(292,964)	(118,206)	(532,544)	(129,807)
Finance income	2,550	2,642	2,897	2,718	2,789	4,712	2,357	1,644
Finance costs	(87,627)	(129,851)	(113,582)	(85,301)	(16,066)	(92,241)	(68,495)	(63,915)
Income/(loss) before income tax	(123,837)	(137,462)	(171,587)	(224,514)	(306,241)	(205,735)	(598,682)	(192,078)
Income tax recovery (expenses)	(14,367)	(7,021)	(15,313)	-	(37)	(8,915)	-	(4,551)
Net income/(loss)	(138,205)	(144,483)	(186,900)	(224,514)	(306,278)	(214,650)	(598,682)	(196,629)
Other comprehensive income/(loss)								
Foreign exchange currency adjustment	36,437	(35,894)	9,047	(197,419)	(15,037)	294,052	28,905	(26,194)
Comprehensive income/(loss)	(101,768)	(180,377)	(177,853)	(421,932)	(321,315)	79,402	(569,777)	(222,823)
Net income/(loss) attribute to:								
Common shares	(146,395)	(157,965)	(218,273)	(227,764)	(260,667)	(224,732)	(403,356)	(203,904)
Non-controlling interest	8,191	13,482	31,373	3,250	(45,610)	10,082	(195,326)	7,275
	(138,205)	(144,483)	(186,900)	(224,514)	(306,278)	(214,650)	(598,682)	(196,629)
Comprehensive income/(loss) attributable to:								
Common shares	(116,180)	(191,228)	(206,979)	(337,576)	(272,687)	(30,933)	(382,846)	(225,090)
Non-controlling interest	14,412	10,851	29,125	(84,357)	(48,628)	110,335	(186,930)	2,267
	(101,768)	(180,377)	(177,853)	(421,932)	(321,315)	79,402	(569,777)	(222,823)
Basic/Diluted income/(loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)

QUARTERLY RESULTS

Comparison of the three months ended December 31, 2012 and three months ended December 31, 2011

Revenue

The Company reported gross operating revenues of \$11,813,565 for the three months ended December 31, 2012 compared to \$4,901,849 for the same period in 2011, representing an increase of 141% mainly due to the special online sales events.

Operating Expenses

Total operating expenses increased to \$11,852,325 for the three months ended December 31, 2012 compared to \$5,194,812 for the same period of 2011, representing an increase of 128.2% due to increase in purchases, other related expenses and general administration expense.

Foreign Exchange gain or loss

The Company had a foreign exchange loss of \$nil for the three months ended December 31, 2012 compared to foreign exchange loss of \$1,701 for the same period of 2011. Throughout fiscal year 2012 and 2011, the Company did not utilize hedges or forward contracts.

Depreciation and Amortization

The Company reported depreciation and amortization expenses of \$36,254 for the three months ended December 31, 2012 compared to \$39,754 for the same period of 2011, representing a decrease of 8.8%.

Sales and Marketing

Sales and marketing expenses decreased to \$37,658 for the three months ended December 31, 2012 compared to \$44,982 for the same period of 2011, representing a decrease of 16.3%.

General and Administrative

General and administrative expenses decreased to \$274,501 for the three months ended December 31, 2012 compared to \$215,500 for the same period of 2011 representing an increase of 27.4%.

Salaries and Benefits

Salaries and benefits expenses increased to \$486,488 for the three months ended December 31, 2012 compared to \$499,499 for the same period of 2011, representing a decrease of 2.6%.

Stock Based Compensation

The Company has \$11,807 of stock based compensation expense for the three months ended December 31, 2012 compared to \$85,204 for the same period of 2011. The decrease is due to 50% of the compensation has been expensed when option was granted on August 29 and December 7, 2011 where the Company granted 1,400,000 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 \$0.13. The 2011 amount has also included an adjustment for the August 29 grant of \$9,889.

Finance Income

The Company recorded \$2,550 of interest income for the three month ended December 31, 2012 (same period in 2011: \$2,789). This interest income for the three month ended December 31, 2012 and 2011 is mainly earned by the XCXD \$319,400 (\$323,200 in 2011) restricted cash held as deposit.

Finance Expense

The Company recorded \$87,627 of interest expense for the three month ended December 31, 2012 (same period in 2011: \$16,066). This interest expense was incurred by the short term loans drawn down by XCXD for the year ended December 31, 2012 and 2011. The 2011 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 \$14,367 (RMB90,475) income tax expenses for the three month ended December 31, 2012 and \$37 (RMB231) for the same period in 2011.

Non Controlling Interest

The Company's foreign subsidiary realized net comprehensive gain of \$28,824 during the three month ended December 31, 2012 while for the same period in 2011, the subsidiary realized net comprehensive loss of \$97,256. Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of \$14,412 net gain (net comprehensive loss \$48,628 in 2011) was added to the consolidated Comprehensive loss before NCI.

Comprehensive Loss

The Company reported a comprehensive loss attributable to common shares of \$116,180 for the three month ended December 31, 2012 compared to net losses of \$272,681 for the same period of 2011, representing a decrease in loss of 57.4%. This is mainly due to an increase in operating revenue for the period.

Basic/diluted loss per share was \$0.00 for the three month ended December 31, 2012 compared to a basic/diluted loss of \$0.01 in the same period of 2011.

CASH FLOW STATEMENT DURING Q4

Operating Activities

Cash inflow by operating activities was \$297,741 for the three months ended December 31, 2012 compared to cash used by operation of \$475,294 for the same period of 2011, representing a decrease of 162.6% of cash outflow mainly due to an increase in net income.

Investing activities

Cash outflow from investing activities was \$38,364 for the three months ended December 31, 2012 compared to cash outflow from investing activities \$13,423 for the same period of 2011. The company's investing activities in the fourth quarter of 2012 consisted mainly of acquiring of Windows software in XCXD.

Financing Activities

Cash outflow from financing activities was \$1,591,296 for the three months ended December 31, 2012 compared to cash provided by financing activities was \$344,691 for the same period of 2011. The company's financing activities in the fourth quarter of 2012 consisted mainly payoff one of the short term loans drawn down in 2011.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2012, the Company has \$nil of long term debt, \$594,921 in cash and short term investments and working capital (defined as current assets less current liabilities) of \$752,508. Recent dramatic change in the global economic environment has resulted in increased 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 of this MD&A. To the extent the Company is unable to cover its ongoing cash requirements through operation, 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 December 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:

2013	\$189,187
2014	\$ 69,118
2015	\$ 23,295

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 \$181,154 in salaries to its management. Also, the Company paid \$72,000 in professional fees to one of its directors and \$16,000 as director fees. As of December 31, 2012, the accounts payable balance includes \$140,296 that is incurred from regular operational expenses outstanding to officers of the company and the Company also had a balance of \$593,653 due to a shareholder of Fireswirl Technologies Inc.

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 has applied 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.

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

There are no subsequent events.

Off Balance Sheet Arrangement

As at December 31, 2012 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, 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 45,571,285 common shares and 2,215,000 options outstanding and exercisable at December 31, 2012. If all of the Company's exercisable options were exercised, the Company would have 47,786,285 common shares outstanding.