Fireswirl Technologies Inc.

Management Discussion and Analysis of
Financial Condition and Results of Operations

For the three and nine months ended September 30, 2013 and 2012

November 14, 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") interim consolidated financial statements and the accompanying notes for the period ended September 30, 2013 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) 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 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, Hugo Boss, Bowers and Wilkins, Casio, LEGO 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 eBay Enterprise (formerly GSI Commerce) to expand its footprint in China. eBay Enterprise 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. As the company's business model evolves, it also generates revenue from sales-based service fee and other service fees for operating some of these official branded online stores without being the ir product reseller. Regardless of being a reseller or a service provider, 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 and early 2012 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.

SUMMARY OF FINANCIAL RESULTS

Key Financial Events

- Total operating revenue increased to $14,617,639 and $33,761,388 for the three and nine months ended September 30, 2013 respectively compared to $6,419,773 and $15,737,792 during the same periods in 2012, representing an increase of 127.7% and 114.5%. Merchandise revenue increased by 128.6% and 110.2% during the three and nine months ended September 30, 2013 respectively compared to the same periods in 2012. Service revenue increased by 119.2% and 168.9% respectively during the three and nine months ended September 30, 2013 compared to the same period in 2012.

- Total operating expense was $14,641,265 and $33,954,488 for the three and nine months ended September 30, 2013 compared to $6,430,026 and $15,950,877 for the same periods of 2012, representing an increase of 127.7% and 112.9% respectively. The increase was primarily driven by higher purchases and technical service fees as a result of higher sales volumes coupled with increases in salaries and benefits.

- The Company reported a comprehensive loss on common shares of $186,464 and $520,822 for the three and nine month periods ended September 30, 2013 compared to a comprehensive loss on common share of $191,228 and $735,783 for the same periods of 2012, representing a decrease in loss of 2.5% and 29.2%, respectively.

- Fully diluted loss per share was $0.00 and $0.01 for the three and nine month periods ended September 30, 2013 compared to fully diluted loss of $0.00 and $0.01 for the same periods of 2012.

- As at September 30, 2013, the Company had cash and cash equivalents (including restricted cash) of $1,466,193 compared to $914,321 as at December 31, 2012, representing an increase of 60.4%. As at September 30, 2013, the Company had working capital of $1,058,193 compared to $752,558 as at December 31, 2012, representing an increase of 40.6%. The Company had long term debt of $nil as at September 30, 2013 compared to $nil as at December 31, 2012.

SELECTED QUARTERLY FINANCIAL DATA

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

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Operating revenues								
Sales Revenue	13,294,351	8,489,168	8,824,527	10,993,101	5,815,967	5,452,645	3,296,332	4,567,746
Service Revenue	1,323,288	1,068,656	761,267	820,464	603,806	377,533	191,509	334,102
	14,617,639	9,557,824	9,585,794	11,813,565	6,419,773	5,830,178	3,487,841	4,901,849
Other operating income		131						
Total operating income	14,617,639	9,557,955	9,585,794	11,813,565	6,419,773	5,830,178	3,487,841	4,901,849
Operating expenses								
Purchases	12,833,831	8,127,740	8,146,566	10,553,200	5,344,922	4,817,550	2,579,114	3,681,088
Delivery charges	146,037	136,827	120,691	101,598	90,557	90,073	164,372	324,828
Other related expense	581,594	492,168	476,084	349,119	188,402	162,001	127,915	303,957
Foreign exchange (gain)/loss	580	(5,387)	10,004	1,701	1,493	475	797	-
Amortization	41,413	39,177	38,929	36,254	38,149	40,333	40,159	39,754
Sales and marketing	13,537	26,375	39,225	37,658	53,582	47,637	33,740	44,982
General administration	240,700	184,965	213,347	274,501	227,696	247,592	214,250	215,500
Salaries and benefits	783,573	662,672	598,007	486,488	464,901	463,042	444,663	499,499
Share-based payment expense	-	-	-	11,807	20,324	22,377	22,377	85,204
Impairment	-	-	-	-	-	-	2,385	-
Bad Debt Expense	-	5,833	-	-	-	-	-	-
Total Operating Expense	14,641,265	9,670,370	9,642,853	11,852,325	6,430,026	5,891,080	3,629,771	5,194,812
Operating Income/(Loss)	(23,626)	(112,415)	(57,059)	(38,760)	(10,253)	(60,902)	(141,931)	(292,964)
Finance income	2,940	3,703	2,832	2,550	2,642	2,897	2,718	2,789
Finance costs	(106,768)	(73,494)	(17,158)	(87,627)	(129,851)	(113,582)	(85,301)	(16,066)
Income/(loss) before income tax	(127,454)	(182,206)	(71,385)	(123,837)	(137,462)	(171,587)	(224,514)	(306,241)
Income tax recovery (expenses)	(9,190)	(9,078)	(2,762)	(14,367)	(7,021)	(15,313)	-	(37)
Net income/(loss)	(136,644)	(191,284)	(74,147)	(138,205)	(144,483)	(186,900)	(224,514)	(306,278)
Other comprehensive income/(loss)								
Foreign exchange currency adjustment	(38,536)	81,146	39,530	36,437	(35,894)	9,047	(197,419)	(15,037)
Share of loss of equity investment	-	-	-	-	-	-	-	-
Comprehensive income/(loss)	(175,180)	(110,138)	(34,617)	(101,768)	(180,377)	(177,853)	(421,932)	(321,315)
Net income/(loss) attribute to:								
Common shares	(155,258)	(222,590)	(75,378)	(146,395)	(157,965)	(218,273)	(227,764)	(260,667)
Non-controlling interest	18,614	31,306	1,231	8,191	13,482	31,373	3,250	(45,610)
	(136,644)	(191,284)	(74,147)	(138,205)	(144,483)	(186,900)	(224,514)	(306,278)
Comprehensive income/(loss) attributable to:								
Common shares	(186,464)	(156,667)	(42,498)	(116,180)	(191,228)	(206,979)	(337,576)	(272,687)
Non-controlling interest	11,284	46,529	7,881	14,412	10,851	29,125	(84,357)	(48,628)
	(175,180)	(110,138)	(34,617)	(101,768)	(180,377)	(177,853)	(421,932)	(321,315)
Basic/Diluted income/(loss) per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)

QUARTERLY RESULTS

Comparison of the three and nine month periods ended September 30, 2013 and 2012

Revenue

The Company reported total operating revenue of $14,617,639 and $33,761,388 for the three and nine months ended September 30, 2013 compared to $6,419,773 and $15,737,792 for the same periods in 2012, representing an increase of 127.7% and 114.5%. There is an increase in merchandise revenue by 128.6% and 110.2% respectively. The increase in merchandise revenue for the nine month period is mainly due to an increase in demand for digital products. There is an increase in service revenue by 119.2% and 168.9% respectively compare to the same period in 2012. The increase in service revenue is mainly due to the increase in setup, customization and software development fee for new brands joining our platform to launch their branded online store. The company also generates service revenue from sales-based service fee.

The breakdown of the Company's revenues by category for the three and nine months ended September 30, 2013 and 2012 are as follow:

	Three months ended		Nine months ended	
	30-Sep-13	30-Sep-12	30-Sep-13	30-Sep-12
Merchandise resale and trading	$ 13,294,351	$ 5,815,967	$ 30,608,045	$ 14,564,944
Service and software fees	1,323,288	603,806	3,153,212	1,172,848
Total Revenue	14,617,639	6,419,773	33,761,257	15,737,792
Purchases	12,833,831	5,344,922	29,108,137	12,741,586
Technical service fee	551,860	147,714	1,312,379	265,540
Delivery charges	146,037	90,557	403,555	345,003
Other related expense	29,734	40,687	237,467	212,777
Total Cost of Goods Sold	13,561,462	5,623,881	31,061,538	13,564,906
Gross profit	$ 1,056,177	$ 795,892	$ 2,699,719	$ 2,172,886

During the nine month period ended September 30, 2013, the Company recognized $30,608,045 (same period 2012: $14,564,944) of revenue from the online merchandise sales and $2,929,862 (same period 2012: $1,023,095) of revenue from service and maintenance fees from XCXD in China with associated cost of goods sold of $31,061,257 (same period 2012: $13,564,906) resulting in the gross profit margin is of 8% (same period 2012: 13.8%). Technical service fee is being incurred for generating both merchandise and service revenue.

Operating Expenses

Total operating expenses increased to $14,641,265 and $33,954,488 for the three and nine month periods ended September 30, 2013 compared to $6,430,026 and $15,950,877 for the same period of 2012, representing an increase of 127.7% and 112.9%.

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 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 purchases of inventory, technical service fees, delivery charges and other related expenses under operating expenses.

The overall cost of good sold increased to $13,561,462 and $31,061,538 for the three and nine month periods ended September 30, 2013 compared to $5,623,881 and $13,564,906 for the same periods of 2012, representing an increase of 141.1% and 129% respectively. The increase is mainly due to an increase in purchases by 140.1% and 128.4% and technical service fee by 273.6% and 394.2% for the three months and nine months corresponding to an increase in merchandise and service revenue.

Depreciation and Amortization

The Company reported depreciation and amortization expense of $41,413 and $119,520 for the three and nine month periods ended September 30, 2013 compared to $38,149 and $118,641 for the same periods of 2012, representing an increase of 8.6% and 0.7% respectively. This increase is due to purchase of computer equipment and increase in leasehold improvements.

Sales and Marketing

Sales and marketing expense decreased to $13,537 and $79,136 for the three and nine month periods ended September 30, 2013 compare to $53,582 and $134,958 for the same periods of 2012, representing a decrease of 74.7% and 41.4%. The decrease is a result of more of travel and entertainment expense was being incurred during the periods in 2012 for brand relationship building. During the nine month period ended September 30, 2013, XCXD represented $36,586 (same period in 2012: $61,237) or 46.2% (same period in 2012: 45.4%) of the sales and marketing expenses.

General and Administrative

General and administrative expense increased to $240,700 and decreased to $639,012 for the three and nine month periods ended September 30, 2013 compared to $227,696 and $689,538 for the same periods of 2012, representing an increase of 5.7% and a decrease of 7.3% respectively. During the nine month period ended September 30, 2013, XCXD represented $429,278 (same period in 2012: $390,141) or 67.2% (same period in 2012: 56.6%) of the general and administrative expenses. The decrease is mainly due to decrease in professional fees incurred for consulting and investor relations offset by general increase in rent and other office expenses.

Salaries and Benefits

Salaries and benefits expense increased to $783,573 and $2,044,252 for the three and nine month periods ended September 30, 2013 compared to $464,901 and $1,372,606 for the same periods of 2012, representing an increases of 68.6% and 48.9%. During the nine month period ended September 30, 2013, XCXD represented $1,617,624 (same period in 2012: 998,201) or 79.1% (same period in 2012: 72.7%) of the salaries and benefits expenses. The increase is mainly attributable to business expansion in XCXD.

Share-based compensation

The Company recorded $Nil and $Nil share-based compensation expense for the three and nine month periods ended September 30, 2013 compared to $20,324 and $65,078 for the same periods of 2012. The decrease is due to the compensation expense for the stock option issuance in August and December 2011 has been fully amortized in 2012.

Loss on Disposal of Assets

During the first quarter of 2012, Shenzhen office wrote down $2,385 of inventory.

Bad Debt Expense

The Company recorded $Nil and $5,833 of bad debt expense for the three and nine month periods ended September 30, 2013 compared to $Nil and $Nil for the same periods of 2012. This is due to the winding down of the Fireswirl Beijing office and wrote off its miscellaneous accounts receivables.

Finance Income

The Company recorded $2,940 and $9,475 of interest income for the three and nine month periods ended September 30, 2013 (same periods in 2012: $2,642 and $8,257). This interest income is mainly earned by XCXD restricted cash deposit for the nine month period ended September 30, 2013 and 2012.

Finance Expense

The Company recorded $106,768 and $197,420 of interest expense for the three and nine month periods ended September 30, 2013 (same periods in 2012: $129,851 and $328,734). This interest expense was incurred by the short term loans and long term loan drawn down by XCXD for the nine month period ended September 30, 2013 and 2012. During the first quarter of 2013, XCXD has received $71,775 (RMB450,000) from government as a subsidy for business on interest expense for the year 2012.

Foreign Exchange Gain

The Company recognized foreign exchange gain of $580 and $5,197 for the three and nine month periods ended September 30, 2013. The Company does not utilize any hedges or forward contract arrangements.

Income Tax Expense

The Company recorded $9,190 and $21,031 of income tax expense for the three and nine month periods ended September 30, 2013 (same periods in 2012: $7,021 and $22,334).

Net Comprehensive Loss

The Company reported net comprehensive loss attributable to the common shares of $186,464 and $520,822 for the three and nine month periods ended September 30, 2013 compared to net comprehensive loss attributable to the common shares of $191,228 and $735,783 for the same periods of 2012, representing a decrease in loss of 2.5% and 29.2% respectively.

Diluted comprehensive loss per common share was $0.00 and $0.01 for the three and nine month periods ended September 30, 2013 compared to a diluted loss of $0.00 and $0.02 in the same periods of 2012.

Non Controlling Interest

The Company's foreign subsidiary, XCXD realized the net income of $37,227 and of $102,300 for the three and nine month periods ended September 30, 2013 compared to the same periods in 2012 with net income at $26,965 and $96,210, an increase of 38.1% and 6.3% respectively.

Based on the Company's ownership of 50%, only 50% of the net income/loss is being taken out/added to in the interim condensed consolidated income statement.

CASH FLOW STATEMENT

Operating Activities

Cash by operating activities was an outflow of $1,296,415 and $1,046,288 for the three and nine month periods ended September 30, 2013 compared to cash outflow of operation of $276,340 and $591,228 for the same periods of 2012, representing 369.1% and 77% increase in cash outflow respectively. The increase in cash outflow for the nine month period is mainly due to an increase in prepaid and deposits.

Investing Activities

Cash used by investing activities was $40,978 and $50,389 for the three and nine month periods ended September 30, 2013 compared to $10,911 and $37,574 for the same periods of 2012 representing an increase of 275.6% and 34.1%. The cash outflow is mainly regular computer equipment purchases and leasehold improvement.

Financing Activities

Cash inflow from financing activities was $1,039,718 and $1,589,121 for the three and nine month periods ended September 30, 2013 compared to $385,808 and $1,309,606 cash inflow for the same periods of 2012. The cash inflow for the nine month period ended September 30, 2013 is mainly from drawdown of short term loan and proceeds from private placement. On August 27, 2013, the Company completed a private placement for 4,500,000 common shares at a price of $0.13 per share for total gross proceeds of $585,000. Each Unit consisted of one common share (a "Share"). All shares issued with respect to the private placement are subject to a hold period that expires four months and a day from the closing.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2013, the Company has $nil of long term debt, $548,025 in cash and short term investments and working capital of $1,058,193 (defined as current assets less current liabilities) compared to $nil of long term debt, $340,856 in cash and short term investments and working capital of $853,682 as at December 31, 2012. 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 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 September 30, 2013. The Company's capital resources consist of common share issuances.

Contractual Obligations

The Company signed a three year lease agreement for an office space in Vancouver on May 1, 2012 which will expire on April 30, 2015.

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

2013	$ 16,896
2014	$ 69,118
2015	$ 23,295

A foreign subsidiary Fireswirl Technologies (Shenzhen) Company Ltd. has a lease obligation of $2,013 (RMB11,753) per month until the lease expires on December 31, 2013.

A foreign subsidiary XCXD has a lease obligation of $11,677 (RMB68,166) per month until the lease expires on December 1, 2013.

Related Party Transactions

During the nine months of 2013, the Company paid $Nil (same period in 2012: $54,000) in professional fee to one of its officers and paid $12,000 (same period in 2012: $12,000) to directors as director fees. As of September 30, 2013, the accounts payable balance includes $10,465 (same period 2012: $94,941) that is incurred from regular operational expenses outstanding to an officer of the company and the Company also had a balance of $2,051,731 (same period in 2012: $1,870,480) due to the shareholders of Fireswirl and XCXD.

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

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and methods used in preparation of the Company's financial statements are described in Note 2 of interim condensed consolidated financial statements of the Company for the three and nine month period ended September 30, 2013.

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 is no subsequent event.

Off Balance Sheet Arrangement

As at September 30, 2013 and the date of this report the Company has not entered into any off balance sheet arrangements.

Financial Instruments and Other Instruments

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

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Company evaluated the effectiveness and design of its disclosure controls and procedures for the period ended September 30, 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 Company'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.

OUTSTANDING SHARE DATA

The Company has 50,071,285 common shares and 1,750,000 options outstanding at September 30, 2013 and at the date of this MD&A. If all of the Company's outstanding and exercisable options were exercised, the Company would have 51,821,285 common shares outstanding at the date of this MD&A.