Management Discussion and Analysis of
Financial Condition and Results of Operations

For the years ended December 31, 2010 and 2009

April 29, 2010

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, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Reference to 2010 or fiscal 2010 means the twelve months ended December 31, 2010. Likewise, reference to 2009 or fiscal 2009 refers to the twelve months ended December 31, 2009.

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

Special Note Regarding Forward Looking Statements

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

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

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

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

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

OVERVIEW

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

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

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

XCXD is a leader in branded online store outsourcing market for mobile handsets in China. XCXD is currently the sole operator of the official online store for Nokia, Motorola, Sony-Ericsson and Dopod in China. This acquisition is a major step for Fireswirl in completing its long-term plan to becoming the largest online and mobile service platform in China for international brands, providing the technology and fulfillment know-how for these brands to break into the country's rapid growing e-commerce market.

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

With the experience and know-how in operating the official online stores for top international mobile phone brands in China, the Company has started diversification into e-commerce of other product categories in 2010. The Company is at the initial stages of conducting e-commerce for shoes, apparels and domestic electrical appliances. The Company believes these markets are areas of growth for years to come.

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

Total revenue increased to $20,277,082 for the year ended December 31, 2010 compared to $4,985,310 for the year ended December 31, 2009, representing an increase of 307%. The increase was due to the consolidation of revenue of XCXD for the whole fiscal year of 2010 compared to the consolidation of XCXD's revenue for only the fourth quarter of 2009 after the XCXD acquisition, and was also due to an increase of revenue in the fourth quarter of 2010 compared to the same period in 2009.

Total expenses increased to $2,833,597 for the year ended December 31, 2010 from $1,886,248 for the year ended December 31, 2009, representing an increase of 50%. The increase was mainly due to the consolidation of expenses of XCXD for the whole fiscal year of 2010 compared to the consolidation of XCXD's expenses for only the fourth quarter of 2009 after the XCXD acquisition.

The Company has not recognized any impairment loss for the year ended December 31, 2010 compared to $424,094 for the year ended December 31, 2009. The impairment loss in 2009 consists of the write-off of investment in Beijing Tysen Xieli Technology Co. Ltd, ("Tysen").

Salaries and benefits remained the Company's single largest expenditure, $1,518,222 for the twelve months ended December 31, 2010 compared to $654,314 for the same period of 2009, representing an increase of 132%. The increase in salary expenditure is due to the acquisition of XCXD and consolidating its headcounts.

SUMMARY OF FINANCIAL RESULTS

Key Financial Events

- As of December 31, 2010, the Company had cash and cash equivalents of $783,699 compared to $1,467,401 at December 31, 2009, representing a decrease of 47%. As of December 31, 2010, the Company had working capital of $1,181,647 compared to $1,855,426 at December 31, 2009, representing a decrease of 36%. The Company has long term portion of long term debt of $17,424 as of December 31, 2010 compared to $64,315 at December 31, 2009.

- Total operating expense was $2,833,597 for the twelve months ended December 31, 2010 compared to $1,886,248 for the same period of 2009, representing an increase of 50%.

- The Company reported a loss of $891,698 for the year ended December 31, 2010 compared to a loss of $1,395,311 for the same period of 2009, representing a decrease in loss of 36%.

- Fully diluted loss per share was $0.03 for the year ended December 31, 2010 compared to fully diluted losses of $0.05 for the same period of 2009, representing a decrease in loss per share of 40%.

SELECTED ANNUAL FINANCIAL DATA
Comparison of the years ended December 31, 2010, 2009 and 2008.

	2010	2009	2008
Total revenues	20,277,082	4,985,310	324,201
Loss before discontinued operations and extraordinary items	(785,704)	(992,287)	(3,086,353)
Income (loss) from discontinued operation or extraordinary items	-	-	-
Net loss before income tax	(785,704)	(992,287)	(3,086,353)
Income tax expense	(94,430)	(87,051)	-
Comprehensive loss before NCI	(880,134)	(1,079,338)	(3,086,353)
Non controlling interest (Income)/loss	(11,564)	(315,973)	-
Comprehensive loss for the year	(891,698)	(1,395,311)	(3,086,353)
Basic/diluted net loss per share	(0.03)	(0.05)	(0.12)
Total assets	6,189,024	5,147,551	3,308,125
Total long-term financial liabilities	17,424	64,315	-
Cash dividends declared per share	-	-	-

RESULTS OF OPERATIONS
Consolidated Statement of Operations and Deficit
Comparison of the years ended December 31, 2010 and 2009

	2010	2009
Revenue		
Merchandise resale and trading	$ 19,545,105	$ 4,226,541
Advertising	158,073	686,967
Service and maintenance fees	573,904	71,802
	20,277,082	4,985,310
Cost of goods sold	18,075,276	3,923,660
Gross Profit	2,201,806	1,061,650
Operating expenses		
Amortization and amortization	77,844	40,975
Sales and Marketing	239,445	151,267
General Administration	991,032	580,981
Salaries and Benefits	1,518,222	654,314
Stock based compensation	7,054	34,617
Impairment	-	424,094
Total Operating Expenses	2,833,597	1,886,248
Operating income (loss)	(631,791)	(824,598)
Other items:		
Interest income/(expenses)	(115,366)	(28,085)
Other incomes and losses	5,671	1,475
Foreign exchange gain (loss)	(44,218)	(86,008)
Loss from investment	-	(55,071)
Loss before Income tax	(785,704)	(992,287)
Income tax expenses	(94,430)	(87,051)
Comprehensive Loss before NCI	(880,134)	(1,079,338)
Non Controlling Interest (Income)/loss	(11,564)	(315,973)
Comprehensive loss for the year	$ (891,698)	$ (1,395,311)
Basic/diluted loss per share	$ (0.03)	$ (0.05)

REVENUE

Revenues for the twelve months ended December 31, 2010 increased to $20,277,082 compared to $4,985,310 for the prior year representing an increase of 307%. This increase was primarily due to the consolidation of revenue of XCXD for the whole fiscal year of 2010 compared to the consolidation of XCXD's revenue for only the fourth quarter of 2009 after the XCXD acquisition, and was also due to an increase of revenue in the fourth quarter of 2010 compared to the same period in 2009.

The breakdown of the Company's revenues by category for the twelve months ended December 31, 2010 and 2009 are as follow:

Revenue category		2010		2009
Merchandise resale and trading	$	19,545,105	$	4,226,541
Advertising		158,073		686,967
Service and maintenance fees		573,904		71,802
Total	$	20,277,082	$	4,985,310

In 2010, the Company recognized $19,545,105 of revenue from merchandize resale and trading in China. These sales incurred a cost of goods sold of $18,075,276 resulting in the gross profit margin of 11.3%.

The Company recognised $158,073 of revenue from advertising in 2010. Advertising fees are charged to advertiser who posts advertisements on websites and online stores operated by the Company in China or uses the Company's advertising service. The Company is gradually decreasing its business activities in online advertising in order to focus on its branded online store operations.

The Company recognised $573,904 of revenue from service and maintenance fees in 2010. Software development consulting and system maintenance services were conduct for various clients from China, the UK and the US.

COST OF SALES

Cost of sales includes the cost of purchasing merchandize for resell, sales tax, delivery, technical service and advertising expenses related to the sales.

OPERATING EXPENSES

Total operating expenses increased to $2,833,597 for the year ended December 31, 2010 from $1,886,248 for the same period of 2009, representing an increase of 50%. The major factors of the expense increases were:

- Salary and benefits expenses were $1,518,222 in 2010 compared to $654,314 in 2009 representing an increase of 132%. The increase is mainly due to the acquisition of XCXD and consolidating its headcounts. Salary and benefits expenses of XCXD for the whole fiscal year of 2010 were consolidated, whereas only the fourth quarter salary and benefits expenses of XCXD were consolidated in 2009 after the acquisition.

- General Administration expenses were $991,032 in 2010 compared to $580,981 in 2009 representing an increase of 71%. The increase is mainly due to the acquisition of XCXD and consolidating their expenses. General Administration expenses of XCXD for the whole fiscal year of 2010 were consolidated, whereas only the fourth quarter General Administration expenses of XCXD were consolidated in 2009 after the acquisition.

- No impairment losses was recorded for the year ended December 31, 2010 compared to $424,094 for the same period of 2009. Impairment losses in 2009 was from the write off of our investment in Tysen, a significant influence investment made in 2008.

- Stock based compensation expenses were $7,054 in 2010 compared to $34,617 in 2009 representing a decrease of 80%. The decrease is mainly due to the fact that there were no stock options being granted during 2010.

The increase in total expenditures for the year ended at December 31, 2010 compared to 2009 is primarily due to the acquisition of XCXD and consolidating its expenses.

Amortization and depreciation

Amortization and depreciation expenses increased to $77,844 for the year ended December 31, 2010 from $40,975 for the same period of 2009, representing an increase of 90%.

The increase in depreciation is due to the acquisition of XCXD and consolidating its expenses for the whole year compared to only three months in 2009.

Sales and Marketing

Sales and marketing expenses increased to $239,445 for the year ended December 31, 2010 compared to $151,267 for the same period of 2009, representing an increase of 58%. The increase of expenses is attributable to finding and negotiating with brand partners.

General and Administrative

General and Administrative expenses increased to $991,032 for the year ended December 31, 2010 from $580,981 for the same period of 2009 (see detailed breakdown), representing an increase of 71%.

	2010	**2009**
Bank charges	$ 59,562	$ 14,243
Insurance	18,950	16,905
Office and miscellaneous expense	278,700	69,827
Professional fees	256,135	260,394
Listing and filing	12,441	10,656
Rent, utilities, and maintenance	284,638	177,031
Sublet Labour	37,948	4,377
Telephone	42,658	27,548
Total	$ 991,032	$ 580,981

Salaries and Benefits

Salaries and benefits costs are the Company's single largest expenditure. Salaries and benefits expenses increased to $1,518,222 for the year ended December 31, 2010 from $654,314 for the same period of 2009, representing an increase of 132%. The increase in salary expenditure is due to overall headcount increase from the acquisition of XCXD and twelve months of XCXD salaries being included in 2010 versus only three months being included in 2009.

Stock based compensation

Stock based compensation expenses decreased to $7,054 for the year ended December 31, 2010 from $34,617 for the same period of 2009, representing a decrease of 80%. The decrease is resulted from no options being granted during 2010.

Impairment loss

The Company has no impairment loss for the year ended December 31, 2010 compared to the $424,094 for the same period of 2009. Impairment loss in 2009 was from the write off of the investment in Tysen, a significant influence investment made in 2008.

Interest Expenses

The Company recorded $115,366 of interest expenses in 2010 ($42,886 in 2009). This interest expense was mainly incurred by the short term loans drew down by XCXD for financing inventory during the year.

Other incomes and losses

The Company recorded $5,671 in other income for the year ended December 31, 2010 compared to $16,276 for the same period of 2009, representing a decrease of 65%. Included in other incomes and losses are interest income, miscellaneous income and losses and bad debt expense.

The Company recorded $7,573 of interest income for the year ended December 31, 2010 compared to $14,801, representing a decrease of 49% for the same period in 2009.

The Company also recorded other miscellaneous loss of $410 in 2010 compared to miscellaneous income $1,475 in 2009.

Foreign exchange loss

The Company incurred a foreign exchange loss of $44,218 for the year ended December 31, 2010 compared to $86,008 for the same period of 2009. The foreign currency loss experienced in both years reflects the strengthening of Canadian dollar against Chinese Renminbi, Hong Kong dollar, and US dollar. Throughout fiscal 2010 and 2009 the Company did not utilize hedges or forward contracts.

Loss from investment

No loss of investment was recorded in the year ended 2010.

In 2009, the Company performed a preliminary impairment test on an investment in Tysen as of December 31, 2009 and wrote off the entire remaining balance of $424,094 due to the uncertainty of revenue streams with the Push-mail project.

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 $94,430 in 2010 ($87,051 in 2009).

Non Controlling Interest

The Company's foreign subsidiary XCXD realized a net income of $23,128 for the year ended December 31, 2010 compared to net income of $631,946 in 2009, representing a decrease of 96%. Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of $11,564 (net income $315,973 in 2009) was added back to the consolidated Comprehensive loss before NCI.

Net Loss

The Company reported a net loss of $891,698 for the year ended December 31, 2010 compared to a net loss $1,395,311 for the year ended December 31, 2009, representing a decrease in loss of 36%. The principal reasons for the decline of net loss are the increase in gross profit and comparative less increase in percentage on operating expenses.

Basic/diluted loss per share was $0.03 for the year ended December 31, 2010 compared to a per share loss of $0.05 in 2009, representing a decrease in loss of 40%. The decrease in basic/diluted earnings per share in the current year reflects, principally the decreased loss from the previous year.

CASH FLOW STATEMENT FOR THE YEAR

Operating activities

Cash flow used by operating activities was $2,728,381 for the year ended December 31, 2010 compared to $1,371,911 used for the year ended December 31, 2009, representing an increase of 99%. This is mainly due to increase in inventory and decrease in accounts payable.

Investing activities

Cash outflow by investing activities was $169,881 for the year ended December 31, 2009 compared to inflow of $275,355 for the year ended December 31, 2009, represented by a decrease of 162%. The company's investing activities in 2010 consisted primarily to the purchase of capital assets and leasehold improvement by XCXD while the investing activities in 2009 consisted mainly of cash acquired from acquisition of XCXD.

Financing activities

Cash provided by financing activities was $2,276,831 for the year ended December 31, 2010 compared to $674,502 for the same period of 2009, representing an increase of 238%. The Company's financing activities during 2010 was mainly from a private placement carried out during the year and short term loans for financing inventory while the financing activities in 2009 is mainly loan from shareholders in XCXD.

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 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenue								
Merchandise resale and trading	$ 6,356,033	$ 4,612,967	$ 4,527,041	$ 4,049,064	$ 4,029,843	$ 69,033	$ 31,959	$ 95,706
Advertising	23,868	22,767	50,266	61,172	686,967	-	-	-
Service and software fees	205,147	108,093	201,077	59,587	24,376	17,368	17,890	12,168
	6,585,048	4,743,827	4,778,384	4,169,823	4,741,186	86,401	49,849	107,874
Cost of goods sold	5,950,856	4,149,944	4,195,594	3,778,882	3,729,865	67,679	31,368	94,748
Gross profit	634,191	593,883	582,790	390,941	1,011,321	18,722	18,481	13,126
Operating Expenses								
Depreciation & Amortization	19,522	19,611	13,689	25,022	18,487	4,881	6,936	10,671
Sales & Marketing	82,317	51,185	62,759	43,183	55,165	42,507	29,288	24,307
General Administration	328,356	290,143	176,048	196,486	295,637	98,348	94,913	92,083
Salaries & Benefits	466,386	412,557	352,251	287,028	261,271	141,903	128,062	123,078
Stock Based Compensation	904	2,050	2,050	2,050	9,471	2,000	2,000	21,146
Impairment	-	-	-	-	424,094	-	-	-
Total Operating Expenses	897,485	775,546	606,797	553,769	1,064,126	289,640	261,199	271,284
Operating Loss	(263,294)	(181,662)	(24,007)	(162,828)	(52,805)	(270,918)	(242,718)	(258,158)
Interest expenses	(57,112)	(26,117)	(21,402)	(10,736)	(42,886)	-	-	-
Other Income	4,769	489	200	214	(10,635)	15,698	7,031	4,182
Foreign Exchange	(41,236)	(4,731)	(12,708)	14,457	(41,227)	(31,508)	(33,499)	20,226
Loss from investment	-	-	-	-	(4,344)	(6,743)	(20,608)	(23,376)
Loss Before Taxes	(356,873)	(212,021)	(57,917)	(158,893)	(151,897)	(293,471)	(289,794)	(257,126)
Income Tax (expense)/recovery	-	(35,804)	(33,453)	(25,174)	(87,051)	-	-	-
Comprehensive loss before NCI	(356,873)	(247,825)	(91,370)	(184,067)	(238,948)	(293,471)	(289,794)	(257,126)
Non Controlling Interest (income)/loss	112,628	(25,001)	(62,597)	(36,594)	(315,973)	-	-	-
Net Loss	$ (244,244)	$ (272,826)	$ (153,967)	$ (220,661)	$ (554,921)	$ (293,471)	$ (289,794)	$ (257,126)
Basic/Diluted loss per share	$ (0.01)	$ (0.01)	$ -	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

QUARTERLY RESULTS
Comparison of the three months ended December 31, 2010 and three months ended December 31, 2009

Revenue

The Company reported revenue of $6,585,048 for the three months ended December 31, 2010 compared to $4,741,186 for the same period in 2009, representing an increase of 39% mainly due to year end sales increase in XCXD.

Operating Expenses

Total operating expenses decreased to $897,485 for the three months ended December 31, 2010 compared to $1,064,126 for the same period of 2009, representing a decrease of 16% due to increase in XCXD overhead expenses offset by no impairment expense in 2010.

Depreciation and Amortization

The Company reported depreciation and amortization expenses of $19,522 for the three months ended December 31, 2010 compared to $18,487 for the same period of 2009, representing an increase of 6%.

Sales and Marketing

Sales and marketing expenses increased to $82,317 for the three months ended December 31, 2010 compared to $55,165 for the same period of 2009, representing an increase of 49%.

General and Administrative

General and administrative expenses increased to $328,356 for the three months ended December 31, 2010 compared to $295,637 for the same period of 2009 representing an increase of 11%.

Salaries and Benefits

Salaries and benefits expenses increased to $466,386 for the three months ended December 31, 2010 compared to $261,271 for the same period of 2009, representing an increase of 79% due to headcount increases in XCXD.

Stock Based Compensation

The Company recovered $904 of stock based compensation expense for the three months ended December 31, 2010 compared to $9,471 of recovery of compensation for the same period of 2009.

Impairment loss

The Company recorded no impairment loss for the year ended December 31, 2010 compared to the $424,094 for the same period of 2009. Impairment loss in 2009 was from the write off of the investment in Tysen, a significant influence investment made in 2008.

Interest Expenses

The Company recorded $57,112 of interest expenses for the 3 months ended December 31, 2010 compare to $42,886 in 2009, an increase of 33%. This interest expense was incurred by the short term and long term loans drew down by XCXD.

Other Incomes and Losses

Other incomes and losses totaled income of $4,796 for the three months ended December 31, 2010 compared to loss of $10,635 for the same period of 2009.

Foreign Exchange Loss

The Company recognized foreign exchange loss of $41,236 for the three months ended December 31, 2010 compared to foreign exchange loss of $41,227 for the same period of 2009. Throughout fiscal year 2010 and 2009, the Company did not utilize hedges or forward contracts.

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 did not recognize any income tax expenses for the 3 months ended December31, 2010 while recognized income tax expenses of $87,051 in same period in 2009.

Non Controlling Interest

The Company's foreign subsidiary realized net loss of $225,256 during the 3 months ended December 31, 2010 while for the same period in 2009, the subsidiary realized net income of $631,946. Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of $112,628 net loss (net income $315,973 in 2009) was subtracted from the consolidated Comprehensive loss before NCI.

Net Loss

The Company reported net losses of $244,244 for the three months ended December 31, 2010 compared to net losses of $554,921 for the same period of 2009, representing a decrease in loss of 56%. This is mainly due to the realized net loss of the subsidiary in the forth quarter of 2009.

Basic/diluted loss per share was $0.01 for the three months ended December 31, 2010 compared to a basic/diluted loss of $0.01 in the same period of 2009.

CASH FLOW STATEMENT DURING Q4

Operating Activities

Cash used by operating activities was $1,309,312 for the three months ended December 31, 2010 compared to cash used by operation of $651,151 for the same period of 2009, representing an increase of 101% mainly due to an increase in amounts receivables and inventory in XCXD.

Investing activities

Cash outflow from investing activities was $47,916 for the three months ended December 31, 2010 compared to cash inflow from investing activities $83,760 for the same period of 2009. The company's investing activities in the fourth quarter of 2010 consisted mainly of acquiring of capital assets and leasehold improvements in XCXD.

Financing Activities

Cash provided by financing activities was $954,674 for the three months ended December 31, 2010 compared to cash provided by financing activities was zero for the same period of 2009. The company's financing activities in the fourth quarter of 2010 consisted mainly of short term loan drawdown for financing of inventory.

LIQUIDITY AND CAPITAL RESOURCES

The Company has $17,424 of long term debt, $783,699 in cash and short term investments and working capital (defined as current assets less current liabilities) of $1,181,647. The Company has adequate cash and short term investments to meet the Company's planned growth and development activities. The Company does not see any material fluctuation in its liquidity or working capital position and based on the present level of revenue and expenses does not foresee any significant changes to its working capital requirements. However, the recent dramatic change in the global economic environment results in increasing uncertainty regarding future revenue and customer commitments, both in terms of timing and magnitude for such future sales. Contractual commitments are summarized in "Contractual Obligations" section.

The Company does not have commitments for capital expenditures as of December 31, 2010. The Company's capital resources consist of common share issuances.

Contractual Obligations

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

2011	$197,782
2012	$146,304
2013	$134,112

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 $269,417 in salaries to its management. Also, the Company paid $62,500 in professional fees to one of its directors and $8,800 as director fees. As of December 31, 2010, the accounts payable balance includes $17,181 that is incurred from regular operational expenses outstanding to officers of the company and the Company also had a balance of $73,923 due to a shareholder of Fireswirl Technologies Inc. and $313,485 due to a shareholder of XCXD.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies and methods used in preparation of the Company's financial statements are described in Note 2 of consolidated financial statements of the Company for the year ended December 31, 2010. The Company has not affected any changes to its significant accounting policies during the two years ended December 31, 2010 except as follows:

Financial Instruments, Comprehensive Income and Hedges

On January 1, 2009 the Company adopted the new CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" Section 1530, " Comprehensive Income", and Section 3865, "Hedges" on a prospective basis.

Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides a characteristic based definition of a derivative financial instrument, provides criteria to be used when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished.

Section 1530 establishes standards for reporting comprehensive income. These standards require that an enterprise presents comprehensive income and its components in a separate financial statement that is displayed with the same prominence as other financial statements.

Section 3865 provides an alternative Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guidelines 13,

“Hedging Relationships’, and on hedging guidance in Section 1650, “Foreign Currency Translation”, by specifying how edge accounting is applied and what disclosure it requires.
The Company determined that it had no embedded derivatives that were required to be separated from the host contract, and that it had no “other comprehensive income or loss” transactions during 2010. The adoptions of these new sections had no impact on net (loss) income.

The following new accounting standards were adopted January 1, 2009: Financial Instruments – Disclosures, Financial Instruments – Presentation and Capital Disclosures. These standards will require the Company to provide additional disclosures relating to its financial instruments, including hedging instruments, and about its equity.

It is not anticipated that the adoption of these new accounting standards will impact the amounts in the Company financial statements as they primarily related to disclosure.

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 represents the excess of the purchase price over the fair value of the net assets of acquired business. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill impairment test is carried out in two steps. In the first step, the fair value of a reporting unit should be compared with its carrying amount, including goodwill, in order to identify a potential impairment. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, the fair value of the reporting unit’s goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The fair value of goodwill is determined in the same manner as the value of goodwill in a business combination as described above. Using the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess of the carrying amount over the fair value of goodwill.

Intangible Assets

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

Revenue Recognition

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

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

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

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

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

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.

Proposed Transactions

On April 1, 2011, the Company announced that, subject to final regulatory approval, it intends to carry out a private placement (the "Private Placement") for 6,100,000 units (each a "Unit") at a subscription price of $0.13 per Unit. Each Unit will consist of one common share (a "Share") and one-half of a share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to purchase one Share at a price of $0.19 for a period of one year from the date of issue. All Shares issued with respect to the Private Placement will be subject to a hold period that expires four months and a day from the closing date in accordance with the rules and policies of the TSX Venture Exchange ("TSX-V") and applicable Canadian securities laws and such other further restrictions as may apply under foreign securities laws.

The Company is expecting to raise aggregate gross proceeds of $793,000 from the sale of the Units. Upon closing, subject to TSXV approval, Fireswirl may pay a finder's fee to an arm's length party within the maximum amount permitted by the policies of the TSXV.

The Company intends to use the net proceeds of the Private Placement for working capital and operating expenses.

Off Balance Sheet Arrangement

As at December 31, 2010 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, 2010 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 38,361,285 common shares and 1,590,000 options outstanding at December 31, 2010. If all of the Company's options were exercised, the Company would have 39,951,285 common shares outstanding.