

FIRESWIRL TECHNOLOGIES INC.

**Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)**

NOTICE OF READER OF THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Fireswirl Technologies Inc. (the "Company") have been prepared by the Company's management and have not been reviewed by the Company's independent auditors. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015 which are available at the SEDAR website at www.sedar.com.

FIRESWIRL TECHNOLOGIES INC.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(Expressed in Canadian Dollars)

| | Notes | March 31, 2016 | December 31, 2015 |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 2,624,814 | \$ 3,136,307 |
| Restricted cash | | - | 739,995 |
| Trade and other receivables | | 19,547 | 3,761,221 |
| Deposits and prepayments | | 76,866 | 3,855,239 |
| Inventory | | 246,423 | 4,718,146 |
| Assets held for sale | 3 | 13,574,393 | - |
| Total Current Assets | | 16,542,043 | 16,210,907 |
| Investment | | 150,000 | 150,000 |
| Property and equipment | | 2,940 | 122,410 |
| Trademark | | 19,176 | 19,176 |
| Goodwill | | - | 306,926 |
| TOTAL ASSETS | | \$ 16,714,159 | \$ 16,809,420 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 779,237 | \$ 2,479,869 |
| Due to related parties | 7 | - | 140,811 |
| Short term loans | | - | 9,475,896 |
| Liabilities associated with the assets held for sale | 3, 7 | 12,203,774 | - |
| Total Current Liabilities | | 12,983,011 | 12,096,576 |
| TOTAL LIABILITIES | | 12,983,011 | 12,096,576 |
| SHAREHOLDERS' EQUITY | | | |
| Common shares | | 8,206,521 | 8,206,521 |
| Contribution surplus | | 3,595,751 | 3,593,579 |
| Accumulated other comprehensive income | | 334,598 | 492,309 |
| Accumulated other comprehensive income relating to assets held for sale | | 59,197 | - |
| Accumulated deficit | | (8,464,919) | (7,678,208) |
| Total equity attributable to equity holders of the Company | | 3,731,148 | 4,614,201 |
| Non-controlling interest | 4 | - | 98,643 |
| TOTAL EQUITY | | 3,731,148 | 4,712,844 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 16,714,159 | \$ 16,809,420 |

The accompanying notes are an integral part of these consolidated financial statements

Nature operations and going concern (Note 1)

Commitments (Note 10)

Subsequent event (Note 13)

On behalf of the Board of Directors

"Lawrence Ng"

Lawrence Ng

Director

"Ji Yoon"

Ji Yoon

Director

FIRESWIRL TECHNOLOGIES INC.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited)

(Expressed in Canadian Dollars)

| | Notes | Three months ended | |
|---|-------|--------------------|-------------------|
| | | March 31, 2016 | March 31, 2015 |
| Operating revenue | | | |
| Sales revenue | | \$ 80,879 | \$ 2,630 |
| Service revenue | | 8,011 | 363,059 |
| Total operating revenue | | 88,890 | 365,689 |
| Operating expenses | | | |
| Purchases | | 75,417 | 1,982 |
| Technical service charges | | - | 121,500 |
| Other related expense | | 262 | 19,925 |
| Foreign Exchange (gain) loss | | 1,640 | 198,009 |
| Depreciation and amortization | | 495 | 3,175 |
| Sales and marketing | | 30,057 | 984 |
| General administration | | 330,768 | 167,404 |
| Salaries and benefits | | 62,253 | 679,829 |
| Share-based compensation | 5 | 2,172 | - |
| | | 503,064 | 1,192,808 |
| Operating loss before below items | | (414,174) | (827,119) |
| Gain on sale of e-Commerce platform | 6 | - | 2,950,385 |
| Interest and other income | | 7,494 | 219 |
| Finance costs | | (556) | (8,460) |
| Income (loss) before income tax from continuing operations | | (407,236) | 2,115,025 |
| Income tax expenses | | - | - |
| Net income (loss) for the period from continuing operations | | (407,236) | 2,115,025 |
| Discontinued operations, net of tax | 3 | (489,350) | 292,759 |
| Net income (loss) for the period | | (896,586) | 2,407,784 |
| Other comprehensive income (loss) | | | |
| Currency translation adjustment, net of tax of \$nil | | (87,281) | 167,632 |
| Net comprehensive income (loss) | | \$ (983,867) | \$ 2,575,416 |
| Net income (loss) from continuing operations attributable to: | | | |
| Shareholders of the Company | | \$ (407,236) | \$ 2,115,025 |
| Non-controlling interest | | - | - |
| | | \$ (407,236) | \$ 2,115,025 |
| Net income (loss) for the period attributable to: | | | |
| Shareholders of the Company | | \$ (786,711) | \$ 2,261,405 |
| Non-controlling interest | | (109,875) | 146,379 |
| | | \$ (896,586) | \$ 2,407,784 |
| Comprehensive income (loss) for the period attributable to: | | | |
| Shareholders of the Company | | \$ (885,225) | \$ 2,412,717 |
| Non-controlling interest | 4 | (98,642) | 162,699 |
| | | \$ (983,867) | \$ 2,575,416 |
| Basic and diluted per share of: | | | |
| Net income (loss) from continuing operations | | \$ (0.01) | \$ 0.04 |
| Net income (loss) for the period | | \$ (0.02) | \$ 0.04 |
| Weighted average number of common shares | | | |
| Basic and diluted | | 53,571,285 | 53,571,285 |

The accompanying notes are an integral part of these consolidated financial statements

FIRESWIRL TECHNOLOGIES INC.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(Expressed in Canadian Dollars)

| | Number of shares | Share capital | Contribution surplus | Accumulated other comprehensive income (loss) | Accumulated other comprehensive income relating to assets held for sale | Accumulated deficit | Total | Non-controlling interest | Total shareholders' equity |
|---|------------------|---------------|----------------------|---|---|---------------------|--------------|--------------------------|----------------------------|
| Balance at December 31, 2014 | 53,571,285 | \$ 8,206,521 | \$ 3,573,733 | \$ 345,850 | \$ - | \$ (11,946,157) | \$ 179,947 | \$ 194,749 | \$ 374,696 |
| Net income (loss) for the period | - | - | - | 2,261,404 | - | - | 2,261,404 | 146,379 | 2,407,783 |
| Foreign currency translation difference | - | - | - | 151,312 | - | - | 151,312 | 16,320 | 167,632 |
| Balance at March 31, 2015 | 53,571,285 | \$ 8,206,521 | \$ 3,573,733 | \$ 2,758,566 | \$ - | \$ (11,946,157) | \$ 2,592,663 | \$ 357,448 | \$ 2,950,111 |

| | Number of shares | Share capital | Contribution surplus | Accumulated other comprehensive income (loss) | Accumulated other comprehensive income relating to assets held for sale | Accumulated deficit | Total | Non-controlling interest | Total shareholders' equity |
|---|------------------|---------------|----------------------|---|---|---------------------|--------------|--------------------------|----------------------------|
| Balance at December 31, 2015 | 53,571,285 | \$ 8,206,521 | \$ 3,593,579 | \$ 492,309 | \$ - | \$ (7,678,208) | \$ 4,614,201 | \$ 98,643 | \$ 4,712,844 |
| Net income (loss) for the period | - | - | - | - | - | (786,711) | (786,711) | (109,875) | (896,586) |
| Discontinued operations | - | - | - | (59,197) | 59,197 | - | - | - | - |
| Share based compensation | - | - | 2,172 | - | - | - | 2,172 | - | 2,172 |
| Foreign currency translation difference | - | - | - | (98,514) | - | - | (98,514) | 11,232 | (87,282) |
| Balance at March 31, 2016 | 53,571,285 | \$ 8,206,521 | \$ 3,595,751 | \$ 334,598 | \$ 59,197 | \$ (8,464,919) | \$ 3,731,148 | \$ - | \$ 3,731,148 |

The accompanying notes are an integral part of these consolidated financial statements

FIRESWIRL TECHNOLOGIES INC.**Condensed Interim Consolidated Statements of Cash Flows****(Unaudited)****(Expressed in Canadian Dollars)**

| | | Three months ended | |
|---|-------|---------------------|---------------------|
| | Notes | March 31, 2016 | March 31, 2015 |
| OPERATING ACTIVITIES | | | |
| Income (loss) from continuing operations | | \$ (407,236) | \$ 2,115,025 |
| Income tax expenses | | - | - |
| Income (loss) before income tax from continuing operations | | (407,236) | 2,115,025 |
| Add (deduct) items not affecting cash: | | | |
| Depreciation and amortization | | 495 | 3,175 |
| Share-based compensation | | 2,172 | - |
| Gain on sale of e-Commerce platform | | - | (2,950,385) |
| Interest and other income | | (7,494) | (3,376) |
| Finance costs | | 556 | - |
| Changes in non-cash working capital items: | | | |
| Trade and other receivables | | 94,438 | 12,030 |
| Deposits and prepayments | | (17,300) | 3,941 |
| Inventory | | (65,203) | 127,742 |
| Accounts payable and accrued liabilities | | 117,454 | (102,226) |
| | | (282,118) | (794,074) |
| Interest received | | 7,494 | 3,377 |
| Interest paid | | (556) | - |
| Net cash used in operating activities of continuing operations | | (275,180) | (790,697) |
| Net cash provided by operating activities of discontinued operations | 3 | 578,977 | 1,552,419 |
| INVESTING ACTIVITIES | | | |
| Acquisition of property and equipment | | - | - |
| Investment | | - | - |
| Proceeds from sales of e-Commerce platform | 6 | - | 2,975,000 |
| Net cash from investing activities of continuing operations | | - | 2,975,000 |
| Net cash used in investing activities of discontinued operations | 3 | (8,628) | (3,295) |
| FINANCING ACTIVITIES | | | |
| Loan repayment to shareholders | | - | (528,810) |
| Net cash used in investing activities of continuing operations | | - | (528,810) |
| Net cash used in investing activities of discontinued operations | 3 | (601,367) | (2,549,523) |
| Effect of exchange rate changes on cash and cash equivalents | | (26,425) | (8,369) |
| Increase in cash and cash equivalents | | (332,623) | 646,725 |
| Cash and cash equivalents, beginning of the period | | 3,136,307 | 549,112 |
| Cash and cash equivalents, end of the period | | \$ 2,803,684 | \$ 1,195,837 |
| Cash and cash equivalents consisting of | | | |
| Cash at banks | | \$ 2,624,814 | \$ 669,049 |
| Cash at banks attributable to discontinued operations | 3 | 178,870 | 526,788 |
| | | \$ 2,803,684 | \$ 1,195,837 |

The accompanying notes are an integral part of these consolidated financial statements

FIRESWIRL TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the Three Months Ended March 31, 2016 and 2015

Note 1- Nature Operations and Going Concern

Fireswirl Technologies Inc. (“the Company”) was founded in 1999 and became publicly listed in 2006. The Company and its subsidiaries focus on conducting e-commerce, including operating official online stores for international brands in China, reselling branded products on these online stores, and technology development and deployment. The Company entered into a purchase and sale agreement on February 29, 2016, subsequently amended on April 5, 2016 to sell its controlling interest in Beijing Xingchang Xinda Technology Development Co., Ltd. (“XCXD”) to its minority shareholders. The sale of XCXD is expected to complete on December 31, 2016. The operation results of XCXD was classified as a discontinued operation for the three months ended March 31, 2016 (see Note 3).

The address of the Company’s registered office is Suite 2823, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

Several adverse conditions cast doubt on the validity of this assumption. The Company reported a net loss attributable to common shares of \$786,711 for the three months ended March 31, 2016. As at March 31, 2016, the Company had an accumulated deficit of \$8,464,919 since inception and has been experiencing negative operating cash flows. The Company’s operations were primarily funded by private placement proceeds, sale of assets and borrowing of short term loans. There is uncertainty that the Company will be able to achieve profitable operations or continue raising funds in the future.

The continuation of the Company as a going concern is dependent upon its ability to renew its existing short term loans, raise additional financing and ultimately attain and maintain profitable operations. To the extent the Company is unable to cover its ongoing cash requirements through operations, the Company expects to raise additional debt/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. In the event that cash flow from operations, if any, together with the proceeds of any future financings, are insufficient to meet the Company’s current operating expenses, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deem to be in the Company’s best interest.

There is material uncertainty that the Company will be able to achieve profitable operations or continue raising funds in the future. These factors raise significant doubt about the Company’s ability to continue as a going concern. These condensed interim consolidated financial statements do not give effect to adjustments to the carrying value and classification of assets and liabilities and related expense that would be necessary should the Company be unable to continue as a going concern.

FIRESWIRL TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the Three Months Ended March 31, 2016 and 2015

Note 2 - Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (“IAS 34”) of the International Financial Reporting Standards as issued by the International Accounting Standards Board. Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the ISSB have been condensed or omitted. These condensed interim consolidated financial statements follow the same significant accounting policies disclosed in the Company’s annual financial statements for the year ended December 31, 2015, except that the Company has adopted certain IFRS amendments which are effective for annual periods beginning on or after January 1, 2016. These amendments did not have an impact on the Company’s condensed interim consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s recent annual financial statements.

The Company’s interim results are not necessarily indicative of its results for a full year. All amounts are in Canadian dollars, unless otherwise noted.

The Board of Directors authorized these condensed interim consolidated financial statements for issue on May 25, 2016.

Note 3 – Discontinued Operations

The Company entered into a purchase and sale agreement on February 29, 2016, amended on April 5, 2016, pursuant to which the Company has agreed to sell its controlling interest in XCXD to its non-controlling shareholders in consideration for an aggregate of 6,057,673 common shares of the Company held by the purchasers and cash in the amount of RMB5,000,000 in exchange of full settlement of XCXD’s outstanding indebtedness to the Company and its subsidiaries. The assets and liabilities of XCXD have been classified as held for sale as at March 31, 2016. Further, the sale of XCXD represents a discontinued operation. Therefore, the operating results of XCXD have been presented as discontinued operations for the three months ended March 31, 2016 and the comparative results have been re-presented as follows:

FIRESWIRL TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the Three Months Ended March 31, 2016 and 2015

| | For the three months ended March 31, | |
|---|---|--------------|
| | 2016 | 2015 |
| Operating revenue | | |
| Sales revenue | \$ 13,867,967 | \$ 8,683,345 |
| Service revenue | 386,950 | 1,294,332 |
| Total operating revenue | 14,254,917 | 9,977,677 |
| Operating expenses | | |
| Purchases | 11,812,300 | 7,352,280 |
| Delivery charges | 177,201 | 167,321 |
| Technical service charges | 1,828,186 | 1,183,739 |
| Other related expense | 6,008 | 5,918 |
| Depreciation and amortization | 17,852 | 15,134 |
| Sales and marketing | 11,728 | 37,706 |
| General administration | 169,095 | 123,771 |
| Salaries and benefits | 622,917 | 684,450 |
| | 14,645,287 | 9,570,319 |
| Operating loss before below items | (390,370) | 407,358 |
| Interest and other income | 1,356 | 3,339 |
| Finance costs | (100,336) | (117,938) |
| Income (loss) before income taxes from discontinued operations | (489,350) | 292,759 |
| Income tax expenses | - | - |
| Net income (loss) from discontinued operations | \$ (489,350) | \$ 292,759 |
| Net income (loss) from discontinued operations attributable to: | | |
| Shareholders of the Company | \$ (379,475) | \$ 146,380 |
| Non-controlling interest | (109,875) | 146,379 |
| | \$ (489,350) | \$ 292,759 |
| Basic and diluted earnings (loss) per share | \$ (0.01) | \$ 0.01 |

FIRESWIRL TECHNOLOGIES INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
For the Three Months Ended March 31, 2016 and 2015

The net cash flows from XCD for the three months ended March 31, 2016 and 2015 are as follows:

| | For the three months ended | |
|--|----------------------------|----------------|
| | March 31, | |
| | 2016 | 2015 |
| Operating activities | | |
| Income (loss) from discontinued operations | \$ (489,350) | \$ 292,759 |
| Income tax expenses | - | - |
| Income (loss) before income tax from continuing operations | (489,350) | 292,759 |
| Add (deduct) items not affecting cash: | | |
| Depreciation and amortization | 17,852 | 15,134 |
| Finance costs | 100,337 | 126,398 |
| Changes in non-cash working capital items: | | |
| Trade and other receivables | 2,266,524 | 80,510 |
| Due from/to a related party | 1,759,540 | (754,020) |
| Deposits and prepayments | (1,712,732) | 193,125 |
| Inventory | (1,564,881) | 2,001,299 |
| Accounts payable and accrued liabilities | 302,024 | (276,388) |
| | 679,314 | 1,678,817 |
| Interest paid | (100,337) | (126,398) |
| Net cash provided by operating activities of discontinued operations | \$ 578,977 | \$ 1,552,419 |
| Investing activities | | |
| Acquisition of property and equipment | \$ (8,628) | \$ (3,295) |
| Net cash used in investing activities of discontinued operations | \$ (8,628) | \$ (3,295) |
| Financing activities | | |
| Proceeds from short term loans | \$ - | \$ 31,078 |
| Repayment of short term loans | (601,367) | (2,807,201) |
| Change in restricted cash | - | 226,600 |
| Net cash used in investing activities of discontinued operations | \$ (601,367) | \$ (2,549,523) |
| Net cash outflow | \$ (31,018) | \$ (1,000,399) |

FIRESWIRL TECHNOLOGIES INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
For the Three Months Ended March 31, 2016 and 2015

XCXD met the criteria for classification as held for sale as at March 31, 2016. As a result, its assets and liabilities have been presented separately under current assets and current liabilities, respectively, and measured at the lower of its carrying amount and fair market value less cost for sale, being carrying amount. The components of assets and liabilities held for sale are as follows:

| | March 31, 2016 |
|---|---------------------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 178,870 |
| Restricted cash * | 698,313 |
| Accounts receivable | 646,430 |
| Taxes recoverable | 566,421 |
| Deposits and prepayments | 5,260,713 |
| Inventory | 5,806,969 |
| | 13,157,716 |
| Property and equipment | 109,751 |
| Goodwill | 306,926 |
| Total assets held for sale | \$ 13,574,393 |
| Liabilities | |
| Current liabilities | |
| Accounts payable and accrued liabilities | 1,990,084 |
| Due to a related party (also see note 7) | 1,862,188 |
| Short term loans | 8,351,502 |
| Total liabilities relating to assets held for sale | \$ 12,203,774 |
| Net assets held for sale | \$ 1,370,619 |

* XCXD is required to maintain a deposit of RMB3,472,502 (equivalent to \$698,313 as of March 31, 2016) with its financial institution for its short term loan account. The restricted cash is redeemable when the loan is paid off.

Note 4 – Non-controlling Interest

The non-controlling interest represents 50% interest in XCXD. The continuity of non-controlling interest is summarized below:

| | |
|---|------------|
| Balance – December 31, 2014 | \$ 194,749 |
| Net loss attributable to non-controlling interest | (83,334) |
| Other comprehensive loss attributable to non-controlling interest | (12,772) |
| Balance – December 31, 2015 | 98,643 |
| Net loss attributable to non-controlling interest | (109,875) |
| Other comprehensive loss attributable to non-controlling interest | 11,232 |
| Balance – March 31, 2016 | \$ - |

Also see Note 3.

FIRESWIRL TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the Three Months Ended March 31, 2016 and 2015

Note 5 - Share Capital

The authorized share capital of the Company is an unlimited number of common shares without par value.

Stock option plan

The Company has established a stock option plan under which stock options to purchase common shares may be granted to directors, officers and employees of the Company and to any other person or Company permitted by the applicable regulatory authorities to purchase unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the plan shall not exceed 10% of the common shares of the corporation. The following is a summary of stock option transactions:

| | Number of options | Weighted average exercise price (\$) |
|----------------------------|--------------------------|---|
| Balance, December 31, 2014 | 1,350,000 | 0.15 |
| Granted | 550,000 | 0.10 |
| Forfeited/expired | (380,000) | 0.14 |
| Balance, December 31, 2015 | 1,520,000 | 0.14 |
| Forfeited/expired | (100,000) | 0.09 |
| Balance, March 31, 2016 | 1,420,000 | 0.14 |

For the three months ended March 31, 2016, share-based compensation in the amount of \$2,172 (same period in 2015 - Nil) relating to the general administration expenses were recognized in the condensed interim consolidated statement of loss.

The following table summarizes information about stock options outstanding at March 31, 2016:

| Exercise Price (\$) | Options Outstanding | | Options Exercisable | |
|----------------------------|----------------------------|--|----------------------------|--|
| | Number of options | Weighted average remaining life (Years) | Number of options | Weighted average remaining life (Years) |
| 0.09 | 200,000 | 4.20 | 100,000 | 4.20 |
| 0.12 | 100,000 | 4.01 | 50,000 | 4.01 |
| 0.15 | 1,120,000 | 0.66 | 1,120,000 | 0.66 |
| | 1,420,000 | 1.39 | 1,270,000 | 1.07 |

FIRESWIRL TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the Three Months Ended March 31, 2016 and 2015

Note 6 – Sale of Assets

On March 25, 2015, the Company completed the sale of its Shenzhen e-commerce platform to Fung. The platform includes: (i) equipment with carrying value of \$24,615; and (ii) goodwill, intellectual property and customer lists and contracts with carrying value of \$nil.

The total proceeds after working capital adjustment is \$6,225,000, of which \$2,975,000 was received in March 2015 and the balance of \$3,250,000 was received in October 2015.

In connection with the completion of the sale, the Company repaid the principal amount of the \$400,000 interest-free loan provided by the vendor on October 24, 2014, by way of set-off against the proceeds received.

Note 7 - Related Party Transactions

The Company's related parties include corporate entities over which it exercises significant influence, and key management personnel. Related party transactions not disclosed elsewhere in these financial statements are listed below:

a) Due to Related Parties

| | March 31, | December 31, |
|---|---------------------|---------------------|
| | 2016 | 2015 |
| Due to the Company's shareholders | \$ - | \$ 29,977 |
| Due to Yatan (see note below) | 1,862,188 | 110,834 |
| | 1,862,188 | 140,811 |
| Amounts due to related parties included in accounts payable | 8,000 | 35,244 |
| Total | \$ 1,870,188 | \$ 176,055 |

XCXD and a related company, Yatan Technology Development Ltd. ("Yatan"), signed an e-commerce collaboration agreement on January 6, 2014. Yatan's senior management is one of the shareholders of XCXD. XCXD provided funding to Yatan to purchase inventory and in return, XCXD is entitled to a commission based on the revenue after Yatan sells its inventory. XCXD's president and the non-controlling shareholder are the guarantors for this arrangement. The guarantors are responsible for the balance due from Yatan if Yatan is not able to pay back the balance. During the year ended December 31, 2015, Yatan repaid all outstanding balance to XCXD. As at March 31, 2016, XCXD had a payable of \$1,862,188 (December 31, 2015 - \$110,834) owing to Yatan. XCXD had not generated any revenue in connection with this arrangement.

Due to related parties are unsecured, non-interest bearing and have no specific repayment date.

b) Key Management Compensation:

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management personnel during the three months ended March 31, 2016 and 2015 is as follows:

FIRESWIRL TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the Three Months Ended March 31, 2016 and 2015

| | For the Three months ended | |
|--------------------------------|----------------------------|------------|
| | March 31 | |
| | 2016 | 2015 |
| Salaries and fees | | |
| - Salaries and consulting fees | \$ 75,000 | \$ 186,228 |
| - Director fees | 8,000 | 34,000 |
| | 83,000 | 220,228 |
| Share-based compensation | 2,172 | - |
| Total | \$ 85,172 | \$ 220,228 |

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

Note 8 - Segmented Information

The Company operates in one segment, being the operation of official online stores for international brands in China and reselling branded products on these online stores.

A substantial of all the Company's revenue are generated in China. No customer accounted for greater than 10% of the Company's sales during the three months ended March 31, 2016 and 2015. Casio (Shanghai) Trading Company Limited is the Company's major supplier for the three months ended March 31, 2016 and 2015.

As at March 31, 2016, the Company's long-term assets are located in Canada and China as follows:

| | China | Canada | Total |
|------------------------|-----------|------------|------------|
| Property and equipment | \$ - | \$ 2,940 | \$ 2,940 |
| Investment | - | 150,000 | 150,000 |
| Trademark | 19,176 | - | 19,176 |
| Total | \$ 19,176 | \$ 152,940 | \$ 172,116 |

Note 9 - Financial Instruments

a) Fair value

Fair value is the amount at which a financial instrument could be exchanged between willing parties based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The Company classifies the fair value of the financial instruments according to the following hierarchy based on the observable inputs used to value the instrument:

FIRESWIRL TECHNOLOGIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the Three Months Ended March 31, 2016 and 2015

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – Prices or valuation techniques which require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The Company's financial assets include (i) cash and cash equivalents, restricted cash, trade and other receivables, and due from a related party which are classified as loans and receivable, and (ii) investment which is classified as available for sale. The Company's financial liabilities include accounts payable and accrued liabilities, due to related parties, and short term loans which are all classified as financial liabilities at amortized cost.

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, accounts payable and accrued liabilities, short term loans and due to related parties approximate their carrying values due to the short-term nature of these instruments. The interest rates applied to short term loans are not considered to be materially different from market rates, and thus the carrying value of the short term loans approximates fair value. The investment in EMP is measured at the cost which approximates its fair value. As at March 31, 2016 and December 31, 2015, the Company did not have financial instruments measured at fair value on a recurring basis.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, restricted cash and trade and other receivables.

The Company limits its exposure to credit risk on cash and cash equivalents and restricted cash by depositing only with reputable financial institutions. Credit risk is primarily associated with trade receivables as the Company grants credit to its customers in the normal course of business. Credit risk on trade receivables is minimized by performing credit reviews, ongoing credit evaluation and account monitoring procedures. All trade receivables have been reviewed for indicators of impairment and the financial statements take into account an allowance for bad debts. Maximum credit risk related to trade receivables amounts to \$665,977, of which \$646,430 is included in the discontinued operations (Note 3) (December 31, 2015 - \$3,170,068) at March 31, 2016.

There were no overdue trade receivables outstanding as at March 31, 2016 and collection is reasonably assured. As at March 31, 2016, including the discontinued operations, there were two customers' receivable balances exceeding 10% of the total trade receivable balance, representing 62% of the total trade receivable balance. As at December 31, 2015, there were three customers' receivable balances exceeding 10% of the total trade receivable balance, representing 55% of the total trade receivable balance.

c) Currency risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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The Company uses the Canadian dollar as its reporting currency for these consolidated financial statements. The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company currently does not use derivative instruments to hedge its exposure to those risks. As at March 31, 2016, including the discontinued operations, the exposure of the Company's financial assets and financial liabilities to foreign exchange risk is summarized as follows:

| | Chinese RMB in CAD | US dollar in CAD | HK dollar in CAD |
|--|--------------------|------------------|------------------|
| Cash | \$ 302,398 | \$ 4,494 | \$ 632 |
| Restricted cash | 698,313 | - | - |
| Accounts receivable | 648,103 | - | - |
| Accounts payable and accrued liabilities | (2,468,949) | - | - |
| Short term loans | (8,351,502) | - | - |
| Net financial assets (liabilities) | \$ (9,171,637) | \$ 4,494 | \$ 632 |

The following table details the Company's sensitivity as at March 31, 2016, with other variables unchanged, a 1% strengthening of the Chinese RMB, US dollar and HK dollar, against the Canadian dollar. For a 1% weakening against the Canadian dollar, there would be an equal and opposite impact on net comprehensive income (loss).

| | Chinese RMB in CAD | US dollar in CAD | HK dollar in CAD |
|---------------------------------|--------------------|------------------|------------------|
| Net comprehensive income (loss) | \$ (91,716) | \$ 45 | \$ 6 |

d) Interest risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on the utilized portion of its credit facilities and does not currently hold any financial instruments that mitigate this risk. All of the Company's short term loans are included in the discontinued operations (see Note 3) and bear a fixed interest rate except for the loan from Standard Chartered Bank in the amount of \$3,015,384 as at March 31, 2016 which bears a variable rate plus 2% per annum. For the three months ended March 31, 2016, an increase (decrease) of the interest rate of 1 basis point would have increased (decreased) net loss before income taxes by approximately \$7,600.

e) Liquidity risk

The purpose of liquidity risk management is to maintain a sufficient amount of cash and cash equivalents. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's operation is financed through a combination of the cash flows from operations and short term debt financing.

As at March 31, 2016, the Company had total debt in the amount of \$12,983,011 due within 12 months (December 31, 2015 - \$12,096,576). As at March 31, 2016, including the discontinued operations, the Company held cash and cash equivalents of \$2,803,684 (December 31, 2015 - \$3,136,307), restricted cash of \$698,313 (December 31, 2015 - \$739,995), and trade and other receivables of \$1,232,398 (December 31, 2015 - \$3,761,221).

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Note 10 - Commitments

The Company has entered various operating leases for its office premises. The lease terms are between one year and five years. The future aggregate minimum lease payments under non-cancellable operation leases are as follows:

| | |
|--------------|---------------------|
| 2016 | 272,940 |
| 2017 | 401,140 |
| 2018 | 343,880 |
| 2018 | 63,680 |
| <u>Total</u> | <u>\$ 1,081,640</u> |

Pursuant to the applicable laws in PRC, PRC entities are required to make appropriations to statutory reserve funds based on after-tax net earnings as determined in accordance with the PRC GAAP. Appropriation to the statutory reserve funds should be at least 10% of the after-tax net earnings until the reserve is equal to 50% of the entity's registered capital. During the three months ended March 31, 2016, none of the Company's PRC subsidiaries has allocated any after-tax net earnings to their statutory reserve funds as they are in net operating loss position.

Note 11 - Capital Management

The Company has defined its capital as capital stock, contributed surplus and retained earnings.

The Company's objectives for managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, to maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments.

The company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed since last year. These objectives and strategies are reviewed on a continuous basis.

Note 12 – Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

Note 13 – Subsequent Event

On April 5, 2016, an amendment to the purchase and sale agreement was signed to extend the closing date of sale of all of XCXD's equity interest held by the Company to December 31, 2016 (see Note 3).