

***FIRESWIRL TECHNOLOGIES INC.***

**Condensed Interim Consolidated Financial Statements**

**For the Three and Six Months Ended June 30, 2016**

**(Unaudited)**

## **NOTICE TO 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](http://www.sedar.com).

# FIRESWIRL TECHNOLOGIES INC.

## Condensed Interim Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

	Notes	June 30, 2016	December 31, 2015
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 2,258,236	\$ 3,136,307
Restricted cash		-	739,995
Trade and other receivables		19,309	3,761,221
Deposits and prepayments		84,043	3,855,239
Inventory		257,704	4,718,146
Assets held for sale	3	13,074,499	-
<b>Total Current Assets</b>		<b>15,693,791</b>	<b>16,210,907</b>
Investment		150,000	150,000
Property and equipment		2,479	122,410
Trademark		19,176	19,176
Goodwill		-	306,926
<b>Total assets</b>		<b>\$ 15,865,446</b>	<b>\$ 16,809,420</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 504,789	\$ 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	12,761,323	-
<b>Total Current Liabilities</b>		<b>13,266,112</b>	<b>12,096,576</b>
<b>Total liabilities</b>		<b>13,266,112</b>	<b>12,096,576</b>
<b>Shareholders' equity</b>			
Common shares		8,206,521	8,206,521
Contributed surplus		3,627,303	3,593,579
Accumulated other comprehensive income		299,166	492,309
Accumulated other comprehensive income relating to assets held for sale		80,633	-
Accumulated deficit		(9,151,074)	(7,678,208)
<b>Total equity attributable to equity holders of the Company</b>		<b>3,062,549</b>	<b>4,614,201</b>
Non-controlling interest	4	(463,215)	98,643
<b>Total equity</b>		<b>2,599,334</b>	<b>4,712,844</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 15,865,446</b>	<b>\$ 16,809,420</b>

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

Nature of operations and going concern (Note 1)

Commitments (Note 10)

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		Six months ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>Operating revenue</b>					
Sales revenue		\$ 156,449	\$ -	\$ 237,328	\$ 2,630
Service revenue		-	-	8,011	363,059
Total operating revenue		156,449	-	245,339	365,689
<b>Operating expenses</b>					
Purchases		155,211	-	230,889	1,476
Technical service charges		-	-	-	28,370
Other related expense		-	-	-	61,265
Foreign Exchange loss		39,397	31,038	41,037	281,343
Depreciation and amortization		440	1,035	935	4,210
Sales and marketing		27,668	11,516	57,725	12,500
General administration		260,726	157,607	591,494	325,011
Salaries and benefits		116,762	85,711	179,015	765,540
Share-based compensation	5	31,552	16,551	33,724	16,551
		631,756	303,458	1,134,819	1,496,266
Operating loss before items below		(475,307)	(303,458)	(889,481)	(1,130,577)
Gain on sale of e-Commerce platform	6	-	-	-	2,950,385
Interest and other income		4,657	322	12,151	540
Finance costs		(454)	-	(1,010)	(8,460)
(Loss) income before income tax from continuing operations		(471,104)	(303,136)	(878,340)	1,811,888
Income tax expenses		-	(1,692)	-	(1,692)
Net (loss) income for the period from continuing operations		(471,104)	(304,828)	(878,340)	1,810,196
Discontinued operations, net of tax	3	(699,703)	(135,441)	(1,189,053)	157,318
<b>Net (loss) income for the period</b>		<b>(1,170,807)</b>	<b>(440,269)</b>	<b>(2,067,393)</b>	<b>1,967,514</b>
Other comprehensive (loss) income					
Currency translation adjustment, net of tax of \$nil		7,440	(24,558)	(79,841)	143,074
<b>Net comprehensive (loss) income</b>		<b>\$ (1,163,367)</b>	<b>\$ (464,827)</b>	<b>\$ (2,147,233)</b>	<b>\$ 2,110,588</b>
<b>Net (loss) income from continuing operations attributable to:</b>					
Shareholders of the Company		\$ (471,104)	\$ (304,828)	\$ (878,340)	\$ 1,810,196
Non-controlling interest		-	-	-	-
		\$ (471,104)	\$ (304,828)	\$ (878,340)	\$ 1,810,196
<b>Net income (loss) for the period attributable to:</b>					
Shareholders of the Company		\$ (686,155)	\$ (372,549)	\$ (1,472,866)	\$ 1,888,856
Non-controlling interest		(484,652)	(67,720)	(594,527)	78,658
		\$ (1,170,807)	\$ (440,269)	\$ (2,067,393)	\$ 1,967,514
<b>Comprehensive (loss) income for the period attributable to:</b>					
Shareholders of the Company		\$ (700,151)	\$ (398,673)	\$ (1,585,375)	\$ 2,014,043
Non-controlling interest	4	(463,216)	(66,154)	(561,858)	96,545
		\$ (1,163,367)	\$ (464,827)	\$ (2,147,233)	\$ 2,110,588
Basic and diluted per share of:					
Net (loss) income from continuing operations		\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ 0.03
Net (loss) income for the period		\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ 0.04
Weighted average number of common shares					
Basic and diluted		53,571,285	53,571,285	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	-	-	-	-	-	1,888,856	1,888,856	78,658	1,967,514
Share based compensation	-	-	-	-	-	-	16,551	-	16,551
Foreign currency translation difference	-	-	-	125,188	-	-	125,188	17,887	143,075
Balance at June 30, 2015	53,571,285	\$ 8,206,521	\$ 3,573,733	\$ 471,038	\$ -	\$ (10,057,301)	\$ 2,210,542	\$ 291,294	\$ 2,501,836

	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	-	-	-	-	-	(1,472,866)	(1,472,866)	(594,527)	(2,067,393)
Discontinued operations	-	-	-	(80,633)	80,633	-	-	-	-
Share based compensation	-	-	33,724	-	-	-	33,724	-	33,724
Foreign currency translation difference	-	-	-	(112,510)	-	-	(112,510)	32,669	(79,841)
Balance at June 30, 2016	53,571,285	\$ 8,206,521	\$ 3,627,303	\$ 299,166	\$ 80,633	\$ (9,151,074)	\$ 3,062,549	\$ (463,215)	\$ 2,599,334

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)**

	Notes	Three months ended		Six months ended	
		June 30 2016	June 30 2015	June 30 2016	June 30 2015
<b>OPERATING ACTIVITIES</b>					
Income (loss) from continuing operations		\$ (471,104)	\$ (304,828)	\$ (878,340)	\$ 1,810,196
Income tax expenses		-	1,692	-	1,692
Income (loss) before income tax from continuing operations		(471,104)	(303,136)	(878,340)	1,811,888
Add (deduct) items not affecting cash:					
Depreciation and amortization		440	1,035	935	4,210
Share-based compensation		31,552	16,551	33,724	16,551
Gain on sale of e-Commerce platform		-	-	-	(2,950,385)
Interest and other income		(4,657)	(322)	(12,151)	(540)
Finance costs		454	-	1,010	8,460
Changes in non-cash working capital items:					
Trade and other receivables		348,339	45,207	442,777	57,237
Deposits and prepayments		(10,775)	(121,454)	(28,075)	(117,513)
Inventory		85,820	(154,151)	20,616	(26,408)
Accounts payable and accrued liabilities		(249,385)	30,915	(131,931)	(71,311)
		(299,293)	(538,442)	(581,412)	(1,320,896)
Interest received		4,657	322	12,151	540
Interest paid		(454)	-	(1,010)	(8,460)
<b>Net cash used in operating activities of continuing operations</b>		<b>(295,090)</b>	<b>(539,812)</b>	<b>(570,271)</b>	<b>(1,330,508)</b>
<b>Net cash provided by operating activities of discontinued operations</b>	3	<b>807,788</b>	<b>(1,098,294)</b>	<b>1,386,766</b>	<b>454,123</b>
<b>INVESTING ACTIVITIES</b>					
Proceeds from sales of e-Commerce platform	6	-	-	-	2,975,000
<b>Net cash from investing activities of continuing operations</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,975,000</b>
<b>Net cash used in investing activities of discontinued operations</b>	3	<b>(6,879)</b>	<b>(35,725)</b>	<b>(15,507)</b>	<b>(39,020)</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of short term loans		-	-	-	(624,400)
Loan repayment to shareholders		-	-	-	(528,810)
<b>Net cash used in investing activities of continuing operations</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,153,210)</b>
<b>Net cash used in investing activities of discontinued operations</b>	3	<b>81,173</b>	<b>1,492,389</b>	<b>(520,194)</b>	<b>(432,734)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(34,068)</b>	<b>18,858</b>	<b>(60,492)</b>	<b>10,491</b>
<b>Increase in cash and cash equivalents</b>		<b>552,924</b>	<b>(162,584)</b>	<b>220,302</b>	<b>484,141</b>
<b>Cash and cash equivalents, beginning of the period</b>		<b>2,803,684</b>	<b>1,195,837</b>	<b>3,136,307</b>	<b>549,112</b>
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 3,356,609</b>	<b>\$ 1,033,253</b>	<b>\$ 3,356,609</b>	<b>\$ 1,033,254</b>

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 and six months ended June 30, 2016**

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### **Note 1- Nature of 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 and 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 and six months ended June 30, 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 was 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 \$1,472,866 for the six months ended June 30, 2016. As of June 30, 2016, the Company has an accumulated deficit of \$9,151,074 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 financing, 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 and six months ended June 30, 2016**

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### **Note 2 - Basis of Presentation**

These unaudited 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. These unaudited 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 unaudited condensed interim consolidated financial statements. These unaudited 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.

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the board of directors on August 22, 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 June 30, 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 and six months ended June 30, 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 and six months ended June 30, 2016**

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
<b>Operating revenue</b>				
Sales revenue	\$ 16,011,824	\$ 10,771,220	\$ 29,879,791	\$ 19,454,565
Service revenue	1,638,958	951,246	2,025,908	2,245,578
Total operating revenue	17,650,782	11,722,466	31,905,699	21,700,143
<b>Operating expenses</b>				
Purchases	14,034,438	9,451,693	25,846,738	16,803,973
Delivery charges	311,473	235,345	488,674	402,666
Technical service charges	2,995,961	1,279,193	4,824,147	2,462,932
Other related expense	10,160	(5,656)	16,168	262
Depreciation and amortization	16,194	17,473	34,046	32,607
Sales and marketing	24,308	41,811	36,036	79,517
General administration	124,785	144,207	293,880	267,978
Salaries and benefits	709,239	568,629	1,332,156	1,253,079
	18,226,558	11,732,695	32,871,845	21,303,014
Operating loss before below items	(575,776)	(10,229)	(966,146)	397,129
Interest and other income	1,411	(3,339)	2,767	-
Finance costs	(117,650)	(116,406)	(217,986)	(234,344)
(Loss) income before income taxes from discontinued operations	(692,015)	(129,974)	(1,181,365)	162,785
Income tax expenses	(7,688)	(5,467)	(7,688)	(5,467)
Net (loss) income from discontinued operations	\$ (699,703)	\$ (135,441)	\$ (1,189,053)	\$ 157,318
Net (loss) income from discontinued operations attributable to:				
Shareholders of the Company	\$ (215,051)	\$ (67,721)	\$ (594,527)	\$ 78,659
Basic and diluted (loss) earnings per share from discontinued operations	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ 0.00

# **FIRESWIRL TECHNOLOGIES INC.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**(Unaudited)**

**For the three and six months ended June 30, 2016**

The net cash flows from XCXD for the six months ended June 30, 2016 and 2015 are as follows:

	<b>For the six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>		
Income (loss) from discontinued operations	\$ (1,189,053)	\$ 157,318
Income tax expenses	7,688	5,467
Income (loss) before income tax from continuing operations	(1,181,365)	162,785
Add (deduct) items not affecting cash:		
Depreciation and amortization	34,046	32,607
Interest and other income	-	(3,869)
Finance costs	217,987	238,213
Changes in non-cash working capital items:		
Trade and other receivables	2,267,842	(37,552)
Due from/to a related party	2,543,080	(1,409,077)
Deposits and prepayments	173,651	(26,586)
Inventory	(2,794,086)	2,162,155
Accounts payable and accrued liabilities	351,287	(424,742)
	1,612,442	693,934
Interest received	-	3,869
Interest paid	(217,987)	(238,213)
Income taxes paid	(7,688)	(5,467)
Net cash provided by operating activities of discontinued operations	\$ 1,386,766	\$ 454,123
<b>Investing activities</b>		
Acquisition of property and equipment	\$ (15,507)	\$ (39,020)
Net cash used in investing activities of discontinued operations	\$ (15,507)	\$ (39,020)
<b>Financing activities</b>		
Proceeds from short term loans	\$ -	\$ 29,740
Repayment of short term loans	(520,194)	(687,986)
Change in restricted cash	-	226,145
Loan repayment to shareholders	-	(633)
Net cash used in investing activities of discontinued operations	\$ (520,194)	\$ (432,734)
Net cash outflow	\$ 851,065	\$ (17,631)

# **FIRESWIRL TECHNOLOGIES INC.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**(Unaudited)**

**For the three and six months ended June 30, 2016**

XCXD met the criteria for classification as held for sale as at June 30, 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:

	<b>June 30, 2016</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 1,098,373
Restricted cash *	679,564
Accounts receivable	194,178
Taxes recoverable	635,696
Deposits and prepayments	3,316,323
Inventory	6,742,982
	<b>12,667,116</b>
Property and equipment	100,457
Goodwill	306,926
<b>Total assets held for sale</b>	<b>\$ 13,074,499</b>
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued liabilities	2,005,487
Due to a related party (also see note 7)	2,548,015
Short term loans	8,207,821
<b>Total liabilities relating to assets held for sale</b>	<b>\$ 12,761,323</b>
<b>Net assets held for sale</b>	<b>\$ 313,176</b>

\* XCXD is required to maintain a deposit of \$679,564 (RMB3,472,502) as at June 30, 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	(594,527)
Other comprehensive loss attributable to non-controlling interest	32,669
Balance – June 30, 2016	\$ (463,215)

# **FIRESWIRL TECHNOLOGIES INC.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**(Unaudited)**

**For the three and six months ended June 30, 2016**

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### **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.

On May 27, 2016, the Company granted 2,500,000 stock options to its directors, officers and employees to purchase common shares of the Company, exercisable on or before May 27, 2021 with an exercise price of \$0.05 per share. 50% of these options vested immediately and the balance will vest 12 months after the grant date. The grant date fair value of these options was \$0.02 per option calculated based on the Black-Scholes Pricing Model with the following assumptions:

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	<b>May 27, 2016</b>
	<b>Grant</b>
Expected life of options in years	5 years
Weighted average volatility	121%
Risk free interest rate	0.76%
Expected dividend yield	0%
Estimated forfeiture rate	0%
Share price at grant date	\$0.05

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For the three and six months ended June 30, 2016, share-based compensation in the amount of \$31,552 and \$33,724, respectively (three and six months ended June 30, 2015 - \$16,551 and \$16,551) relating to the general administration expenses were recognized in the condensed interim consolidated statement of loss.

The following is a summary of stock option transactions:

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	<b>Number of</b>	<b>Weighted</b>
	<b>options</b>	<b>average</b>
		<b>exercise price</b>
		<b>(\$)</b>
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
Granted	2,500,000	0.05
Forfeited/expired	(100,000)	0.09
Balance, June 30, 2016	3,920,000	0.08

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# **FIRESWIRL TECHNOLOGIES INC.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**(Unaudited)**

**For the three and six months ended June 30, 2016**

The following table summarizes information about stock options outstanding at June 30, 2016:

Exercise Price (\$)	Options Outstanding		Options Exercisable	
	Number of options	Weighted average remaining life (Years)	Number of options	Weighted average remaining life (Years)
0.05	2,500,000	4.91	1,250,000	4.91
0.09	200,000	3.95	100,000	3.95
0.12	100,000	3.76	50,000	3.76
0.15	1,120,000	0.16	1,120,000	0.16
	3,920,000	3.48	2,520,000	3.48

### **Note 6 – Sale of Assets**

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

	June 30, 2016	December 31, 2015
Due to the Company's shareholders	\$ -	\$ 29,977
Due to Yatan (see note below)	2,548,015	110,834
	2,548,015	140,811
Amounts due to related parties included in accounts payable	22,583	35,244
Total	\$ 2,570,598	\$ 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 will be 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.

# **FIRESWIRL TECHNOLOGIES INC.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

**(Unaudited)**

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The guarantors are responsible for the balance due from Yatan if it is not able to pay back the balance. During the year ended December 31, 2015, Yatan repaid all outstanding balance to XCXD. As at June 30, 2016, XCXD had a payable of \$2,548,015 (December 31, 2015 - \$110,834) owing to Yatan.(also see Note 3). 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 for the three and six months ended June 30, 2016 and 2015 is as follows:

	For the Three months ended June 30		For the Six months ended June 30	
	2016	2015	2016	2015
Salaries and fees				
- Salaries and consulting fees	\$ 143,750	\$ 65,400	\$ 218,750	\$ 251,628
- Director fees	38,000	4,000	46,000	38,000
	181,750	69,400	264,750	289,628
Share-based compensation	30,320	14,605	32,492	14,605
Total	\$ 212,070	\$ 84,005	\$ 297,242	\$ 304,233

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.

### 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.

Substantial of all the Company's revenue are generated in China. No customer accounted for greater than 10% of the Company's sales for the three and six months ended June 30, 2016 and 2015. Casio (Shanghai) Trading Company Limited was the Company major supplier for the three and six months ended June 30, 2016 and 2015.

As at June 30, 2016, the Company's long-term assets located in Canada and China are as follows:

	China	Canada	Total
Property and equipment	\$ -	\$ 2,479	\$ 2,479
Investment	-	150,000	150,000
Trademark	19,176	-	19,176
Property, equipment and goodwill included in assets held for sale	407,383	-	407,383
Total	\$ 426,559	\$ 152,479	\$ 579,038

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**Notes to the Condensed Interim Consolidated Financial Statements**  
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**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:

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 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, 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 June 30, 2016 and December 31, 2015, the Company did not have financial instruments measured at fair value on a recurring basis.

**b) Categories of financial instruments**

	June 30, 2016			December 31, 2015	
	Continued operations	Assets held for sale	Total	Total	
<b>Financial assets</b>					
Loans and receivables					
Cash and cash equivalents	\$ 2,258,236	\$ 1,098,373	\$ 3,356,609	\$	3,136,307
Restricted cash	-	679,564	679,564		739,995
Trade and other receivables	19,309	829,874	849,183		3,761,221
Available for sale financial assets					
Investment	150,000	-	150,000		150,000
<b>Total</b>	<b>\$ 2,427,545</b>	<b>\$ 2,607,811</b>	<b>\$ 5,035,356</b>	<b>\$</b>	<b>7,787,523</b>
<b>Financial liabilities</b>					
Other financial liabilities					
Accounts payable and accrued liabilities	\$ 504,789	\$ 2,005,488	\$ 2,510,277	\$	2,479,869
Due to related parties	-	2,548,015	2,548,015		140,811
Short term loans	-	8,207,621	8,207,621		9,475,896
<b>Total</b>	<b>\$ 504,789</b>	<b>\$ 12,761,124</b>	<b>\$ 13,265,913</b>	<b>\$</b>	<b>12,096,576</b>

# **FIRESWIRL TECHNOLOGIES INC.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

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**For the three and six months ended June 30, 2016**

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### **Note 10 - Commitments**

The Company has entered into various operating lease agreements 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	\$ 171,686
2017	392,257
2018	335,278
2018	61,971
<u>Total</u>	<u>\$ 961,192</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 six months ended June 30, 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 when 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, 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.