Fireswirl Technologies Inc.

Management Discussion and Analysis of
Financial Condition and Results of Operations

For the three and nine months ended September 30, 2016

November 24, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with Fireswirl Technologies Inc.'s ("Fireswirl" or the "Company") unaudited condensed interim consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 2016 and the accompanying notes to the audited consolidated financial statements for the year ended December 31, 2015. These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. Reference to 2015 or fiscal 2015 means the twelve months ended December 31, 2015.

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 activities, performances, 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", "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 changes, 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 the 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 the 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.

Fireswirl, together with its subsidiaries, focuses 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.

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

In 2015, the Company completed the sale of its Shenzhen e-commerce platform for $6,225,000 net of the working capital adjustment. The Shenzhen e-commerce 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. In conjunction with this transaction, the Company’s then current chief executive officer, Mr. Tony Lau (“Mr. Lau”) was required to resign and join the purchaser as an employee.

On February 29, 2016, The Company entered into a purchase and sale agreement, pursuant to which the Company agreed to sell its controlling interest in XCXD to the non-controlling shareholders of XCXD 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 for a full settlement of XCXD’s outstanding indebtedness to the Company and its subsidiaries. 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. The assets and liabilities of XCXD have been classified as held for sale as at September 30, 2016. The operation results of XCXD have been presented as a discontinued operation for the three and nine months ended September 30, 2016.

The sale of XCXD is consistent with the Company’s strategic plan for its future development. XCXD has not generated significant operating profit since it was acquired in October 2009. Management has decided to divert its focus from XCXD and is working on identifying and developing other suitable business for the Company.

THIRD QUARTER HIGHLIGHTS

- For the three and nine months ended September 30, 2016, total operating revenue from continuing operations was $137,541 and $382,880, respectively compared to $274,932 and $640,621 for the same periods in 2015. Net loss from continuing operations was $319,429 and $1,197,768 for the three and nine months ended September 30, 2016, respectively compared to a net income of $2,975,218 and $4,785,415 for the same periods in 2015. The net income for the three and nine months ended September 30, 2015 was a result from the gain recognized on the sale of the Shenzhen e-commerce platform in an amount of $3,250,000 and $6,200,385, respectively. If the gain from the disposition of the Shenzhen e-Commerce Platform was excluded, the Company would have had a loss from continuing operations of $274,782 and $1,414,970 for the three and nine months ended September 30, 2015, respectively.

- For the three and nine months ended September 30, 2016, the Company had a net loss from continuing operations attributable to shareholders of the Company of $319,429 and $1,197,768, respectively compared to a net income of $2,975,218 and $4,785,415 for the same periods in 2015.

- For the three and nine months ended September 30, 2016, the Company had a net income from discontinued operations of $22,775 and a net loss of $1,166,278, respectively compared to a net loss of $88,551 and a net income of $68,767 for the same periods in 2015.

- For the three and nine months ended September 30, 2016, the Company had a total loss attributable to shareholders of the Company of $308,042 and $1,780,907, respectively compared to a net income of $2,930,943 and $4,819,799 for the same periods in 2015. If the gain from the disposition of the Shenzhen e-Commerce Platform was excluded, the Company would have had a loss attributable to shareholders of the Company of $319,057 and $1,380,586 for the three and nine months ended September 30, 2015, respectively.

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. XCXD's operating results have been represented as a discontinued operation in prior quarters.

	2016 Q3	2016 Q2	2016 Q1	2015 Q4 Re-presented	2015 Q3 Re-presented	2015 Q2 Re-presented	2015 Q1 Re-presented	2014 Q4 Re-presented
	$	$	$	$	$	$	$	$
Operating revenue								
Sales Revenue	137,541	156,449	80,879	99,423	274,932	-	2,630	-
Service Revenue	-	-	8,011	-	-	-	363,059	102,602
Total operating revenue	137,541	156,449	88,890	99,423	274,932	-	365,689	102,602
Net income (loss) from continuing operations	(319,429)	(471,104)	(407,236)	(434,134)	2,975,218	(304,828)	2,115,025	(454,646)
Discontinued operations, net of tax	22,775	(699,703)	(489,350)	(235,436)	(88,551)	(135,441)	292,759	(330,460)
Net income (loss) for the period	(296,654)	(1,170,807)	(896,586)	(669,569)	2,886,667	(440,269)	2,407,784	(785,106)
Net income (loss) from continuing operations attributable to:								
Shareholders of the Company	(319,429)	(471,104)	(407,236)	(434,134)	2,975,218	(304,828)	2,115,025	(454,646)
Net income (loss) attribute to:								
Shareholders of the Company	(308,042)	(686,155)	(786,711)	(551,852)	2,930,943	(372,549)	2,261,405	(619,876)
Basic and diluted per share of								
Net income (loss) from continuing operations	(0.01)	(0.01)	(0.01)	(0.01)	0.06	(0.01)	0.04	(0.01)
Net income (loss) from discontinued operations	(0.01)	(0.01)	(0.02)	(0.01)	0.05	(0.01)	0.04	(0.01)
Weighted number of shares outstanding	53,571,285	53,571,285	53,571,285	53,571,285	53,571,285	53,571,285	53,571,285	53,571,285

QUARTERLY RESULTS

The sale of XCXD represents a discontinued operation. Therefore, the operating results of XCXD have been presented as discontinued operations for the three and nine months ended September 30, 2016 and the comparative results have been re-presented.

Comparison of the continuing operation results for the three and nine months ended September 30, 2016 and 2015:

Revenue

The Company reported total operating revenue of $137,541 and $382,880 for the three and nine months ended September 30, 2016, respectively compared to $274,932 and $640,621 for the same periods in 2015, due to a decrease in service revenue.

For the three and nine months ended September 30, 2016, the Company recognized revenue of $137,541 and $374,869, respectively (same periods in 2015: $274,932 and $277,562) from merchandise resale and trading in China.

For the three and nine months ended September 30, 2016, the Company recognized revenue of $Nil and $8,011, respectively (same periods in 2015: $Nil and $363,059) from service and maintenance fees.

The cost of goods sold incurred in relation to these sales was $129,974 and $360,863, respectively compared to $214,879 and $358,286 for the same periods in 2015.

OPERATING EXPENSES

Total operating expenses decreased to $460,337 and $1,595,156 for the three and nine months ended September 30, 2016, respectively compared to $556,840 and $2,053,106 for the same periods in 2015. The decrease in overall operating expenses is consistent with the decrease in revenue.

Cost of Goods Sold

Cost of sales is presented as change in inventory, delivery charges and technical service charges and other related expenses under operating expenses according to their nature.

The overall cost of goods sold decreased to $129,974 and increased to $360,863 for the three and nine months ended September 30, 2016, respectively compared to $ 214,879 and $358,286 for the same periods in 2015. The increase of cost of goods sold in 2016 is consistent with the increase of merchandise revenue.

Foreign Exchange gain or loss

The Company had a foreign exchange loss of $622 and $41,659 for the three and nine months ended September 30, 2016, respectively compared to a gain of $10,447 and a loss of $218,600 for the same periods in 2015. The foreign exchange loss for the nine months ended September 30, 2015 was mainly from the repayment of shareholder loan in its original currency. The Company did not utilize any hedges or forward contracts.

Sales and Marketing

Sales and marketing expenses increased to $78,376 and $136,101 for the three and nine months ended September 30, 2016, respectively compared to $41,398 and $53,898 for the same periods in 2015. This increase was a result of activities relating to the developing and exploring of new business for the Company.

General and Administrative

General and administrative expenses decreased to $178,153 and increased to $769,647 for the three and nine months ended September 30, 2016, respectively compared to $251,358 and $576,369 for the same periods in 2015, representing a decrease of 29% and an increase of 34%, respectively. The overall increase for the nine months ended September 30, 2016 was due to an increase in legal fees relating to the sale of XCXD and business development in relation to identifying new business for the Company.

Salaries and Benefits

Salaries and benefits expenses increased to $65,401 and decreased to $244,416 for the three and nine months ended September 30, 2016, respectively compared to $58,121 and $823,661 for the same periods in 2015. The higher salaries and benefit expenses for the nine months ended September 30, 2015 was the result of the Company payment of severance fees of $223,708 and special bonuses of $130,000 to employees in connection with the sale of the Shenzhen e-Commerce platform.

Gain on Sale of e-Commerce Platform

On March 25, 2015 the Company completed the sale of its Shenzhen e-commerce platform to Fung Holdings (1937) Limited ("Fung"). The platform includes: (i) equipment with a carrying value of $24,615; and (ii) goodwill, intellectual property and customer lists and contracts with a carrying value of $nil.

The total proceeds after working capital adjustment were $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.

Net Income (Loss) from Continuing Operations and for the Period

The Company reported a net loss from continuing operations attributable to the shareholders of the Company of $319,429 and $1,197,768 for the three and nine months ended September 30, 2016, respectively compared to a net income from continuing operations attributable to the shareholders of the Company of $2,975,218 and $4,785,415 for the same periods in 2015. The net income for the three and nine months ended September 30, 2015 was mainly a result of the gain from disposition of the Shenzhen e-commerce platform.

Basic and diluted loss per share from continuing operations was $0.01 and $0.02 for the three and nine months ended September 30, 2016, respectively compared to basic and diluted earnings per share for continuing operations of $0.06 and $0.09 for the same periods in 2015.

Basic and diluted loss per share was $0.01 and $0.03 for the three and nine months ended September 30, 2016, respectively compared to basic and diluted earnings per share of $0.05 and $0.09 for the same periods in 2015

Non-Controlling Interest

The Company's foreign subsidiary, XCXD, realized a net income of $22,775 and a net loss of $1,166,278 for the three and nine months ended September 30, 2016 compared to a net loss of $88,551 and a net income of $68,767 for the same periods in 2015. Non-controlling interest had an income of $11,388 and a loss of $ 583,139 for the three and nine months ended September 30, 2016, respectively (same periods in 2015: loss of $44,276 and income of $34,383).

Comparison of the discontinued operation results for the three and nine months ended September 30, 2016 and 2015:

The operating results of XCXD are presented as discontinued operations.

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Operating revenue				
Sales	$ 12,672,091	$ 11,443,206	$ 42,551,882	$ 30,897,771
Service revenue	3,747,696	1,109,328	5,773,604	3,354,906
Total operating revenue	16,419,787	12,552,534	48,325,486	34,252,677
Operating expenses				
Purchases	11,857,331	10,008,443	37,704,069	26,812,416
Delivery charges	268,903	212,571	757,577	615,237
Technical service charges	3,067,168	1,357,849	7,891,315	3,820,781
Depreciation and amortization	12,921	26,449	46,967	59,056
Sales and marketing	36,050	21,410	88,254	101,189
General administration	206,247	203,642	500,127	471,620
Salaries and benefits	793,023	582,621	2,125,179	1,835,700
	16,241,643	12,412,985	49,113,488	33,715,999
Operating income (loss) before below items	178,144	139,549	(788,002)	536,678
Interest and other income	337	6,339	3,104	6,339
Finance costs	(121,173)	(234,240)	(339,159)	(468,584)
Income (loss) before income taxes from discontinued operations	57,308	(88,352)	(1,124,057)	74,433
Income tax expenses	(34,533)	(199)	(42,221)	(5,666)
Net income (loss) from discontinued operations	$ 22,775	$ (88,551)	$ (1,166,278)	$ 68,767
Net income (loss) from discontinued operations attributable to:				
Shareholders of the Company	$ 11,388	$ (44,276)	$ (583,139)	$ 34,383
Basic and diluted (loss) earnings per share from discontinued operations	$ 0.00	$ (0.00)	$ (0.01)	$ 0.00

Revenue

XCXD reported total operating revenue of $16,419,787 and $48,325,486 for the three and nine months ended September 30, 2016, respectively compared to $12,552,534 and $34,252,677 for the same periods in 2015, representing an increase of 31% and 41% due to an increase of merchandise sale, service and maintenance fees.

For the three and nine months ended September 30, 2016, XCXD recognized revenue of $12,672,091 and $42,551,882, respectively (same periods in 2015: $11,443,206 and $30,897,771) from merchandise resale and trading in China, representing an increase of 11% and 38%, respectively.

For the three and nine months ended September 30, 2016, XCXD recognized revenue of $3,747,696 and $5,773,604, respectively (same periods in 2015: $1,109,328 and $3,354,906) from service and maintenance fees, representing an increase of 238% and 72%, respectively.

OPERATING EXPENSES

Total operating expenses increased to $16,241,643 and $49,113,488 for the three and nine months ended September 30, 2016, respectively compared to $12,412,985 and $33,715,999 for the same periods in 2015, representing an increase of 31% and 46%. The increase in overall operating expenses is consistent with the increase in gross revenue.

Cost of Goods Sold

Cost of sales is presented as change in inventory, delivery charges and technical service charges and other related expenses under operating expenses according to their nature.

The overall cost of goods sold has increased to $15,193,402 and $46,352,961 for the three and nine months ended September 30, 2016, respectively compared to $11,578,863 and $31,248,434 for the same periods in 2015, representing an increase of 31% and 48%, respectively.

Sales and Marketing

Sales and marketing expenses increased to $36,050 and decreased to $88,254 for the three and nine months ended September 30, 2016 compared to $21,410 and $101,189 for the same periods in 2015.

General and Administrative

General and administrative expenses increased to $206,247 and $500,127 for the three and nine months ended September 30, 2016, respectively compared to $203,642 and $471,620 for the same periods in 2015, representing an increase of 1% and an increase of 6%. The increase was due to an increase of office expenses.

Salaries and Benefits

Salaries and benefits expenses increased to $793,023 and $2,125,179 for the three and nine months ended September 30, 2016, respectively compared to $582,621 and $1,835,700 for the same periods in 2015, representing an increase of 36% and 16%.

Net Income (Loss) from Discontinued Operations

The Company reported a net income from discontinued operations attributable to the shareholders of the Company of $11,388 and a net loss of $583,139 for the three and nine months ended September 30, 2016 compared to a net loss from discontinued operations attributable to the shareholders of the Company of $44,276 and a net income of $34,383 for the same periods in 2015.

Basic and diluted loss per share from discontinued operations attributable to the Company's shareholders was $0.00 and $0.01 for the three and nine months ended September 30, 2016, respectively compared to basic and diluted loss/earnings per share of $0.00 and $0.00 for the same periods in 2015.

CASH FLOW STATEMENTS

Comparison of cash flows from continuing operations for the nine months ended September 30, 2016 and 2015:

Operating Activities

Cash used in operating activities was $863,621 for the nine months ended September 30, 2016, compared to of $1,803,783 for the same period in 2015, representing a decrease in outflow of 52%. The decrease of cash outflows from operating activities is mainly a result of a decrease in operating loss.

Investing Activities

Cash inflow generated from investing activities was $Nil for the nine months ended September 30, 2016 compared to cash inflow of $2,825,000 for the same period in 2015. The cash inflow in 2015 was due to the proceeds received from the disposition of the Shenzhen e-commerce platform.

Financing Activities

Cash used in financing activities was $Nil for the nine months ended September 30, 2016 compared to $1,153,210 for the same period in 2015. The cash outflow in 2015 was mainly due to repayment of shareholder loans and short-term loans.

Comparison of cash flows from discontinued operations for the nine months ended September 30, 2016 and 2015:

	For the Nine months ended September 30, 2016	2015
Operating activities		
Income (loss) from discontinued operations	$ (1,166,278)	$ 68,767
Income tax expenses	42,221	5,666
Income (loss) before income tax from continuing operations	(1,124,057)	74,433
Add (deduct) items not affecting cash:		
Depreciation and amortization	46,967	59,056
Interest and other income	(3,104)	(6,339)
Finance costs	339,159	468,584
Changes in non-cash working capital items:		
Trade and other receivables	305,626	(329,049)
Taxes recoverable	(38,031)	87,824
Due from/to a related party	5,474,799	1,294,655
Deposits and prepayments	(1,837,442)	(2,013,194)
Inventory	(3,072,300)	(164,269)
Accounts payable and accrued liabilities	2,800,154	527,600
	2,891,771	(699)
Interest received	3,104	6,339
Interest paid	(339,159)	(373,741)
Income taxes paid	(42,221)	(5,666)
Net cash provided by (used in) operating activities of discontinued operations	$ 2,513,495	$ (373,767)
Investing activities		
Acquisition of property and equipment	$ (32,982)	$ (39,020)
Net cash used in investing activities of discontinued operations	$ (32,982)	$ (39,020)
Financing activities		
Proceeds from (repayment of) short term loans	$ (2,255,954)	$ 164,342
Change in restricted cash	-	80,625
Loan repayment to shareholders	-	(7,444)
Net cash (used in) provided by investing activities of discontinued operations	$ (2,255,954)	$ 237,523
Net cash outflow	$ 224,559	$ (175,264)

Operating Activities

Cash inflow from operating activities was $2,513,495 for the nine months ended September 30 2016 compared to cash outflow of $373,767 for the same period in 2015. The increase in cash inflow in 2016 from operating activities was mainly a result from advances received from a related party.

Investing Activities

Cash outflow for investing activities was $32,982 for the nine months ended September 30, 2016 compared to cash outflow of $39,020 for the same period in 2015.

Financing Activities

Cash used for financing activities was $2,255,954 for the nine months ended September 30, 2016 compared to cash inflow of $237,523 for the same period in 2015.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2016, the Company had $Nil long term debt and $16,952,843 current liabilities (of which $16,402,302 was directly related to the assets held for sale). The Company had $2,026,468 in cash and cash equivalents, working capital (defined as current assets less current liabilities) of $2,122,802. The recent dramatic decline 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 the "Contractual Obligations" section of this MD&A. To the extent the Company is unable to cover its ongoing cash requirements through operations, the Company expects to raise additional equity financing to cover any shortfall. There can be no assurance that such financing and profitability will occur in the amounts and within terms expected. These unaudited condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the Company be unable to continue as a going concern.

The Company does not have commitments for capital expenditures as of September 30, 2016. The Company's capital resources consist of common share issuances.

Contractual Obligations

The Company's future minimum annual payments under operating leases are as follows:

2016	$ 98,222
2017	393,903
2018	336,873
2018	62,288
Total	$ 891,286

RELATED PARTY TRANSACTIONS

a) Due to Related Parties

	Septemer 30 2016	December 31, 2015
Due to the Company's shareholders	$ -	$ 29,977
Due to Yatan (see note below)	5,462,952	110,834
	5,462,952	140,811
Amounts due to related parties included in accounts payable	22,583	35,244
Total	$ 5,485,535	$ 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 balances to XCXD. As at September 30, 2016, XCXD had a payable of $5,462,952 (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 and nine months ended September 30, 2016 and 2015 are as follows:

	For the Three months ended September 30		For the Nine months ended September 30	
	2016	2015	2016	2015
Salaries and fees				
- Salaries and consulting fees	$ 75,000	$ 67,363	$ 293,750	$ 318,991
- Director fees	38,000	4,000	84,000	42,000
	113,000	71,363	377,750	360,991
Share-based compensation	7,809	1,100	40,301	14,605
Total	$ 120,809	$ 72,463	$ 418,051	$ 375,596

These transactions were in the normal course of operations and are measured and recorded at the exchange amount, which is the amount of consideration established and agreed to by the relevant parties.

CHANGES IN ACCOUNTING POLICIES

The Company did not adopt any new accounting standard changes or amendments effective January 1, 2016 that had a material impact on these consolidated financial statements.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as at September 30, 2016, and have not been applied in preparing the Company's condensed interim consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that effect the financial statements. The Company has not adopted these new and amended standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

a) Amended standard IAS 7, Statement of Cash Flows ("IAS 7")

   The amendments to IAS 7 were issued to improve information provided to users of financial statements about an entity's changes in liabilities arising from financing activities. The amendments to IAS 7 is effective for annual periods commencing on or after January 1, 2017.

b) Amended standard IAS 12, Income Taxes ("IAS 12")

   These amendments relate to the recognition of deferred tax assets for unrealized losses associated with debt instruments measured at fair value. The amendments to IAS 12, is effective for annual periods commencing on or after January 1, 2017.

c) Amended standard IFRS 7, Financial Instruments: Disclosures ("IFRS 7")

   The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9 Financial Instruments and is effective for annual periods beginning on or after January 1, 2018.

d) New standard IFRS 9, Financial Instruments ("IFRS 9")

   IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

e) New standard IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

   IFRS 15 provides guidance on how and when revenue from contracts with customers is to be recognized, along with new disclosure requirements in order to provide financial statement users with more informative and relevant information. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

f) New standard IFRS 16, Leases ("IFRS 16")

   Effective for annual periods commencing on or after January 1, 2019, this replaces existing lease accounting guidance. All leases will be required to be reported on the statement of financial position unless certain requirements for exclusion are met.

SUBSEQUENT EVENT

There are no subsequent events.

OFF BALANCE SHEET ARRANGEMENT

As at September 30, 2016 and the date of this report the Company has not entered into any off balance sheet arrangements.

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 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, thus the carrying value of the short term loans approximates fair value. Available for sale financial asset includes investment in Empower Environmental Solutions Ltd. (“EMP”). EMP is a private entity based in Canada and is in a recycling business focusing on reusing and recycling of asphalt shingles in North America. The investment in EMP is measured at the cost which approximates its fair value.

b) Categories of financial instruments

	September 30, 2016			December 31, 2015
	Continued operations	Assets held for sale	Total	Total
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 2,026,468	$ 420,686	$ 2,447,154	$ 3,136,307
Restricted cash	-	683,039	683,039	739,995
Trade and other receivables	20,972	2,758,979	2,779,951	3,761,221
Available for sale financial assets				
Investment	150,000	-	150,000	150,000
Total	$ 2,197,440	$ 3,862,704	$ 6,060,144	$ 7,787,523
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	$ 550,541	$ 4,417,838	$ 4,968,379	$ 2,479,869
Due to related parties	-	5,462,952	5,462,952	140,811
Short term loans	-	6,521,512	6,521,512	9,475,896
Total	$ 550,541	$ 16,402,302	$ 16,952,843	$ 12,096,576

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:

Execution of the Business Plan

Although management of the Company has developed a business plan, there can be no assurance that the business plan will succeed in whole or in part. The Company continues to plan to undertake the expansion of its business by way of acquisitions. There can be no assurance that the Company will be able to complete the planned expansion within the expected timeframe or for the estimated costs set out in the Feasibility Study.

Future Capital Requirements

The development of the business of the Company will require substantial additional financing. The Company’s future capital requirements will depend upon many factors, including maintenance, plant and product expansion, and expansion of its sales and marketing efforts. Failure to obtain sufficient financing may result in delaying, scaling back, elimination, or indefinite postponement of future programs. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Lending may be obtained from Chinese banks, government organizations, major shareholders or other debt markets; however, there can be no assurance that such loans will be obtained. In addition, there can be no assurance that the Company’s business will generate sufficient cash flow from operations in the future to make necessary capital expenditures, in which case the Company may seek additional financing.

Competition

The Company expects to encounter competition from other entities having a business objective similar to its own. Many of these entities are well established and have extensive experience in connection with identifying and affecting business acquisitions directly or through affiliates. Competitors may introduce technological innovation in the Company's business, resulting in increased competitive pressures. Although the Company's projections assume that the industry will generate competition, there can be no assurances on how any level of competition may impact the future revenues of the Company. China can be a fiercely competitive market and any small price differentials between otherwise competitive goods and services can make an enormous difference to the consumer.

Foreign Operations

Currently, the Company's operations are conducted in the PRC and it is anticipated that this will continue to be the case. As such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: currency exchange rates; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; government corruption; changing political conditions; currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in investment policies or shifts in political attitudes in China may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, environmental legislation, land use, land claims of local people and water use. Any events resulting in an adverse impact on the Chinese economy will likely have an adverse effect on the Company's profitability and prospects. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's business, financial condition and results of operations.

Marketing and Distribution Expertise

Achieving market success will require substantial marketing efforts and the expenditure of significant funds to inform potential customers of the distinctive characteristics and benefits of The Company's products and services. The Company's long-term success may also depend, to a significant extent, on its ability to expand its present internal marketing organization. The Company will, among other things, have to attract and retain experienced marketing and sales personnel. No assurance can be given that the Company will be able to attract and retain qualified or experienced marketing and sales personnel or that any efforts undertaken by such personnel will be successful.

Protection of Intellectual Property Rights

Intellectual property rights in China are still developing and there are uncertainties involved in intellectual property rights protection and the enforcement of such protection. The Company will need to pay special attention to protecting its intellectual property and trade secrets. Failure to do so could lead to the loss of a competitive advantage that could not be compensated by a damages award.

In addition, please refer to the financial instruments section for the analysis of the financial risks factor.

OUTSTANDING SHARE CAPITAL

The Company had 53,571,285 common shares, 3,800,000 stock options outstanding, and 2,550,000 stock options exercisable as at September 30, 2016. If all of the Company's exercisable options were exercised, the Company would have 56,121,285 common shares outstanding.

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements for the three months ended September 30, 2016 and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.