

***FIRESWIRL TECHNOLOGIES INC.***

**Condensed Interim Consolidated Financial Statements**

**For the Three and Nine Months Ended September 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

(Unaudited)

(Expressed in Canadian Dollars)

	Notes	September 30, 2016	December 31, 2015
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 2,026,468	\$ 3,136,307
Restricted cash		-	739,995
Trade and other receivables		20,972	3,761,221
Deposits and prepayments		117,129	3,855,239
Inventory		246,963	4,718,146
Assets held for sale	3	16,664,113	-
<b>Total Current Assets</b>		<b>19,075,645</b>	<b>16,210,908</b>
Investment		150,000	150,000
Property and equipment		2,611	122,410
Trademark		19,176	19,176
Goodwill		-	306,926
<b>Total assets</b>		<b>\$ 19,247,432</b>	<b>\$ 16,809,420</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 550,541	\$ 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	16,402,302	-
<b>Total liabilities</b>		<b>16,952,843</b>	<b>12,096,576</b>
<b>Shareholders' equity</b>			
Common shares		8,206,521	8,206,521
Contributed surplus		3,634,675	3,593,579
Accumulated other comprehensive income		305,876	492,309
Accumulated other comprehensive income relating to assets held for sale		69,546	-
Accumulated deficit		(9,459,115)	(7,678,208)
<b>Total equity attributable to equity holders of the Company</b>		<b>2,757,503</b>	<b>4,614,201</b>
Non-controlling interest	4	(462,914)	98,643
<b>Total equity</b>		<b>2,294,589</b>	<b>4,712,844</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 19,247,432</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 September 30		Nine months ended September 30	
		2016	2015 (Note 3)	2016	2015 (Note 3)
<b>Operating revenue</b>					
Sales		\$ 137,541	\$ 274,932	\$ 374,869	\$ 277,562
Service revenue		-	-	8,011	363,059
<b>Total operating revenue</b>		<b>137,541</b>	<b>274,932</b>	<b>382,880</b>	<b>640,621</b>
<b>Operating expenses</b>					
Purchases		129,974	214,879	360,863	216,861
Technical service charges		-	-	-	121,500
Other related expense		-	-	-	19,925
Foreign Exchange loss (gain)		622	(10,447)	41,659	218,600
Depreciation and amortization		439	431	1,374	4,641
Sales and marketing		78,376	41,398	136,101	53,898
General administration		178,153	251,358	769,647	576,369
Salaries and benefits		65,401	58,121	244,416	823,661
Share-based compensation	5	7,372	1,100	41,096	17,651
		<b>460,337</b>	<b>556,840</b>	<b>1,595,156</b>	<b>2,053,106</b>
Operating loss before below items		(322,796)	(281,907)	(1,212,276)	(1,412,484)
Gain on sale of e-Commerce platform	6	-	3,250,000	-	6,200,385
Interest and other income		3,839	(90)	15,990	451
Finance costs		(472)	7,017	(1,482)	(1,443)
(Loss) income before income tax from continuing operations		(319,429)	2,975,020	(1,197,768)	4,786,909
Income tax expenses		-	198	-	(1,494)
Net (loss) income for the period from continuing operations		(319,429)	2,975,218	(1,197,768)	4,785,415
Discontinued operations, net of tax	3	22,775	(88,551)	(1,166,278)	68,767
<b>Net (loss) income for the period</b>		<b>(296,654)</b>	<b>2,886,667</b>	<b>(2,364,046)</b>	<b>4,854,182</b>
Other comprehensive (loss) income					
Currency translation adjustment, net of tax of \$nil		(15,465)	16,368	(95,306)	159,442
<b>Net comprehensive (loss) income</b>		<b>\$ (312,119)</b>	<b>\$2,903,035</b>	<b>\$ (2,459,352)</b>	<b>\$ 5,013,624</b>
<b>Net (loss) income from continuing operations attributable to:</b>					
Shareholders of the Company		\$ (319,429)	\$2,975,218	\$ (1,197,768)	\$ 4,785,415
Non-controlling interest		-	-	-	-
		<b>\$ (319,429)</b>	<b>\$2,975,218</b>	<b>\$ (1,197,768)</b>	<b>\$ 4,785,415</b>
<b>Net (loss) income for the period attributable to:</b>					
Shareholders of the Company		\$ (308,042)	\$2,930,943	\$ (1,780,907)	\$ 4,819,799
Non-controlling interest	4	11,388	(44,276)	(583,139)	34,383
		<b>\$ (296,654)</b>	<b>\$2,886,667</b>	<b>\$ (2,364,046)</b>	<b>\$ 4,854,182</b>
<b>Comprehensive (loss) income for the period attributable to:</b>					
Shareholders of the Company		\$ (312,420)	\$2,969,189	\$ (1,897,795)	\$ 4,969,087
Non-controlling interest	4	301	(66,154)	(561,557)	44,537
		<b>\$ (312,119)</b>	<b>\$2,903,035</b>	<b>\$ (2,459,352)</b>	<b>\$ 5,013,624</b>
Basic and diluted per share of:					
Net (loss) income from continuing operations		\$ (0.01)	\$ 0.06	\$ (0.02)	\$ 0.09
Net (loss) income for the period		\$ (0.01)	\$ 0.05	\$ (0.03)	\$ 0.09
Weighted average number of common shares					
Basic and diluted		53,571,285	53,571,285 0	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	-	-	-	-	-	4,819,799	4,819,799	34,383	4,854,182
Share based compensation	-	-	17,651	-	-	-	17,651	-	17,651
Foreign currency translation difference	-	-	-	149,288	-	-	149,288	10,154	159,442
Balance at September 30, 2015	53,571,285	\$ 8,206,521	\$ 3,591,384	\$ 495,138	\$ -	\$ (7,126,358)	\$ 5,166,685	\$ 239,286	\$ 5,405,971

	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	-	-	-	-	-	(1,780,907)	(1,780,907)	(583,139)	(2,364,046)
Discontinued operations	-	-	-	(69,546)	69,546	-	-	-	-
Share based compensation	-	-	41,096	-	-	-	41,096	-	41,096
Foreign currency translation difference	-	-	-	(116,887)	-	-	(116,887)	21,582	(95,305)
<b>Balance at September 30, 2016</b>	<b>53,571,285</b>	<b>\$ 8,206,521</b>	<b>\$ 3,634,675</b>	<b>\$ 305,876</b>	<b>\$ 69,546</b>	<b>\$ (9,459,115)</b>	<b>\$ 2,757,503</b>	<b>\$ (462,914)</b>	<b>\$ 2,294,589</b>

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)

		Nince months ended September 30	
	Notes	2016	2015 (Note 3)
<b>OPERATING ACTIVITIES</b>			
Income (loss) from continuing operations		\$ (1,197,768)	\$ 4,785,415
Income tax expenses		-	1,494
Income (loss) before income tax from continuing operations		(1,197,768)	4,786,909
Add (deduct) items not affecting cash:			
Depreciation and amortization		1,374	4,641
Share-based compensation		41,096	17,651
Gain on sale of e-Commerce platform		-	(6,200,385)
Interest and other income		(15,990)	(451)
Finance costs		1,482	1,443
Changes in non-cash working capital items:			
Trade and other receivables		436,161	59,878
Due from/to a related party		(29,977)	-
Deposits and prepayments		(61,074)	(210,614)
Inventory		32,673	(297,968)
Accounts payable and accrued liabilities		(86,106)	37,599
		(878,129)	(1,801,297)
Interest received		15,990	451
Interest paid		(1,482)	(1,443)
Income taxes paid		-	(1,494)
<b>Net cash used in operating activities of continuing operations</b>		<b>(863,621)</b>	<b>(1,803,783)</b>
<b>Net cash provided by operating activities of discontinued operations</b>	3	<b>2,513,495</b>	<b>(373,767)</b>
<b>INVESTING ACTIVITIES</b>			
Investment		-	(150,000)
Proceeds from sales of e-Commerce platform	6	-	2,975,000
<b>Net cash from investing activities of continuing operations</b>		<b>-</b>	<b>2,825,000</b>
<b>Net cash used in investing activities of discontinued operations</b>	3	<b>(32,982)</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>(1,153,210)</b>
<b>Net cash used in investing activities of discontinued operations</b>	3	<b>(2,255,954)</b>	<b>237,523</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(50,091)</b>	<b>21,770</b>
<b>Increase in cash and cash equivalents</b>		<b>(689,153)</b>	<b>(285,486)</b>
<b>Cash and cash equivalents, beginning of the period</b>		<b>3,136,307</b>	<b>549,112</b>
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 2,447,154</b>	<b>\$ 263,626</b>
<b>Cash and cash equivalents consisting of</b>			
Cash		\$ 2,026,468	\$ 61,740
Cash attributable to discontinued operations	3	420,686	201,886
		<b>\$ 2,447,154</b>	<b>\$ 263,626</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 nine months ended September 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 nine months ended September 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 unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 24, 2016.

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 \$1,780,907 for the nine months ended September 30, 2016. As of September 30, 2016, the Company has an accumulated deficit of \$9,459,115 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.

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 nine months ended September 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 as outlined below. 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.

#### **a) Application of new and revised International Financial Reporting Standards**

Effective January 1, 2016, the Company adopted the following new and amended IFRSs that were issued by the IASB. The application of these IFRS Standards did not have a material impact to the Company’s unaudited condensed interim consolidated financial statements.

- (i) Amended standard IAS 1, Presentation of Financial Statements (“IAS 1”)  
The amendments to IAS 1 deal with clarification of materiality in terms of the presentation of financial statements, clarification of the disclosure required in the statement of financial position, statement of loss and statement of other comprehensive income, and addition of possible ways of ordering the notes in order to increase the understandability and comparability of the financial statements.
- (ii) Amended standards IAS 16, Property, Plant and Equipment (“IAS 16”) and IAS 38, Intangibles (“IAS 38”)  
The amendments to IAS 16 and IAS 38 prohibit the use of revenue-based depreciation for plant and equipment and significantly limit the use of revenue-based amortization for intangible assets.
- (iii) Amended standard IFRS 11, Joint Arrangements (“IFRS 11”)  
The amendments to IFRS 11 deal with the accounting for acquisitions of an interest in a joint operation.

#### **b) Accounting standards issued but not yet effective**

- (i) 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.
- (ii) 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.



# **FIRESWIRL TECHNOLOGIES INC.**

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

**(Unaudited)**

**For the three and nine months ended September 30, 2016**

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### **Note 2 - Basis of Presentation (continued)**

#### **b) Accounting standards issued but not yet effective (continued)**

- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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.

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.

### **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. All of the XCXD’s revenue are generated in China and all of XCXD’s assets are located in China.

The assets and liabilities of XCXD have been classified as held for sale as at September 30, 2016. 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 as follows:

# **FIRESWIRL TECHNOLOGIES INC.**

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

**(Unaudited)**

**For the three and nine months ended September 30, 2016**

### **Note 3 – Discontinued Operations (continued)**

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Operating revenue</b>				
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
<b>Operating expenses</b>				
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

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**(Unaudited)**  
**For the three and nine months ended September 30, 2016**

**Note 3 – Discontinued Operations (continued)**

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

	For the Nine months ended	
	September 30,	
	2016	2015
<b>Operating activities</b>		
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)
<b>Investing activities</b>		
Acquisition of property and equipment	\$ (32,982)	\$ (39,020)
Net cash used in investing activities of discontinued operations	\$ (32,982)	\$ (39,020)
<b>Financing activities</b>		
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)

# **FIRESWIRL TECHNOLOGIES INC.**

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

**(Unaudited)**

**For the three and nine months ended September 30, 2016**

### **Note 3 – Discontinued Operations (continued)**

XCXD met the criteria for classification as held for sale as at September 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>September 30, 2016</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 420,686
Restricted cash *	683,039
Accounts receivable	2,758,980
Taxes recoverable	256,861
Deposits and prepayments	5,049,420
Inventory	7,084,285
	<u>16,253,271</u>
Property and equipment	103,916
Goodwill	306,926
<b>Total assets held for sale</b>	<b>\$ 16,664,113</b>
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued liabilities	4,417,838
Due to a related party (also see note 7)	5,462,952
Short term loans	6,521,512
<b>Total liabilities relating to assets held for sale</b>	<b>\$ 16,402,302</b>
<b>Net assets held for sale</b>	<b>\$ 261,811</b>

\* XCXD is required to maintain a deposit of \$683,039 (RMB3,472,502) as at September 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**

Non-controlling interest (“NCI”) represents the 50% interest in XCXD. The continuity of NCI 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	(583,139)
Other comprehensive income attributable to non-controlling interest	21,582
Balance – September 30, 2016	<u>\$ (462,914)</u>

# **FIRESWIRL TECHNOLOGIES INC.**

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

**(Unaudited)**

**For the three and nine months ended September 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%

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For the three and nine months ended September 30, 2016, share-based compensation in the amount of \$7,372 and \$41,096, respectively (three and nine months ended September 30, 2015 - \$1,100 and \$17,651) 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	(220,000)	0.07
Balance, September 30, 2016	3,800,000	0.08

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# **FIRESWIRL TECHNOLOGIES INC.**

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

**(Unaudited)**

**For the three and nine months ended September 30, 2016**

### **Note 5 - Share Capital (continued)**

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

<b>Exercise Price (\$)</b>	<b>Options Outstanding</b>		<b>Options Exercisable</b>	
	<b>Number of options</b>	<b>Remaining contractual life (Years)</b>	<b>Number of options</b>	<b>Remaining contractual life (Years)</b>
0.05	2,500,000	4.66	1,250,000	4.66
0.09	200,000	3.70	200,000	3.70
0.12	100,000	3.51	100,000	3.51
0.15	1,000,000	0.19	1,000,000	0.19
	<b>3,800,000</b>	<b>3.40</b>	<b>2,550,000</b>	<b>3.40</b>

### **Note 6 – Sale of Assets**

On March 25, 2015 the Company completed the sale of its Shenzhen e-commerce platform to Fung Holdings (1937) Limited (“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**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Due to the Company's shareholders	\$ -	\$ 29,977
Due to Yatan (see note below)	5,462,952	110,834
	<b>5,462,952</b>	<b>140,811</b>
Amounts due to related parties included in accounts payable	22,583	35,244
<b>Total</b>	<b>\$ 5,485,535</b>	<b>\$ 176,055</b>

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**(Unaudited)**  
**For the three and nine months ended September 30, 2016**

**Note 7 - Related Party Transactions (continued)**

a) Due to Related Parties (continued)

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. 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 September 30, 2016, XCXD had a payable of \$5,462,952 (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 nine months ended September 30, 2016 and 2015 is 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 related parties.

# **FIRESWIRL TECHNOLOGIES INC.**

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

**(Unaudited)**

**For the three and nine months ended September 30, 2016**

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### **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 nine months ended September 30, 2016 and 2015. Casio (Shanghai) Trading Company Limited was the Company major supplier for the three and nine months ended September 30, 2016 and 2015.

The Company's long-term assets located in Canada and China are as follows:

<b>September 30, 2016</b>		<b>China</b>		<b>Canada</b>		<b>Total</b>
Property and equipment	\$	-	\$	2,611	\$	2,611
Investment		-		150,000		150,000
Trademark		19,176		-		19,176
Property, equipment and goodwill included in assets held for sale (Note 3)		410,842		-		410,842
<b>Total</b>	<b>\$</b>	<b>430,018</b>	<b>\$</b>	<b>152,611</b>	<b>\$</b>	<b>582,629</b>

<b>December 31, 2015</b>		<b>China</b>		<b>Canada</b>		<b>Total</b>
Property and equipment	\$	118,977	\$	3,433	\$	122,410
Investment		-		150,000		150,000
Goodwill		306,926		-		306,926
Trademark		19,176		-		19,176
<b>Total</b>	<b>\$</b>	<b>445,079</b>	<b>\$</b>	<b>153,433</b>	<b>\$</b>	<b>598,512</b>



# FIRESWIRL TECHNOLOGIES INC.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2016

### 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 Company's available for sale financial asset includes the investment in Empower Environmental Solutions Ltd., a private entity. Investment in EMP is measured at the cost which approximates its fair value. As at September 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

	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
<b>Total</b>	<b>\$ 2,197,440</b>	<b>\$ 3,862,704</b>	<b>\$ 6,060,144</b>	<b>\$ 7,787,523</b>
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
<b>Total</b>	<b>\$ 550,541</b>	<b>\$ 16,402,302</b>	<b>\$ 16,952,843</b>	<b>\$ 12,096,576</b>

# **FIRESWIRL TECHNOLOGIES INC.**

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

**(Unaudited)**

**For the three and nine months ended September 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	\$ 98,222
2017	393,903
2018	336,873
2018	62,288
<u>Total</u>	<u>\$ 891,286</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 nine months ended September 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.