Fireswirl
Technologies Inc.

Management Discussion and Analysis of Financial Condition and Results of Operations

For the three months ended March 31, 2017 (Restated and Amended)

April 6, 2018

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 (restated and amended) and the accompanying notes for the three months ended March 31, 2017. The unaudited condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and in accordance with International Standard 34 Interim Financial Reporting

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 publicly 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 working capital adjustment. The Shenzhen e-commerce platform included: (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 chief executive officer, Mr. Tony Lau ("Mr. Lau") was required to resign and join the purchaser as an employee.

Throughout the time from the acquisition of the Company's controlling interest in XCXD to the present, XCXD incurred recurring losses and required financing from the Company to sustain its operations. Because of the recurring losses and the growing challenges relating to control of the strategic direction of XCXD and its continuing operations, the Company decided to sell its shares of XCXD back to XCXD's non-controlling interest shareholders.

On February 29, 2016, the Company entered into a purchase and sale agreement (the "Agreement"), pursuant to which the Company agreed to sell its controlling interest in XCXD to the non-controlling interest shareholders of XCXD in consideration for an aggregate of 6,058,673 common shares of the Company held by its non-controlling interest shareholders (the "Purchasers") and cash in the amount of RMB5,000,000 (equivalent to $965,000) (the "Advances") in exchange for a full settlement of XCXD's outstanding indebtedness to the Company and its subsidiaries. An amendment to the Agreement was signed on April 5, 2016 to extend the closing date to December 31, 2016.

In December 2016, the Company again realized that the transactions contemplated by the Agreement would not close on December 31, 2016, as the Purchaser would not be able to repay all the Advances. The Agreement was again amended on December 31, 2016 and April 30, 2017 to extend the closing date.

The sale of the Company's interest in XCXD was completed on May 31, 2017. The Company received the Consideration Shares and partial repayment of the Advances. Of the Advances, RMB3,500,000 (approximately $675,500) was received (of which RMB1,300,000 was received by December 31, 2016, RMB1,700,000 was received during the three months ended March 31, 2017 and RMB500,000 was received in May 2017) and RMB1,500,000 (approximately $289,500) was written off by the Company. The Consideration Shares returned to the Company were cancelled in June 2017.

In January 2017, the Company realized that it no longer had any control over the strategic or business affairs of XCXD. Control existed when the Company was exposed, and had the rights, to variable returns from its involvement with XCXD and had the ability to affect those returns. The financial results of XCXD would be included in the consolidated financial statements from the date that control commenced until the date that control ceased. Effective control over XCXD ceased on January 1, 2017.

As at December 31, 2016, and during the year then ended, the Company's interest in XCXD was reported as assets and liabilities held for sale in the Company's statement of financial position. The operating results of XCXD for each quarter of 2016 and for the year ended December 31, 2016 were reported as discontinued operations. A loss from the sale of XCXD was also reported during the fourth quarter of 2016 to recognize the fair value of the Company's investment in XCXD.

The Company had previously reported XCXD's assets and liabilities as assets and liabilities held for sales as at March 31, 2017 and reported XCXD's operating results for the three months ended March 31, 2017 as discontinued operations. Since the Company did not have control over the operations or the cash flows of XCXD effective January 1, 2017, the Company derecognized the assets and liabilities of XCXD from its consolidated statement of financial position. The Company then accounted for its remaining investment in XCXD at fair value and ceased reporting operating results of XCXD from January 1, 2017to the eventual date of its sale in May 2017.

The summary of the restatements is presented below:

	As at March 31, 2017		
	Previously presented	Adjustments	Restated
Assets			
Assets held for sale - investment in XCXD	$ -	$ 460,170	$ 460,170
Assets held for sale	11,175,226	(11,175,226)	-
Total assets	$11,175,226	$ (10,715,056)	$ 460,170
Liabilities			
Liabilities associated with assets held for sale	$13,289,804	$ (13,289,804)	$ -
Total liabilities	$13,289,804	$ (13,289,804)	$ -
Accumulated other comprehensive income relating to assets held for sale	$ 12,797	$ (12,797)	$ -
Non-controlling interest associate with the assets held for sale	(614,104)	614,104	-
Total equity	$ (601,307)	$ 601,307	$ -

	For the three months ended March 31, 2017		
	Previously presented	Adjustments	Restated
Change of fair value on investments in XCXD	$ -	$ 145,796	$ 145,796
Net loss from discontinued operations, net of tax	(3,655,290)	3,655,290	-
Net loss for the period	(4,151,571)	3,801,086	(350,485)
Other comprehensive income, net of tax			
Exchange differences on translation of foreign operations	(17,574)	18,309	735
Net comprehensive loss	$ (4,169,145)	$ 3,819,395	$ (349,750)
Net loss for the period attributable to:			
Common shareholder of the Company	$ (2,301,578)	$ 1,973,441	$ (328,137)
Non-controlling interest	(1,849,993)	1,827,645	(22,348)
	$ (4,151,571)	$ 3,801,086	$ (350,485)
Comprehensive loss for the period attributable to:			
Common shareholders of the Company	$ (2,309,846)	$ 1,982,595	$ (327,251)
Non-controlling interest	(1,859,299)	1,836,800	(22,499)
	$ (4,169,145)	$ 3,819,395	$ (349,750)
Basic and diluted per share of net loss attributable to common shareholder of the Company	$ (0.04)	$ 0.04	$ (0.01)

For the three months ended March 31, 2017, the Company recorded an unrealized gain of $145,796 representing the fair value adjustment of the Company's investment in XCXD. The fair value of the investment in XCXD as at March 31, 2017 is estimated based on the fair value of the remaining consideration (consisting of RMB500,000 in cash and 6,058,673 common shares of the Company) to be received in connection with the disposition of XCXD. The fair value of the Company's common shares is estimated based on the quoted market price of the Company's common shares at March 31, 2017.

The movement of investment in XCXD for the three months ended March 31, 2017 is as follows:

	Fair value amount
Balance, January 1, 2017	$ 640,979
The Advances received (RMB1,700,000)	(317,450)
Change in fair value	145,796
Foreign exchange	(9,155)
Balance, March 31, 2017	$ 460,170

On February 3, 2017, the Company entered into a share purchase agreement, pursuant to which the Company has agreed to purchase an aggregate of 60% equity interest in AMZON (HK) Limited ("AMZON") for a total of HK$7.2 million (approximately $1.2 million) in three payment dates. The closing date is each of the first, second and third payment date. On March 16, 2017, the Company completed the first payment in the amount of HK$4.8 million (approximately $823,560) and acquired 40% of the equity interest in AMZON (the "First Payment Date"). On April 20, 2017, the Company completed the 2nd payment in the amount of HK$1.2 million (approximately $200,000) and acquired additional 10% of the equity interest in AMZON (the "Second Payment Date"). On May 15, 2017, the Company completed the final payment in the amount of HK$1.2 million (approximately $200,000) and acquired the final 10% of the equity interest in AMZON. AMZON is a private company incorporated pursuant to the laws of Hong Kong Special Administrative Region of China and is in the business of providing multimedia and interactive marketing solutions, specializing in three dimensional visualizations, computer graphics and digital design.

FIRST QUARTER HIGHLIGHTS

- For the three months ended March 31, 2017 ("Q1 2017"), total operating revenue from continuing operations was $16,018 compared to $70,271 for the same period in 2016 ("Q1 2016").

  Net loss from continuing operations was $350,485 in Q1 2017 compared to a net loss of $389,106 for the same period in 2016. Included in the continuing operations is a change of fair value adjustment on investment in XCXD in the amount of $145,796. The Company lost control over the investment in XCXD effective January 1, 2017 (see above "Overview" section) and measured the investment in XCXD at the fair value.

- The Company had a total loss attributable to common shareholders of the Company of $328,137 compared to a net loss of $768,580 for the same period in 2016. Included in Q1 2016 net loss was the net loss of $489,350 from discontinued operations relating to the operating results of XCXD for the three months ended March 31, 2016.

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.

	Restated							
	2017 Q1	**2016 Q4**	**2016 Q3**	**2016 Q2**	**2016 Q1**	**2015 Q4**	**2015 Q3**	**2015 Q2**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Total operating revenue	16,018	16,108	16,043	15,107	70,271	86,397	19,005	30,246
Net (loss) income from continuing operations	(350,485)	(155,426)	(318,662)	(468,885)	(389,106)	(431,807)	2,924,105	(288,088)
Discontinued operations, net of tax	-	1,664,424	22,775	(699,703)	(489,350)	(235,435)	(88,551)	(135,441)
Net (loss) income for the period	(350,485)	1,508,998	(295,887)	(1,168,588)	(878,456)	(667,242)	2,835,554	(423,529)
Net (loss) income from continuing operations attributable to:								
Shareholders of the Company	(328,137)	(155,426)	(318,662)	(468,885)	(389,106)	(431,807)	2,924,105	(288,088)
Net (loss) income attribute to:								
Shareholders of the Company	(328,137)	(224,206)	(307,275)	(683,936)	(768,581)	(549,526)	2,879,831	(355,809)
Basic and diluted per share of								
Net (loss) incomefrom continuing operations	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	0.05	(0.01)
Net (loss) income from the period	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	0.05	(0.01)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2017

The Company's presentation currency is the Canadian dollar while the Company's operating expenses are predominately incurred in Canadian dollars, Chinese RMB and Hong Kong dollars. Therefore, the Company is subject to the risks of foreign exchange. The Company's operations are not impacted by seasonality considerations. The following table sets forth selected consolidated financial information for the three months ended March 31, 2017 and 2016.

	For the three months ended March 31	
	2017	2016
	$	$
	Restated	
Total revenues	16,018	70,271
Cost of sales	15,192	38,929
	826	31,341
Operating expenses		
General administration	413,131	395,688
Sales and marketing	77,197	30,057
	490,328	425,745
Operating loss before items below	(489,502)	(394,404)
Foreign Exchange loss	(8,214)	(1,640)
Change of fair value on investment in XCXD	145,796	-
Interest and other income	1,824	7,494
Finance costs	(389)	(556)
Loss before income tax from continuing operations	(350,485)	(389,106)
Income tax expense	-	-
Net loss for the period from continuing operations	(350,485)	(389,106)
Discontinued operations, net of tax	-	(489,350)
Net loss for the period	(350,485)	(878,456)
Net loss from continuing operations attributable to common shareholders of the Company	(328,137)	(389,106)
Net loss from discontinued operations attributable to common shareholders of the Company	-	(379,475)
Net loss attributable to common shareholders of the Company	(328,137)	(768,581)
Basic/diluted per share attributable to shareholders of the Company:		
- net loss from continuing operations	(0.01)	(0.01)
- net loss from discontinued operations	-	(0.01)
- net loss for the period	(0.01)	(0.01)

Consolidated Statements of Financial Position

	March 31 2017	December 31 2016
	$	$
	Restated	
Total assets	4,208,413	17,226,970
Total long-term liabilities	324,914	-

Revenue

The Company reported total operating revenue of $16,018 in Q1 2017 compared to $70,271 for the same period in 2016. The decrease of operating revenue in Q1 2017 was due to the increasing competition of e-commerce business in China.

Cost of sales

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

The cost of sale incurred in relation to these sales was $15,192 in Q1 2017 compared to $38,930 for the same period in 2016. The increase or decrease of cost of sales was consistent with the increase or decrease of operating revenue.

Operating Expenses

Total operating expenses increased to $490,328 in Q1 2017 compared to $425,745 for the same period in 2016. Operating expenses consisted of general administration expenses, and sales and market expenses which are explained below.

General Administration

General administrative expenses increased $17,443 to $413,131 in Q1 2017 compared to $395,688 for the same period in 2016, representing an increase of 4.4%.

Sales and Marketing

Sales and marketing expenses increased $47,140 to $77,197 in Q1 2017 compared to $30,057 for the same period in 2016. This increase was a result of activities relating to the developing and exploring of new business for the Company.

Foreign Exchange gain or loss

The Company had a foreign exchange loss of $8,214 in Q1 2017 compared to a loss of $1,640 for the same period in 2016. The Company did not utilize any hedges or forward contracts.

Net Loss from Continuing Operations

The Company reported a net loss from continuing operations of $350,485 in Q1 2017 compared to a net loss of $389,106 for the same period in 2016.

As fully discussed in the Overview Section, the Company ceased to consolidate the operating results of XCXD because the Company was no long exercising the control over its investment in XCXD effective January 1, 2017. Therefore, effective the same date, the Company measured the investment in XCXD at fair value. The change of the fair value relating to the investment in XCXD in the amount of $145,796 was recorded in Q1 2017.

Basic and diluted loss per share from continuing operations was $0.01 in Q1 2017 compared to basic and diluted loss per share of for continuing operations of $0.01 for the same period in 2016.

Net Loss from Discontinued Operations

The Company reported a net loss from discontinued operations (net of tax) of $Nil in Q1 2017 compared to $489,350 for the same period in 2016. Basic and diluted loss per share from discontinued operations was $0.00 in Q1 2017 compared to $0.01 for the same period in 2016.

The discontinued operations for the three months ended March 31, 2016 presents the operating results of XCXD. As fully discussed in the Overview Section, the Company ceased to consolidate the operating results of XCXD effective January 1, 2017.

Net Loss for the Period

The Company reported a net loss of $496,281 in Q1 2017 compared to a net loss of $878,456 for the same periods in 2016.

Basic and diluted loss per share was $0.01 in Q1 2017 compared to basic and diluted loss per share of $0.01 for the same period in 2016.

CASH FLOW STATEMENTS

Operating Activities

Cash used in operating activities increased $791,942 to $488,145 in Q1 2017 compared to $303,797 of net cash flows from operating activities for the same period in 2016.

Investing Activities

Cash outflow in investing activities increased $250,552 to $259,180 in Q1 2017 compared to cash outflow of $8,628 for the same period in 2016. The increase of cash outflow was mainly a result of cash paid in connection with the acquisition of AMZON net of cash acquired and offset with the proceeds of $317,350 (RMB1,700,000) received in connection with the disposition of XCXD.

Financing Activities

Cash used in financing activities decreased $226,586 to $374,781 in Q1 2017 compared to $601,367 for the same periods in 2016.

ACQUSITION OF AMZON

As discussed in the overview, the Company completed the First Payment on March 16, 2017 and acquired 40% equity interest in AMZON. The First Payment Date is the acquisition date (the “Acquisition Date”) of the initial acquisition of 40% of the equity interest in AMZON. The acquisition of AMZON has been accounted for as a business acquisition using the acquisition method. The Company has appointed two of three directors of AMZON since the Acquisition Date and has *de facto* control over AMZON. This unaudited condensed interim consolidated financial statements include the results of AMZON for the period from the First Payment Date to March 31, 2017. The Company is in the process of performing the valuation of the assets acquired and liabilities assumed. The Company has elected to measure the non-controlling interest in the acquiree at proportionate share of its interest in the acquiree’s identifiable net assets. The provisional purchase price allocation of the fair value of the assets acquired and liabilities assumed of AMZON as at the Acquisition Date were:

		The Company's share of fair value recognized on acquisition
Cash	$	248,515
Trade receivables		40,149
Equipment		12,673
Due from director		51,991
Intangible assets (provisional)		1,969,174
Accounts payable and accrue liabilities		(87,055)
Deferred revenue		(58,550)
Deferred tax liability		(324,914)
Total identifiable net assets at fair value		1,851,983
Non-controlling interest (60% of net assets)		(1,111,190)
Goodwill arising on acquisition (provisional)		82,767
Purchase consideration transferred	**$**	**823,560**
Consideration paid (HK$4,800,000)	**$**	**823,560**

The intangible assets mainly comprise the proprietorship of know-how and contract list. The deferred tax liability comprises the tax effect of the temporary difference of the accounting and tax base of the intangible assets acquired. The goodwill recognized is primary attributed to the expected synergies and other benefits from combining the assets and liabilities of AMZON. The goodwill is not deductible for tax purposes.

From the date of acquisition, AMZON has contributed $nil of revenue and $37,246 to the net loss before income tax from continuing operations. If the acquisition had taken place at the beginning of the period, revenue from continuing operations would have been $790,879 and the loss from continuing operations for the three months ended March 31, 2017 would have been $487,479.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2017, the Company had total debt of $1,018,613. The Company had $1,039,631 in cash and cash equivalents, and working capital of $1,243,018. 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.

The Company does not have commitments for capital expenditures as of March 31, 2017. The Company’s capital resources consist of common share, contributed surplus, accumulated other comprehensive income and accumulated deficit.

CONTRACTUAL OBLIGATIONS

As at March 31, 2017, the Company’s future minimum non-cancellable annual payments under operating lease is approximately $13,567.

RELATED PARTY TRANSACTIONS

a) Due from/to Related Parties

		March 31, 2017		**December 31, 2016**
Due from a director of (i)	$	52,129	$	-
Total	$	52,129	$	-
Amounts due to directors included in accounts payable (ii)	$	8,000	$	24,791
Total	$	8,000	$	24,791

(i) Due to the Company’s shareholders are unsecured, non-interest bearing and have no specific repayment date.

(ii) Due to directors 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 in Q1 2017 and 2016 are as follows:

	For the three months ended March 31	
	2017	**2016**
Salaries and fees		
- Salaries and consulting fees	$ 195,000	$ 75,000
- Director fees	38,000	8,000
	233,000	83,000
Share-based compensation	7,212	2,172
Total	$ 240,212	$ 85,172

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, 2017 that had a material impact on these unaudited condensed interim 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 March 31, 2017, and have not been applied in preparing the Company's unaudited 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) IFRS 9 Financial Instruments ("IFRS 9")

On July 24, 2014 the IASB issued the complete IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7, *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted.

b) IFRS 15 Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted.

c) IFRS 16, Leases ("IFRS 16")

On January 13, 2016, the IASB published a new standard, IFRS 16, *Leases*, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

OFF BALANCE SHEET ARRANGEMENT

As at March 31, 2017 and the date of this report the Company has not entered into any off balance sheet arrangements.

FINANCIAL INSTRUMENTS

Fair value estimation of financial instruments
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 from/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. EMP is a private entity. The fair value of the investment in EMP is measured based on observing the recent equity financing completed by EMP. The Company did not have financial liabilities measured at fair value on a recurring basis.

OUTSTANDING SHARE CAPITAL

As at the date of this report, the Company had 53,571,285 common shares, 2,800,000 stock options outstanding, and 1,550,000 stock options exercisable as at March 31, 2017. If all of the Company's exercisable options were exercised, the Company would have 55,121,285 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 March 31, 2017 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.

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.