Fireswirl
Technologies Inc.

Management Discussion and Analysis of Financial Condition and Results of Operations

For the year ended December 31, 2017

April 30, 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") audited consolidated financial statements and the accompanying notes for the year ended December 31, 2017. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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.

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 $965,009) (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 May 2017.

The Company ceased its effective control over XCXD on January 1, 2017 after its second amendment to the Agreement in December 2016. During the negotiation with XCXD’s non-controlling interest shareholders to establish the second amendment to the agreement, it was renegotiated that the settlement amount is to be revised to RMB 3,500,000. As a result of signing the second amendment, XCXD management deemed that its obligation to share further corporate strategy updates and accounting records were ceased starting the new fiscal year on January 1, 2017. 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. Given that the Company could no longer involve in the operations of XCXD, control ceased on January 1, 2017.

As at December 31, 2016, 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.

On February 3, 2017, the Company entered into a share purchase agreement, pursuant to which the Company 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 21, 2017, the Company completed the second payment in the amount of HK$1.2 million (equivalent to $208,438) 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 (equivalent to $210,175) 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.

FOURTH QUARTER HIGHLIGHTS

- For the three months ended December 31, 2017 ("Q4 2017"), total operating revenue was $10,234 compared to $16,108 for the same period in 2016 ("Q4 2016").

  Net loss from continuing operations increased $1,001,549 to $1,156,975 in Q4 2017 compared to $155,426 for the same period in 2016. Included in Q4 2017, there is a goodwill impairment charge of $1,105,248 relating to AMZON acquisition.

- The Company had a total loss attributable to shareholders of the Company of $1,242,371 in Q4 2017 compared to a net loss of $224,206 for the same period in 2016. The increase of loss is mainly because the goodwill impairment charge of $1,105,248 relating to AMZON acquisition.

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 presented as discontinued operations up until December 31, 2016 and effective January 1, 2017, the Company ceased reporting the operating results of XCXD because the Company did not have control over the operations or cash flows of XCXD as discussed in the OVERVIEW section.

	2017 Q4 $	2017 Q3 $	2017 Q2 $	2017 Q1 $	2016 Q4 $	2016 Q3 $	2016 Q2 $	2016 Q1 $
Total operating revenue	10,234	143,194	121,338	16,018	16,108	16,043	15,107	70,271
Net loss from continuing operations	(1,156,975)	(330,830)	(789,446)	(350,485)	(155,426)	(318,662)	(468,885)	(389,105)
Discontinued operations, net of tax	-	-	-	-	1,664,424	22,775	(699,703)	(489,350)
Net (loss) income for the period	(1,156,975)	(330,830)	(789,446)	(350,485)	1,508,998	(295,887)	(1,168,588)	(878,455)
Net loss from continuing operations attributable to:								
Shareholders of the Company	(1,242,371)	(292,179)	(631,808)	(328,137)	(155,426)	(318,662)	(468,885)	(389,105)
Net loss attribute to:								
Shareholders of the Company	(1,242,371)	(292,179)	(631,808)	(328,137)	(224,206)	(307,275)	(683,936)	(768,580)
Basic and diluted per share of								
Net loss from continuing operations	(0.02)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)
Net loss for the period	(0.02)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)

QUARTERLY RESULTS

Revenue

The Company reported total operating revenue of $10,234 in Q4 2017 compared to $16,108 for the same period in 2016.

The Company reported total operating revenue of $290,784 for the year ended December 31, 2017 compared to $117,529 for the same period in 2016. The increase of operating revenue in 2017 was mainly from revenue generated by AMZON since the acquisition of AMZON in March 2017.

Cost of sales

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 cost of sale incurred was $77,068 in Q4 2017 compared to $15,501 for the same period in 2016.

The cost of sale incurred was $167,538 for the year ended December 31, 2017 compared to $73,789 for the same period in 2016. The increase of cost of sales was consistent with the increase of operating revenue.

Operating Expenses

Total operating expenses increased by $230,099 to $1,621,335 for the year ended December 31, 2017 compared to $1,391,236 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 administration expenses increased by $246,012 to $1,461,138 for the year ended December 31, 2017 compared to $1,215,126 for the same period in 2016. The increase was mainly due to general administration expenses incurred by AMZON in 2017. As discussed above, AMZON was newly acquired in March 2017.

Sales and Marketing

Sales and marketing expenses decreased by $10,134 to $29,875 in Q4 2017 compared to $40,009 for the same period in 2016. This decrease was a result of reducing the activities relating to the developing and exploring of new acquisition target in 2017 as a result of the completion of the acquisition of AMZON in 2017.

Sales and marketing expenses decreased by $15,913 to $160,197 in for the year ended December 31, 2017 compared to $176,110 for the same period in 2016. This decrease was a result of reducing the activities relating to the developing and exploring of new acquisition target in 2017 as a result of the completion of the acquisition of AMZON in 2017.

Impairment of goodwill

During the fourth quarter of 2017, the Company completed the evaluation of the assets and liabilities acquired from AMZON and concluded there are no identifiable intangible assets acquired, and the 100% incremental value between the purchase price and the net tangible assets acquired was allocated to goodwill.

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of AMZON with those of the Company. The goodwill is not deductible for tax purposes. At the year-end of December 31, 2017, the Company performed the goodwill impairment assessment and recorded a 100% impairment provision in the amount of $1,105,248.

Gain on disposition of investment in XCXD

On May 31, 2017, the Company completed the disposition of its investment in XCXD and received total RMB3,500,000 (approximately $675,500) advances and 6,058,673 common shares of the Company, which are returned to the treasury on May 31, 2017. The Company recorded a gain on disposition of investment in XCXD of $56,281.

Net Loss from Continuing Operations

The Company reported a net loss from continuing operations of $1,156,975 in Q4 2017 compared to $155,426 for the same period in 2016. The Company reported a net loss from continuing operations of $2,627,736 for the year ended December 31, 2017 compared to $1,332,078 for the same period in 2016.

The increase of loss is because the goodwill impairment charge of $1,105,248 relating to AMZON acquisition as discussed above.

Net Loss

The Company reported a net loss of $1,156,975 in Q4 2017 compared to a net income of $1,508,998 for the same period in 2016.

The Company reported a total loss of $2,627,736 for the year ended December 31, 2017 compared to $833,932 for the same period in 2016.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated financial information for the years ended December 31, 2017, 2016 and 2015.

	For the year ended December 31		
	2017	**2016**	**2015**
	$	**$**	**$**
Total revenues	290,784	117,529	405,331
Net loss for the period from continuing operations	(2,627,736)	(1,332,078)	4,351,283
Discontinued operations, net of tax	-	498,146	(166,668)
Net loss for the period	**(2,627,736)**	**(833,932)**	**4,184,615**
Net loss (income) from continuing operations attributable to common shareholders of the Company	(2,494,495)	(1,332,078)	4,267,949
Net loss from discontinued operations attributable to common shareholders of the Company	-	(651,919)	(83,334)
Net loss attributable to common shareholders of the Company	**(2,494,495)**	**(1,983,997)**	**4,184,615**
Basic/diluted per share attributable to shareholders of the Company:			
- net loss from continuing operations	(0.05)	(0.02)	0.08
- net loss from discontinued operations	-	(0.01)	(0.00)
- net loss for the period	(0.05)	(0.04)	0.08

Consolidated Statements of Financial Position	**December 31 2017**	**December 31 2016**	**December 31 2015**
	$	**$**	**$**
Total assets (including assets held for sale for December 31, 2016)	474,154	17,226,970	16,809,420
Total long-term liabilities	-	-	-
Weighted number of shares outstanding	50,019,077	53,571,285	53,571,285

The Company's operations are not impacted by seasonality considerations.

CASH FLOW STATEMENTS

Operating Activities

Cash used in operating activities was $834,506 for the year ended December 31, 2017 compared to $1,978,913 for the same period in 2016.

Investing Activities

Cash used in investing activities was $564,724 for the year ended December 31, 2017 compared to $55,110 for the same period in 2016. The increase of cash outflow in investing activities for the year ended December 31, 2017 was mainly due to (i) cash paid net of the cash acquired in connection with the acquisition of Amzon totaling $986,488 and (ii) acquisition of property and equipment in the amount of $2,856, offset with the cash received relating to the repayment of the Advances in connection with the disposition of XCXD of $424,620.

Financing Activities

Cash from financing activities was $17,272 for the year ended December 31, 2017 compared to $1,496,008 for the same period in 2016. Out of $1,496,008 cash inflows in 2016, $1,525,842 was from XCXD. If excluding the cash inflows from XCXD in 2016, the Company has a cash outflow of $29,834 representing a director loan repayment.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, the Company had total debt of $860,327. The Company had $349,943 in cash and cash equivalents, and working capital (defined as current assets less current liabilities) deficiency of $422,068. 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 December 31, 2017. The Company’s capital resources consist of common share, contributed surplus, accumulated other comprehensive income and accumulated deficit.

CONTRACTUAL OBLIGATIONS

The Company has entered into operating lease for its head office premise. The lease will expire in April 2018. Future aggregate minimum lease payment under non-cancellable operation lease is approximately $22,237. The Company also entered into a rental agreement for its office in China with future aggregate minimum lease payment of $6,143 expiring October 2018.

RELATED PARTY TRANSACTIONS

a) Due to Related Parties

		December 31, 2017		**December 31, 2016**
Due to a director (i)	$	77,120	$	-
Due to a director of AMZON (ii)		99,416		-
		176,536		-
Amounts due to related parties included in accounts payable		160,314		24,791
Total	**$**	**336,850**	**$**	**24,791**

(i) During the year ended December 31, 2017, the Company borrowed a loan totaling $218,196 (RMB 1,140,000) (2016 - $Nil) from a director of the Company and recorded interest expense of $29,924 (RMB160,000) (2016 - $Nil) related to this loan. As at December 31, 2017, the outstanding amount of this loan is $77,120 (RMB 400,000). The loan is unsecured with total loan interest of RMB 160,000 (fully paid in 2017) with no stated repayment date.

(ii) Amount due to a director of AMZON is unsecured, non-interest bearing and has no specific repayment date.

b) Key Management Compensation:

Key management includes directors (executive and non-executive), chief executive officer and chief financial officer of the Company. The compensation paid or payable to key management personnel during the years ended December 31, 2017 and 2016 is as follows:

	For the year ended December 31	
	2017	**2016**
Salaries and fees		
- Salaries and consulting fees	$ 561,921	$ 470,431
- Director fees	19,333	32,000
	581,254	502,431
Share-based compensation	52,007	40,293
Total	**$ 633,261**	**$ 542,724**

Key management personnel were not paid post employment benefits or other long-term benefits during the years ended December 31, 2017 and 2016.

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 consolidated financial statements.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these 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.

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. The adoption of this standard does not have material impact on the Company’s consolidated financial statements.

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. The Company does not expect the adoption of the new standard to have a significant impact on its consolidated financial statements.

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. The Company is still in the process of assessing the impact that these standards will have on its consolidated financial statements.

OFF BALANCE SHEET ARRANGEMENT

As at December 31, 2017 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 and trade receivables 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 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. EMP is a private entity. The fair value of the investment in EMP is measured by assessing the financial position of EMP (level 2 in the fair value hierarchy) as at December 31, 2017. As at December 31, 2017 and 2016, the Company did not have financial liabilities measured at fair value on a recurring basis.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalent, restricted cash, trade receivable and due from a related party.

The Company limits its exposure to credit risk on cash and cash equivalents and restricted cash by depositing only with reputable financial institutions. Credit risk is primarily associated with trade receivables as the Company grants credit to its customers in the normal course of business. Credit risk on trade receivables is minimized by performing credit reviews, ongoing credit evaluation and account monitoring procedures. All trade receivables have been reviewed for indicators of impairment and these consolidated financial statements take into account an allowance for bad debts. Maximum credit risk related to trade receivables amounted to $33,039 at December 31, 2017 (December 31, 2016 - $10,231).

There were no overdue trade receivables outstanding as at December 31, 2017 and collection is reasonably assured. As at December 31, 2017, there are two customers' receivable balance exceeding 10% of the total trade receivable balance representing 70% of the total trade receivable balance.

c) Currency risk

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

The Company uses the Canadian dollar as its reporting currency for these consolidated financial statements. The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company is exposed to foreign exchange rage when the Company undertakes transactions and hold assets and liabilities in currencies other than its functional currencies. The Company currently does not use derivative instruments to hedge its exposure to those risks. As at December 31, 2017, the Company is subject to immaterial currency risk as it did not have material assets or liabilities held in currencies other than its functional currencies.

d) Interest risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2017, the Company did not expose significant interest risk.

e) Liquidity risk

The purpose of liquidity risk management is to maintain a sufficient amount of cash and cash equivalents. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost.

As at December 31, 2017, the Company had total debt in the amount of $860,327 due within 12 months and working capital deficiency of $422,068.

OUTSTANDING SHARE CAPITAL

As at the date of this report, the Company had 47,512,612 common shares, 3,850,000 stock options outstanding, and 3,450,000 stock options exercisable. If all of the Company's exercisable options were exercised, the Company would have 50,962,612 common shares outstanding. As of April 30, 2018, the Company had 53,512,612 common shares.

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 consolidated financial statements for the year ended December 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.