Fireswirl
Technologies Inc.

Management Discussion and Analysis of Financial Condition and Results of Operations

For the year ended December 31, 2018

April 30, 2019

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, 2018. The consolidated financial statements have been prepared in accordance with the 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.

On December 31, 2018, the Company decided to make available for sale for all of its interest in AMZON (HK) Limited and Fireswirl Asia Ltd. Assets and liabilities, and the annual operating results for both subsidiaries, as well as Fireswirl Technologies (Shenzhen) Co. Ltd and Fireswirl Technologies (Beijing) Co. Ltd of which 100% interest were held by Fireswirl Asia Ltd., were included in discontinued operation results.

On January 15, 2019, the Company consolidated its common shares on a basis of 50 old shares to 1 new share.
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FOURTH QUARTER HIGHLIGHTS

- For the three months ended December 31, 2018 ("Q4 2018"), total operating revenue was $(862) compared to $10,234 for the same period in 2017 ("Q4 2017").

  Net loss for the period decreased $1,017,029 to $139,946 in Q4 2018 compared to $1,156,975 for the same period in 2017.

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.

Three Months Ended	Total Revenue included in Discontinued operations ($)	Profit or Loss for the total of continuing and discontinued operations	
		Total ($)	Per Share ($)(1)(2)
December 31, 2018	(862)	(139,946)	(0.10)
September 30, 2018	35,398	(162,282)	(0.15)
June 30, 2018	-	(292,958)	(0.27)
March 31, 2018	130,761	(211,288)	(0.22)
December 31, 2017	10,234	(1,156,975)	(0.02)
September 30, 2017	143,194	(330,830)	(0.01)
June 30, 2017	121,338	(789,446)	(0.01)
March 31, 2017	16,018	(350,485)	(0.01)

FINANCIAL RESULTS

Revenue

The Company reported total discontinued operating revenue of $(862) and total continued operating revenue of $nil for the three months ended December 31, 2018, compared to $10,234 and $nil for the same periods in 2017.

The Company reported total discontinued operating revenue of $165,297 and total continued operating revenue of $nil for the year ended December 31, 2018 compared to $290,784 for the same period in 2017. The decrease of operating revenue in 2018 was mainly from revenue generated by AMZON. The total revenue was included in the discontinued operation results.

This decline in discontinued operating revenue was primarily attributed to the significant reduction in sales during the year ended December 31, 2018 resulting from lowered demand from VR and AR applications market in Hong Kong.

Cost of sales

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

The cost of sale reported in discontinued operations was $199 for Q4 2018 compared to $77,068 for the same periods in 2017. The cost of sale reported in continued operations was $nil for Q4 2018 compared to $nil for the same periods in 2017.

The cost of sale reported in discontinued operations was $52,465 for the year ended December 31, 2018 compared to $167,538 for the same period in 2017. The cost of sale reported in discontinued operations was $nil for the year ended December 31, 2018 compared to $nil for the same period in 2017.

The decrease of cost of sales was consistent with the decrease of operating revenue.

Operating Expenses

Total operating expenses for the discontinued operations decreased by $411,639 to $481,343 for the year ended December 31, 2018 compared to $892,982 for the same period in 2017. Total operating expenses for the continued operations decreased by $295,882 to $416,831 for the year ended December 31, 2018 compared to $712,713 for the same period in 2017.

Operating expenses consisted of general administration expenses, and sales and market expenses which are explained below.

General Administration

General administration expenses for the discontinued operations decreased by $372,762to $461,167 for the year ended December 31, 2018 compared to $833,929 for the same period in 2017. General administration expenses for the continued operations decreased by $237,729 to $373,840 for the year ended December 31, 2018 compared to $611,569 for the same period in 2017.

The decrease was mainly due to decrease of general administration expenses incurred by AMZON.

Sales and Marketing

Sales and marketing expenses for the discontinued operations decreased by $38,877to $20,176 in for the year ended December 31, 2018 compared to $59,023 for the same period in 2017. Sales and marketing expenses for the continued operations decreased by $58,153 to $42,991 in for the year ended December 31, 2018 compared to $101,144 for the same period in 2017.

This decrease was a result of reducing the activities relating to the developing and exploring of new acquisition target in 2018.

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. There was no such impairment in the year ended December 31, 2018.

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. There was no such gain in the year ended December 31, 2018.

Net Loss from discontinued operations

Fireswirl Asia Ltd. and AMZON (HK) Limited classified as held for sale as at December 31, 2018. The Company reported a net loss from discontinued operations of $382,660 in the year ended December 31, 2018 compared to $775,492 for the same period in 2017. The decrease is mainly due to the decrease of sales and operating activities in AMZON(HK) during the year ended December 31, 2018.

Net Loss from continuing operations

The Company reported a net loss from continuing operations of $423,814 for the year ended December 31, 2018 compared to $1,852,244 for the same period in 2017.

The decrease of loss from continuing operations 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 $806,474 for the year ended December 31, 2018 compared to a net loss of $2,627,736 for the same periods in 2017.

Selected Annual Financial Information

The following is selected financial data derived from the audited consolidated financial statements of the Company at December 31, 2018, 2017 and 2016. Balances in below were results combined with both continued and discontinued operations during each year.

	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016
Total revenue	165,297-	$290,784	$117,529
Net loss from continuing operations	$(423,814)	$(1,852,244)	$(1,332,078)
Discontinued operations	$(382,660)	$(775,492)	$498,146
Net loss	$(806,474)	$(2,627,736)	$(833,932)
Net loss per share (basic and diluted)	$(0.74)	$(2.49)	$(0.78)
	As at December 31, 2018	**As at December 31, 2017**	**As at December 31, 2016**
Total assets	$61,305	$476,979	$17,226,970

CASH FLOW STATEMENTS

Operating Activities

Cash used in operating activities from continuing operations was $289,169 and cash used in operating activities from discontinued operations was $282,202 for year ended December 31, 2018 compared to $468,052 and $340,754, respectively for the same periods in 2017.

Investing Activities

Cash used in investing activities from continuing operations was $15,718 which is comprised of acquisition of property and equipment of $3,246 and advances to discontinued operations of $12,472. Cash used in investing activities from discontinued operations was $nil for year ended December 31, 2018.

Financing Activities

Cash provided by financing activities from continuing operations was $300,000 of proceeds from issuance of shares. Cash provided by financing activities from discontinued operations was $12,472 for year ended December 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had total liabilities of $990,583. The Company had $4,553 in cash and cash equivalents and working capital (defined as current assets less current liabilities) deficiency of $932,313. 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, 2018. The Company's capital resources consist of common share, contributed surplus, accumulated other comprehensive income and accumulated deficit.

CONTRACTUAL OBLIGATIONS

The Company entered into a rental agreement for its office in China with future aggregate minimum lease payment of $3,403 expiring May 2019.

RELATED PARTY TRANSACTIONS

The related party transactions are in the normal course of operations and are measured and recorded at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these consolidated financial statements are listed below:

a) Due to related parties

Years ended December 31,		2018		2017
Due to a director	$	-	$	77,120
Due to a director of AMZON		185,039		99,416
		185,039		176,536
Amounts due to directors and officers included in accounts payable		252,845		160,314
Total	$	437,884	$	336,850

During the year ended December 31, 2017, the Company borrowed a loan totaling $218,196 (RMB 1,140,000) from a director of the Company and recorded interest expense of $3,123 (2017 - $29,924) related to this loan. As at December 31, 2018, the outstanding amount of this loan is $nil (2017 - 77,120). The loan is unsecured with total loan interest of RMB 160,000 per annum with no stated repayment date.

Amount due to a director of AMZON is unsecured, non-interest bearing and has no specific repayment date. The balance was included in liabilities associated with assets held for sale.

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, 2018 and 2017 is as follows:

Years ended December 31,		2018		2017
Salaries and fees:				
-Salaries and consulting fees	$	300,000	$	561,921
- Director fees		16,000		19,333
		316,000		581,254
Share-based compensation		6,693		52,007
Total	$	322,693	$	633,261

Key management personnel were not paid post employment benefits or other long-term benefits during the years ended December 31, 2018 and 2017.

CHANGES IN ACCOUNTING POLICIES

a) Financial instrument

Effective January 1, 2018, the Company adopted IFRS 9 – Financial Instrument ("IFRS 9") using the modified retrospective approach. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities except for securities as described below. The standard did not have an impact on the carrying amounts of the Company's financial instruments at the transition date.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

The Company designated its equity securities as financial assets at fair value through other comprehensive income ("FVTOCI"), where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be transferred into earnings (loss) upon disposition. As a result of this change, the net change in fair value of the equity securities, including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to net earnings (loss) in the consolidated compressive income (loss). Realized gains and losses on securities derecognized prior to January 1, 2018 have not been restated in prior year comparatives.

b) Revenue recognition

Effective January 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 18 – Revenue ("IAS 18"). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Company adopted the standard on January 1, 2018 using the full retrospective approach without applying any practical expedients.

IFRS 15 requires entities to recognize revenue when 'control' of goods or services is transferred to the customer whereas the previous standard, IAS 18, required entities to recognize revenue when the 'risks and rewards' of the goods or services are transferred to the customer. The Company concluded there is no change in the timing of revenue recognition relating to its service revenue under IFRS 15 compared to the previous standard. As such, no adjustment was required to the Company's 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, 2018, 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.

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 does not have significant operating lease obligations as at December 31, 2018. The adoption of this standard does not have material impact on the Company's consolidated financial statements.

OFF BALANCE SHEET ARRANGEMENT

As at December 31, 2018 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 that 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 and due to related parties which are all classified as financial liabilities at amortized cost.

The fair values of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, and due to related parties approximate their carrying values due to the short-term nature of these instruments. 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, 2018. As at December 31, 2018 and 2017, 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 $9,881 at December 31, 2018 (December 31, 2017 - $33,039).

There were no overdue trade receivables outstanding as at December 31, 2018 and collection is reasonably assured. As at December 31, 2018, 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, 2018, 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. The Company is not exposed to significant interest risk as at December 31, 2018.

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, 2018, the Company had total debt in the amount of $1,045,891 due within 12 months (December 31, 2017 - $860,327) and $938,864 of working capital deficiency (December 31, 2017 - working capital deficiency of
$422,068) .

OUTSTANDING SHARE CAPITAL

As at the date of this report, the Company had 53,512,612 common shares, 2,300,000 stock options outstanding and exercisable. If all of the Company's exercisable options were exercised, the Company would have 55,812,612 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 consolidated financial statements for the year ended December 31, 2018 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.