Fireswirl Technologies Inc.

Management Discussion and Analysis of Financial Condition and Results of Operations

For the three months ended March 31, 2013 and 2012

May 23, 2013

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

The following Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with Fireswirl Technologies Inc. ("Fireswirl" or the "Company") interim consolidated financial statements and the accompanying notes for the three months ended March 31, 2013 which 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 activity, performance or 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", or "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 change; 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 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 forward looking statements contained in this MD&A.

OVERVIEW

Fireswirl Technologies Inc. (TSX Venture: FSW;"the Company") was founded in 1999 and operated as a software development and project management company specializing in payment platforms and online gaming software for the internet. In 2006, the Company became a publically listed company through a reverse takeover and a $3.2 million equity financing accompanying its qualifying transaction.

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 the country 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.

CORPORATE SUMMARY

XCXD specializes in the branded online store outsourcing market in China. XCXD is currently the operator of the branded official online store and/or the Taobao Flagship Store for Toys "R" Us, Casio, LEGO, Nokia, Motorola, Sony Mobile, Logitech and many other international brands in China. In order to gain access to more international brand clients and expand its business network, the company also signed a partnership with GSI Commerce to expand its footprint in China. GSI Commerce is a world leader in e-commerce solutions, serving over 1,000 retailers and brands globally and is a wholly owned subsidiary of eBay Inc.

Fireswirl is continuing to execute on its long-term plan to becoming the largest e-commerce service platform in China for international brands, providing the technology and fulfillment know-how for these brands to break into the country's rapid growing e-commerce market.

China, being the predominant geographic location for Fireswirl, has over 1.3 billion people in population and is the fastest growing major economy in the world. To this end, the business opportunities in China are considered by management to be significant. The e-commerce market in China continues to expand at a rapid rate despite the global economic stagnation.

Fireswirl's core business is to operate the "official online store" in China on behalf of international brands it has contractual agreements with, thus it is not in direct competition with most other online retailers who do not represent any particular brand and sell products from a variety of brand names. The Company generates its revenue mainly from reselling branded products on the respective official branded online stores it operates. Management views this as a major competitive advantage over other online retailers in China. As China e-commerce is becoming a priority for many international brands, the partnerships between these brands and Fireswirl is an important part of the company's sustainable growth strategy.

For each new brand that launches a branded online store, it is typical for the new store to take anywhere between nine months to one year to gain market acceptance before it shows meaningful growth in sales. To that end, the branded stores launched since the end of 2011 and early 2012 have been contributing to the significant revenue growth in the fiscal year. Fireswirl believes that the new branded stores in the current pipeline shall support the mid to long-term growth of the Company.

To achieve profitability and high growth, the Company is focused in two directions:

(I) Achieve economies-of-scale by increasing the number of brands it signs up to grow overall recurring revenues. All branded official online stores the Company operates are running on the same technology platform, and will leverage off the Company's existing resources including data infrastructure, warehouse management and administrative support base. Economies of scale are achieved as the cost per transaction can be substantially reduced as high transaction volume is obtained.

(II) Nurture key brands for rapid online sales growth to increase the company's long-term sales-based revenue. Many brands clients have experienced rapid e-commerce growth in North America and other markets, and it is to the mutual benefit for Fireswirl and these brands to repeat such success in China. For example, the online store of Toys "R" Us in the US generates over US$1 billion of annual sales. The company believes key clients such as this will be successful in China as well and generate comparable revenue to their US online stores in the long term. Fireswirl strives to nurture the stores of these key brands to achieve significant revenue growth in the future.

SUMMARY OF FINANCIAL RESULTS

Key Financial Events

- Total operating revenue increased to $9,585,794 for the three months ended March 31, 2013 compared to $3,487,841 during the same period in 2012, representing an increase of 174.8%. The merchandise revenue has increased by 167.7% and service revenue increased by 297.5%.

- Total operating expense was $9,642,853 for the three months ended March 31, 2013 compared to $3,629,771 for the same period of 2012, representing an increase of 165.7%. The increase was mainly due to the increase in purchases, other related expenses and salaries and benefits.

- The Company reported a net loss on common shares of $75,378 for the quarter ended March 31, 2013 compared to a net loss on common shares of $227,764 for the same period of 2012, representing a decrease in loss of 66.9%.

- Fully diluted loss per share was $0.00 for the quarter ended March 31, 2013 compared to fully diluted loss of $0.01 for the same period of 2012.

- As at March 31, 2013, the Company had cash and cash equivalents of $394,131 and restricted cash of $857,850 compared to $594,921 and $319,400 as at December 31, 2012, representing a decrease of 33.8% and an increase of 168.6% respectively. As at March 31, 2013, the Company had working capital of $747,275 compared to $752,558 as at December 31, 2012, representing a decrease of 0.7%.

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.

	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Operating revenues								
Sales Revenue	8,824,527	10,993,101	5,815,967	5,452,645	3,296,332	4,567,746	5,631,757	4,903,963
Service Revenue	761,267	820,464	603,806	377,533	191,509	334,102	325,724	98,012
	9,585,794	11,813,565	6,419,773	5,830,178	3,487,841	4,901,849	5,957,481	5,001,975
Other operating income							-	-
Total operating income	9,585,794	11,813,565	6,419,773	5,830,178	3,487,841	4,901,849	5,957,481	5,001,975
Operating expenses								
Purchases	8,146,566	10,553,200	5,344,922	4,817,550	2,579,114	3,681,088	5,016,399	4,683,332
Delivery charges	120,691	101,598	90,557	90,073	164,372	324,828	151,420	140,694
Other related expense	476,084	349,119	188,402	162,001	127,915	303,957	116,619	85,394
Foreign exchange (gain)/loss	10,004	1,701	1,493	475	797	-	-	-
Amortization	38,929	36,254	38,149	40,333	40,159	39,754	39,946	42,915
Sales and marketing	39,225	37,658	53,582	47,637	33,740	44,982	49,736	27,439
General administration	213,347	274,501	227,696	247,592	214,250	215,500	247,435	183,613
Salaries and benefits	598,007	486,488	464,901	463,042	444,663	499,499	436,202	365,852
Share-based payment expense	-	11,807	20,324	22,377	22,377	85,204	17,930	-
Impairment	-	-	-	-	2,385	-	-	5,280
Total Operating Expense	9,642,853	11,852,325	6,430,026	5,891,080	3,629,771	5,194,812	6,075,687	5,534,519
Operating Income/(Loss)	(57,059)	(38,760)	(10,253)	(60,902)	(141,931)	(292,964)	(118,206)	(532,544)
Finance income	2,832	2,550	2,642	2,897	2,718	2,789	4,712	2,357
Finance costs	(17,158)	(87,627)	(129,851)	(113,582)	(85,301)	(16,066)	(92,241)	(68,495)
Income/(loss) before income tax	(71,385)	(123,837)	(137,462)	(171,587)	(224,514)	(306,241)	(205,735)	(598,682)
Income tax recovery (expenses)	(2,762)	(14,367)	(7,021)	(15,313)	-	(37)	(8,915)	
Net income/(loss)	(74,147)	(138,205)	(144,483)	(186,900)	(224,514)	(306,278)	(214,650)	(598,682)
Other comprehensive income/(loss)								
Foreign exchange currency adjustment	39,530	36,437	(35,894)	9,047	(197,419)	(15,037)	294,052	28,905
Comprehensive income/(loss)	(34,617)	(101,768)	(180,377)	(177,853)	(421,932)	(321,315)	79,402	(569,777)
Net income/(loss) attribute to:								
Common shares	(75,378)	(146,395)	(157,965)	(218,273)	(227,764)	(260,667)	(224,732)	(403,356)
Non-controlling interest	1,231	8,191	13,482	31,373	3,250	(45,610)	10,082	(195,326)
	(74,147)	(138,205)	(144,483)	(186,900)	(224,514)	(306,278)	(214,650)	(598,682)
Comprehensive income/(loss) attributable to:								
Common shares	(42,498)	(116,180)	(191,228)	(206,979)	(337,576)	(272,687)	(30,933)	(382,846)
Non-controlling interest	7,881	14,412	10,851	29,125	(84,357)	(48,628)	110,335	(186,930)
	(34,617)	(101,768)	(180,377)	(177,853)	(421,932)	(321,315)	79,402	(569,777)
Basic/Diluted income/(loss) per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.01)

QUARTERLY RESULTS

Comparison of the three month period ended March 31, 2013 and three month period ended March 31, 2012

Revenue

The Company reported total operating revenue of $9,585,794 for the three months ended March 31, 2013 compared to $3,487,841 for the same period in 2012, representing an increase of 174.8% due to increase in both merchandise resale and service revenue.

The breakdown of the Company's revenues by category for the three months ended March 31, 2013 and 2012 are as follow:

		Three months ended		
		31-Mar-13		31-Mar-12
Merchandise resale and trading	$	8,824,527	$	3,296,332
Service and software fees		761,267		191,509
Total Revenue		9,585,794		3,487,841
Purchases		8,146,566		2,579,114
Delivery charges		120,691		164,372
Other related expense		476,084		127,915
Total Cost of Goods Sold		8,743,341		2,871,401
Gross profit	$	842,453	$	616,439

During the three months ended March 31, 2013, the Company recognized revenue of $8,824,527 (same period in 2012: $3,296,332), an increase of 167.7%, from merchandise resale and trading in China. These sales incurred a cost of goods sold of $8,743,341 (same period 2012: $2,871,401), resulting in the gross profit margin of 0.9% (same period 2012: 12.9%).

The Company recognized revenue $761,267 (same period 2012: $191,509), an increase of 297.5% compare to the same period last year, from service and maintenance fees during the three months ended March 31, 2013.

OPERATING EXPENSES

Total operating expenses increased to $9,642,853 for the three months ended March 31, 2013 compared to $3,629,771 for the same period of 2012, representing an increase of 165.7%.

Cost of Goods Sold

Previously, cost of goods sold was presented as a separate line item under GAAP which includes the cost of purchasing the merchandise, sales tax, delivery, technical service and advertising expenses related to the sales. As we have chosen to present expense using the nature approach under IFRS, cost of goods sold is presented as change in inventory, delivery charges and other related expenses under operating expenses according to their nature.

The overall cost of goods sold has increased to $8,743,341 for the three months ended March 31, 2013 compared to $2,871,401 for the same period of 2012, representing an increase of 204.5%. The increase is mainly due to the increase in purchases (215.9%) and other related expense (272.2%) due to increase in merchandise resale and setup fees for customer e-commerce platforms. The purchases has increased to $8,146,566 compared to $2,579,114 in 2012, representing an increase of 215.9%.

Foreign Exchange gain or loss

The Company has a foreign exchange gain of $10,004 for the three months ended March 31, 2013 compared to $797 for the same period of 2012. Throughout the three months ended 2013 and 2012 the Company did not utilize hedges or forward contracts.

Amortization

Amortization expenses decreased to $38,929 for the three months ended March 31, 2013 compared to $40,159 for the same period of 2012, representing a decrease of 3.1%. XCXD represented $37,380 (same period 2012: 38,611) or 96% (same period 2012: 96.1%) of the depreciation and amortization expenses.

Sales and Marketing

Sales and marketing expense increased to $39,225 for the three months ended March 31, 2013 compare to $33,740 for the same period of 2012, representing an increase of 16.3%. This is due to more travel and entertainment expense being incurred during the quarter. During the three months ended March 31 2013, XCXD represented $18,692 (same period 2012: $13,496) or 47.7% (same period 2011: 40%) of the sales and marketing expenses.

General and Administrative

General and administrative expense slightly decreased to $213,347 for the three months ended March 31, 2013 compare to $214,250 for the same period of 2012 representing a decrease of 0.4%. During the three months ended March 31 2012, XCXD represented $140,234 (same period 2012: $111,637) or 65.7% (same period 2012: 52.1%) of the general and administrative expenses.

Salaries and Benefits

Salaries and benefits expense increased to $598,007 for the three months ended March 31, 2013 compared to $444,663 for the same period of 2012, representing an increase of 34%. During the three months ended March 31 2013, XCXD represented $445,061 (same period 2012: 315,456) or 74.4% (same period 2012: 70.1%) of the salaries and benefits expenses. The increase is mainly due to potential expansion of operation in XCXD into other areas of merchandises.

Share-based compensation

The Company recorded $Nil share-based compensation expense for the three months ended March 31, 2013 compared to $22,377 for the same period of 2012. The decrease is due to the compensation expense for the two stock option grants happened in August, 2011 and December, 2011 has been fully expensed in 2012.

Finance Income

The Company recorded $2,832 of interest income for the three months ended March 31, 2013 (same period 2012: $2,718). This interest income is mainly earned by XCXD restricted cash deposit for the quarter ended March 31, 2013 and 2012.

Finance Expense

The Company recorded $17,158 of interest expense for the three months ended March 31, 2013 (same period 2012: $85,301) after offsetting a government subsidy of $71,775 (RMB450,000) received in January, 2013 related to XCXD's 2012 interest expense. This interest expense was incurred by the short term loans drawn down by XCXD and Shenzhen for the three months ended March 31, 2013 and 2012.

Net Comprehensive Loss

The Company reported a net comprehensive loss attributable to the common shares is $42,498 for the three months ended March 31, 2013 compared to net comprehensive loss attributable to the common shares of $337,576 for the same period of 2012, representing a decrease in loss of 87.4%.

Diluted loss per share was $0.00 for the three months ended March 31, 2013 compared to a diluted loss of $0.01 in the same period of 2012.

Non Controlling Interest

The Company's foreign subsidiary, XCXD realized the net profit of $2,461 for the three months ended March 31, 2013 compared to the same period in 2012 of $6,500. Based on the Company's ownership of

50%, only 50% of the income and expense are being accounted for in the interim condensed consolidated statement of comprehensive income.

CASH FLOW STATEMENT DURING Q1 2013 and 2012

Operating Activities

Cash used by operating activities was $26,729 for the three months ended March 31, 2013 compared to cash used by operation of $1,220,833 for the same period of 2012, representing a decrease of 97.8%. During the three month period ended March 31, 2013 mainly due to a reduce in loss for the period, increase in shareholder loan and decrease in accounts payable offset by an increase in prepaid and deposits and inventory.

Investing Activities

Cash used by investing activities was $14,211 for the three months ended March 31, 2013 compared to $23,556 for the same period of 2012 representing a decrease of 39.7%. The cash used is mainly for replacing computer equipment in normal course of business.

Financing Activities

Cash inflow by financing activities was $334,455 for the three months ended March 31, 2013 compared to $835,225 cash inflow for the same period of 2012, representing a decrease of 60%. The cash inflow for both periods is mainly from the short term loan drawn down during the three month period.

LIQUIDITY AND CAPITAL RESOURCES

The Company has $nil of long term debt, $394,131 in cash and short term investments and working capital (defined as current assets less current liabilities) of $747,275. With the recent dramatic change 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 "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 with terms expected. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the Company be unable to continue as a going concern.

The Company does not have commitments for capital expenditures as of March 31, 2013. The Company's capital resources consist of common share issuances.

Contractual Obligations

The Company's future minimum annual payments under operating leases are the following:

2013	$143,679
2014	$ 69,118
2015	$ 23,295

Related Party Transactions

In the first quarter of 2013, the Company paid $60,900 (same period 2012: $42,900) in salaries to its management. The Company paid $Nil (same period 2012: $18,000) in professional fee to one of its officers and paid $4,000 (same period 2012: $4,000) to directors as director fees. As of March 31, 2013, the accounts payable balance includes $62,867 (same period 2012: $47,004) that is incurred from regular operational expenses outstanding to an officer of the company and the Company also had a balance of $3,154,411 (same period 2012: $730,226) due to the shareholders of Fireswirl Technologies Inc. and XCXD.

All of the above transactions were in the normal course of operations and are measured and recorded at the exchange amount of consideration established and agreed to by the related parties.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and methods used in preparation of the Company's financial statements are described in Note 2 of interim consolidated financial statements of the Company for the three month period ended March 31, 2013.

CHANGES IN ACCOUNTING POLICIES

The following standards and amendments to existing standards have been published and are mandatory for the Company's annual accounting periods beginning January 1, 2013, or later periods:

Consolidated Financial Statements - IFRS 10 Consolidated Financial Statements ("IFRS 10") will replace existing guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC 12 Consolidation – Special Purpose Entities. The portion of IAS 27 that deals with separate financial statements will remain. IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. IFRS 10 requires continuous assessment of control of an investee in line with any changes in facts and circumstances.

Joint Arrangements - IFRS 11 Joint Arrangements ("IFRS 11") will replace IAS 31 Interests in Joint ventures, and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement require the unanimous consent of the parties sharing control. The focus is not solely on the legal structure of joint arrangements, but rather on how the rights and obligations are shared by the parties to the joint arrangement. IFRS 11 eliminates the existing policy choice of proportionate consolidation for jointly controlled entities. In addition, the Standard categorizes joint arrangements as either joint operations or joint ventures.

Disclosure of Interests in Other Entities - IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Matters covered include information about the significant judgments and assumptions that any entity has made in determining whether it has control, joint control or significant influence over another entity.

Separate Financial Statements - IAS 27 Separate Financial Statements ("IAS 27") has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The amended IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent currently within the scope of the current IAS 27 Consolidated and Separate Financial Statements that is replaced by IFRS 10.

Investments in Associates and Joint Ventures - IAS 28 Investments in Associates and Joint ventures ("IAS 28") has been revised and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of IAS 28 Investments in Associates does not include joint ventures.

IFRS 13 Fair Value Measurement ("IFRS 13") was issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.
The IASB has issued an amendment to IFRS 7, Financial Instruments: Disclosures ("IFRS 7"), requiring incremental disclosures regarding transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company has applied the amendment at the beginning of its 2012 financial year. The Company does not expect the implementation to have a significant impact on the Company's disclosures.

The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IA 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position and disclosures.

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements ("IAS 1"), which requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they might at some point be reclassified from OCI to profit or loss at a later date when specified conditions are met. By requiring items of OCI to be grouped on this basis, their potential effect on profit or loss in future periods will be clearer. This amendment is effective for annual periods beginning on or after July 1, 2012 and requires full retrospective application. The Company does not expect IAS 1 to have a material impact on the financial statements.

International financial reporting standards (IFRS)

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the handbook of the Canadian Institute of Chartered Accountants ("CICA handbook"). In 2010, the CICA handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly the Company has commenced reporting on this basis in its consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

CRITICAL ACCOUNTING ESTIMATES

There are a number of accounting estimates underlying the accounting policies the Company applies in preparing its financial statements. The following are those which management has determined to be material.

Allowance for Doubtful Accounts

The Company charges license fees to licensees based on their level of activity. The Company's management exercises judgment in making collectability assumptions on a customer by customer basis in determining whether receivables are collectible and in determining the appropriate allowance for doubtful accounts based on knowledge of the customer's payment history and expectation of collectability

Deferred Development Costs

The Company exercises in the determination of the costs which meet the criteria for deferral and amortization under Canadian generally accepted accounting principles. These costs are estimated based on employee salaries applicable to development activities believed to meet the criteria and have value to the Company. The amortization period is estimated on the period of expected benefit to the Company.

Goodwill

Goodwill is recognized as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquired, less the fair value of the net identifiable assets acquired and liabilities assumed, as of the acquisition date. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Goodwill acquired through a business combination is allocated to each cash-generating unit ("CGU"), or a group of CGUs, that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment.

Impairment

Financial assets

Financial assets not carried at fair value through profit or loss are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets. Cash-generating units to which goodwill has been allocated reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net loss. Impairment losses recognized in respect of the cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized..

Revenue Recognition

The Company generates its revenue from online merchandise resale, online advertising, system setup fees, customization fees, service and licensing fees.

Revenue from the sale of online merchandise is recognized in our accounts when title and risk passes to the buyer, collection is reasonably assured and the price is reasonably determinable.

System setup fees and customization fees are recognized at the time when service is delivered, following agreement of fees and contractual arrangements and when collection of amounts due is considered to be reasonably assured.

Advertising and service fees are recognized when the service is performed, there are no significant obligations remaining, the sales price is determinable and collectability is reasonably assured.

Licensing fees are recognized ratably over the period of the licensing term, once the service is delivered, following agreement of fees and contractual arrangements and when the collection of amounts due is considered to be reasonably assured. Cash received in excess of the revenue recognized is deferred.

Foreign currency translation

The Company uses the Canadian dollar as its presentation currency.

Revenue and expense transactions that are denominated in foreign currencies and entered into directly by the Company are translated into Canadian dollars at the exchange rates prevailing at the time of the transactions. Amounts receivable and payable in foreign currencies are stated in Canadian dollars at the rates of exchange prevailing at the balance sheet dates, and the resulting foreign exchange gains and losses are recognized in the net income (loss) for the year.

For consolidation purposes, the assets and liabilities of subsidiary entities whose functional currencies differ from that of the Company are translated at the exchange rate prevailing at the balance sheet date. Income statements of such entities are translated at average rates of exchange during the year. All resulting exchange differences, including exchange differences arising from the translation of borrowings and other financial instruments are recognized directly in accumulated other comprehensive income (loss).

Should a foreign operation be sold, the cumulative exchange differences recognized in accumulated other comprehensive income (loss) since January 1, 2010 would be recognized in the income statement as part of the profit or loss on sale.

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:

- Foreign currency exchange risk
- Uncertainty as to the degree of new and continuing market acceptance of our products;
- Our products could contain defects that lead to costs, damage of reputation or litigation;
- Our dependence on brand partners' performance;
- Uncertainty regarding future profitability;
- Uncertainty regarding the pricing, reporting and collection of accounts;
- Risks associated with sales in foreign countries and their government policy and regulations therein

- Our ability to attract and retain key personnel

Subsequent Events

There is no subsequent event.

Off Balance Sheet Arrangement

As at March 31, 2013 and the date of this report the Company has not entered into any off balance sheet arrangements.

Financial Instruments and Other Instruments

The Company's financial instruments consists of cash, short term investments, accounts receivable, accounts payable and accrued liabilities, income taxes recovery and capital lease obligations. The fair values of these financial instruments approximate their carrying values, except as noted below. It is management's opinion that the Company is not exposed to significant interest risks. The Company's short term investments consist of investments in low risk bank certificates. A substantial portion of the Company's revenue is earned in foreign currencies and is exposed to currency fluctuations. The Company does not use financial derivatives or "other financial instruments".

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Company evaluated the effectiveness and design of its disclosure controls and procedures for the period ended March 31, 2013 and based on this evaluation (which included testing of the key controls by examining evidence demonstrating their existence on a test basis) have determined these controls to be effective.

The Corporation's financial reporting procedures and practices have enabled the certification of Fireswirl Technologies Inc. annual filing in compliance with Multilateral Instrument 52-109 "Certification of Disclosure in Issuers Annual and Interim Filings". Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other annual filings in accordance with Canadian Generally Accepted Accounting Principles, except as noted below.

Given the size of the Company, the evaluation of the design of internal controls over financial reporting for the Company resulted in the identification of the following weaknesses:

> Management is aware that due to its relatively small scale of operation there is a lack of segregation of duties to a limited number of employees dealing with accounting and financial matters. However, management has concluded that considering the employees involved and the control procedures in place, including management and Audit Committee oversight, risks associated with such lack of segregation of duties are not significant enough to justify the expense associated with adding employees to segregate duties.
>
> Management is aware that in-house expertise to deal with complex taxation, accounting and reporting issues may not be sufficient. The Company requires outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues, which is common with companies of similar size.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting. The Company internal control systems continue to evolve as the Company grows. We believe these systems are sufficient to execute the business plan and provide meaningful information upon which to manage the business. Management believes the disclosure, controls and procedures currently in place are effective.

The Company has 45,517,285 common shares and 1,750,000 options outstanding and exercisable at March 31, 2013 and as at the date of report. If all of the Company's exercisable options were exercised, the Company would have 47,267,285 common shares outstanding at the date of report.