



Fireswirl

Technologies Inc.

**Management Discussion and Analysis of
Financial Condition and Results of Operations**

For the three months ended March 31, 2010 and 2009

May 28, 2010

**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, 2010 which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

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 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 listed company (TSX-Venture; symbol FSW) through a reverse takeover and a \$3.2 million equity financing accompanying its qualifying transaction.

In 2007, the Company has 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. The Company embarked on online merchandize related business in China including trading merchandize including mobile phones and partnering with wireless carriers to provide value-added services to end-users.

On October 1, 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. Fireswirl also has an option to purchase the remaining 50% rights and interests of XCXD in 2011.

XCXD is a leader in branded online store market for mobile handsets in China. XCXD has been the sole operator of the official online store for Nokia and Motorola in China. During 2009, it has also become the sole operator of the official online store for Sony-Ericsson, LG and Dopod (known as HTC in other markets) in China.

This acquisition is a major step for Fireswirl in completing its long-term plan to becoming the largest online and mobile service platform in China for international brands, providing the technology and fulfillment know-how for brands to break into the country's rapid growing online and mobile shopping 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 enormous. The e-commerce market in China is expanding at a rapid rate. According to the China Internet Network Information Centre, there are 384 million Internet users in China in 2009, which has grown by 28.9% compared to 2008. The number of Internet shopper has also grown from 74 million in 2008 to 108 million in 2009, representing an increase of 45.9%. E-commerce sales in China have doubled in 2009 compared to 2008, reaching RMB 250 billion (\$36.7 billion Canadian Dollars). In 2009, about 1 out of 4 Internet users in China would make a purchase online, compared with an average of about 2 out of 3 in western countries. As both the number of Internet users and the percentage of people who would make online purchase grow, Fireswirl believes that China will remain as a strong revenue source for the Company in 2010.

SUMMARY OF FINANCIAL RESULTS

Key Financial Events

- Total revenue increased to \$4,169,823 for the three months ended March 31, 2009 compared to \$107,874 during the same period in 2009, representing an increase of 3,765%. The increase was mainly due to the increase in the scale of operation after the consolidation of XCXD's business.

- Total operating expense was \$553,769 for the three months ended March 31, 2010 compared to \$266,725 for the same period of 2009, representing an increase of 108%. The increase was mainly due to the increase in the scale of operation after the consolidation of XCXD's business.
- The Company reported a loss and comprehensive loss of \$220,661 for the quarter ended March 31, 2010 compared to a loss and comprehensive loss of \$257,140 for the same period of 2009, representing a decrease in loss of 14%.
- Fully diluted loss per share was \$0.01 for the quarter ended March 31, 2010 compared to fully diluted losses of \$0.01 for the same period of 2009.
- As at March 31, 2010, the Company had cash and cash equivalents of \$442,501 compared to \$1,467,401 as at December 31, 2009, representing a decrease of 70%. As at March 31, 2010, the Company had working capital of \$1,667,452 compared to \$1,855,426 as at December 31, 2009, representing a decrease of 10%. The Company had long term debt of \$51,745 as at March 31, 2010 compared to \$64,315 as at December 31, 2009.

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 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Revenue								
Merchandise resale and trading	\$ 4,049,064	\$ 4,029,843	\$ 69,033	\$ 31,959	\$ 95,706	\$ 33,716	\$ 259,566	\$ 477
Advertising	61,172	686,967	-	-	-	-	-	-
Service and software fees	59,587	24,376	17,368	17,890	12,168	5,459	12,781	6,083
	4,169,823	4,741,186	86,401	49,849	107,874	39,175	272,347	6,560
Cost of goods sold	3,778,882	3,724,724	67,686	31,929	99,321	29,133	255,916	499
Gross profit	390,941	1,016,462	18,715	17,920	8,553	10,042	16,431	6,061
Operating Expenses								
Depreciation & Amortization	25,022	18,487	4,881	6,936	10,671	11,396	13,864	15,106
Sales & Marketing	43,183	55,165	42,507	29,288	24,307	18,838	64,243	96,503
General Administration	196,486	300,764	98,341	94,352	87,524	142,374	146,259	111,187
Salaries & Benefits	287,028	261,271	141,903	128,062	123,078	252,653	215,085	255,124
Stock Based Compensation	2,050	9,471	2,000	2,000	21,146	(16,783)	21,673	32,587
Impairment	-	424,094	-	-	-	1,353,056	-	-
Total Operating Expenses	553,769	1,069,252	289,633	260,638	266,725	1,805,778	503,367	550,750
Operating Loss	(162,828)	(52,790)	(270,918)	(242,718)	(258,172)	(1,795,736)	(486,936)	(544,689)
Interest expenses	(10,736)	(42,886)	-	-	-	-	-	-
Other Income	214	(10,635)	15,698	7,031	4,182	(18,243)	10,720	21,831
Foreign Exchange	14,457	(41,227)	(31,508)	(33,499)	20,226	182,575	12,592	(5,583)
Loss from investment	-	(4,344)	(6,743)	(20,608)	(23,376)	(16,783)	-	-
Loss Before Taxes	(158,893)	(151,882)	(293,471)	(289,794)	(257,140)	(1,617,034)	(421,380)	(488,198)
Income Tax (expense)/recovery	(25,174)	(87,051)	-	-	-	-	-	-
Comprehensive loss before NCI	(184,067)	(238,933)	(293,471)	(289,794)	(257,140)	(1,617,034)	(421,380)	(488,198)
Non Controlling Interest	(36,594)	(315,973)	-	-	-	-	-	-
Net Loss	\$ (220,661)	\$ (554,906)	\$ (293,471)	\$ (289,794)	\$ (257,140)	\$ (1,617,034)	\$ (421,380)	\$ (488,198)
Basic/Diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.06)	\$ (0.02)	\$ (0.02)

QUARTERLY RESULTS

Comparison of the three months ended March 31, 2010 and three months ended March 31, 2009

Revenue

The Company reported revenue of \$4,169,823 for the three months ended March 31, 2010 compared to \$107,874 for the same period in 2009, representing an increase of 3,765% mainly due to the acquisition of XCXD and consolidation of XCXD's revenue.

The breakdown of the Company's revenues by category for the three months ended March 31, 2010 and 2009 are as follow:

	Three months ended	
	March 31, 2010	March 31, 2009
Revenue		
Merchandise resale and trading	\$ 4,049,064	\$ 95,706
Advertising	61,172	-
Service and software fees	59,587	12,168
	4,169,823	107,874
Cost of goods sold	3,778,882	99,321
Gross profit	390,941	8,553

During the three months ended March 31, 2010, the Company recognized \$4,049,064 (Q1 2009: \$95,706) of revenue from the online merchandise sales in China. This sales incurred a cost of goods sold of \$3,778,882 (Q1 2009: \$99,321) resulting in the gross profit margin of 6.7% (Q1 2009: -4%).

The Company recognised \$61,172 of revenue from advertising during the three months ended March 31, 2010 (Q1 2009: Nil). Advertising fee is charge to advertiser who posts advertisement on websites and online stores operated by the Company in China or uses the Company's advertising service.

The Company recognised \$59,587 (Q1 2009: \$12,168) of revenue from service and maintenance fees during the three months ended March 31, 2010.

Cost of Sales

Cost of sales includes the cost of purchasing the merchandise, sales tax, delivery, technical service and advertising expenses related to the sales.

Operating Expenses

Total operating expenses increased to \$553,769 for the three months ended March 31, 2010 compared to \$266,725 for the same period of 2009, representing an increase of 108% mainly due to the acquisition of XCXD and consolidation of XCXD's expenses.

Depreciation and Amortization

The Company reported depreciation and amortization expenses of \$25,022 for the three months ended March 31, 2010 compared to \$10,671 for the same period of 2009, representing an increase of 134%.

The increase in depreciation and amortization expenses is due to higher net book values of capital assets at March 31, 2010 from acquisition of XCXD and consolidation of their capital assets and leasehold improvement. During the three months ended March 31 2010, XCXD represented \$17,171(Q1 2009: Nil) or 69% of the depreciation and amortization expenses.

Sales and Marketing

Sales and marketing expenses increased to \$43,183 for the three months ended March 31, 2010 compared to \$24,307 for the same period of 2009, representing an increase of 78%. During the three months ended March 31 2010, XCXD represented \$22,846 (Q1 2009: Nil) or 53% of the depreciation and amortization expenses.

General and Administrative

General and administrative expenses increased to \$196,486 for the three months ended March 31, 2010 compared to \$87,524 for the same period of 2009 representing an increase of 124%. During the three months ended March 31 2010, XCD represented \$122,849 (Q1 2009: Nil) or 63% of the depreciation and amortization expenses.

Salaries and Benefits

Salaries and benefits expenses increased to \$287,028 for the three months ended March 31, 2010 compared to \$123,078 for the same period of 2009, representing an increase of 133%. During the three months ended March 31 2010, XCD represented \$139,288 (Q1 2009: Nil) or 49% of the depreciation and amortization expenses.

Stock Based Compensation

The Company recorded \$2,050 of stock based compensation expense for the three months ended March 31, 2010 compared to \$21,146 for the same period of 2009 representing a decrease of 90%. The decrease is attributable to the lower fair values of new options granted due to the lower market price of the existing share, decrease in number of options granted, and the fact that the options granted in previous years were mostly vested in previous years.

Interest Expenses

The Company recorded \$10,736 of interest expenses for the quarter ended March 31, 2010 (Q1 2009: Nil). This interest expense was incurred by the loans in XCD for the quarter ended March 31, 2010.

Other Incomes and Losses

Other incomes and losses totaled \$214 for the three months ended March 31, 2010 compared to \$4,182 during the same period in 2009, representing a decrease of 95%. Other incomes and losses for the three months ended March 31, 2010 consisted of \$654 of interest income and \$440 of miscellaneous loss while other incomes losses for the three months ended March 31, 2009 was solely from interest income.

Foreign Exchange Gain

The Company recognized foreign exchange gain of \$14,457 for the three months ended March 31, 2010 compared to foreign exchange gain of \$20,226 for the same period of 2009 representing a decrease of 29%. The Company does not utilize any hedges or forward contract arrangements.

Non Controlling Interest

The Company's foreign subsidiary, XCD realized the net profit of \$73,188 during the period from the acquisition to December 31, 2009. Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of \$36,594 (Q1 2009: Nil) was subtracted from the consolidated Comprehensive loss before NCI.

Net Loss

The Company reported net losses of \$220,661 for the three months ended March 31, 2010 compared to net losses of \$257,140 for the same period of 2009, representing a decrease in loss of 14%.

Diluted loss per share was \$0.01 for the three months ended March 31, 2010 compared to a diluted loss of \$0.01 in the same period of 2009.

CASH FLOW STATEMENT DURING Q1 2010 and 2009

Operating Activities

Cash used by operating activities was \$965,903 for the three months ended March 31, 2010 compared to cash used by operation of \$247,871 for the same period of 2009, representing an increase of 283%. During the three months ended March 31 2010, XCXD represented \$682,866 (Q1 2009: Nil) or 71% of the cash used by operating activities.

Investing Activities

Cash used by investing activities was \$17,872 for the three months ended March 31, 2010 compared to \$382,733 for the same period of 2009 representing a decrease of 95%. The company's investing activities in the first quarter of 2010 consisted mainly of acquisition of capital assets while the investing activities in 2009 consisted mainly of investment in Tysen, acquisition of capital assets, loan receivable and repayment of loan receivable.

Financing Activities

Cash used by financing activities was \$12,570 for the three months ended March 31, 2010 compared to zero for the same period of 2009. There was no issuance of shares for cash from exercise of options and warrants during the periods.

LIQUIDITY AND CAPITAL RESOURCES

The Company has \$51,745 of long term debt, \$442,501 in cash and short term investments and working capital (defined as current assets less current liabilities) of \$1,667,452. The Company has adequate cash and short term investments to meet the Company's planned growth and development activities. However, 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.

The Company does not have commitments for capital expenditures as of March 31, 2010. 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:

2010	\$220,610
2011	\$177,216
2012	\$146,292
2013	\$134,112

Related Party Transactions

In the first quarter of 2010, the Company paid \$62,455 (Q1 2009: \$69,209) in salaries to its management. Also, the Company paid \$15,250 (Q1 2009: \$15,000) in professional fee to one of its officers and paid \$2200 (Q1 2009: \$2,000) to directors as director fees. As of March 31, 2010, the accounts payable balance includes \$6,916 (Q1 2009: Nil) that is incurred from regular operational expenses outstanding to an officer of the company and the Company also had a balance of \$1,021,370 (Q1 2009: Nil) due to the share holders of 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.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies and methods used in preparation of the Company's financial statements are described in Note 3 of consolidated financial statements of the Company for the year ended December 31, 2009. The Company has not affected any changes to its significant accounting policies during the three months ended March 31, 2010 and 2009 except as follows:

Financial Instruments, Comprehensive Income and Hedges

On January 1, 2008 the Company adopted the new CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" Section 1530, "Comprehensive Income", and Section 3865, "Hedges" on a prospective basis.

Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides a characteristic based definition of a derivative financial instrument, provides criteria to be used when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished.

Section 1530 establishes standards for reporting comprehensive income. These standards require that an enterprise presents comprehensive income and its components in a separate financial statement that is displayed with the same prominence as other financial statements.

Section 3865 provides an alternative Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guidelines 13, "Hedging Relationships", and on hedging guidance in Section 1650, "Foreign Currency Translation", by specifying how edge accounting is applied and what disclosure it requires.

The Company determined that it had no embedded derivatives that were required to be separated from the host contract, and that it had no "other comprehensive income or loss" transactions during 2008. The adoptions of these new sections had no impact on net (loss) income.

The following new accounting standards were adopted January 1, 2008: Financial Instruments – Disclosures, Financial Instruments – Presentation and Capital Disclosures. These standards will require the Company to provide additional disclosures relating to its financial instruments, including hedging instruments, and about its equity.

It is not anticipated that the adoption of these new accounting standards will impact the amounts in the Company financial statements as they primarily related to disclosure.

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.

Intangible Assets

The Company estimates future cash flows attributable to intangible assets for purposes of the evaluation of potential impairment based on its expectations of future market conditions. These estimates require the use of forward-looking assumptions based on past experience as well as future expectation arising from the Company's strategic and financial planning activities. Changes to these assumptions and future market conditions could result in changes to the impairment and recoverability assumption for these assets.

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 customer 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 diligently ensure that our customers operate in accordance with the terms of our license agreements that require observation of the laws of Canada and foreign countries;
- Our ability to attract and retain key personnel.

Proposed Transactions

There is no proposed asset or business acquisition or disposition transactions pending as at March 31, 2010 and the date of this report.

Off Balance Sheet Arrangement

As at March 31, 2010 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, 2010 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 31,361,285 common shares and 1,590,000 options outstanding at March 31, 2010 and the date of this report. If all of the Company's options were exercised, the Company would have 32,951,285 common shares outstanding.