Fireswirl Technologies Inc.

Management Discussion and Analysis of the Financial Condition and Results of operations, for the years ended December 31, 2007 and 2006.

April 3, 2008

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") audited consolidated financial statements and the accompanying notes for the year ended December 31, 2007, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Reference to 2007 or fiscal 2007 means the twelve months ended December 31, 2007. Likewise, reference to 2006 or fiscal 2006 refers to the twelve months ended December 31, 2006.

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.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization and impairment charges. EBITDA is not a recognized measure under the Canadian generally accepted accounting principles. Management believes however that EBITDA is a useful supplementary measure as it provides an indication of the results of Fireswirl's business operations without regard to how these activities were financed or how these results were taxed. The Company's method of calculating EBITDA may differ from that of other companies and accordingly, EBITDA may not be directly comparable to measures used by other companies.

OVERVIEW

Fireswirl was founded in 1999 and operated as a software development and project management company specializing in payment platforms for the internet. In 2004, the Company began licensing (in eligible jurisdictions) the "Fireswirl Poker Suite" which had taken 4 years to develop at an estimated cost of $2 million. Fireswirl in its entirety has never operated a wagering website or processed any forms of wagers over the Internet.

In mid-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. The Company embarked on a series of events in fall 2006 to achieve an enhanced business model with greater potential realizing the clients involved and these types of projects require longer sales cycles but will also provide significant leverage to the Company at inauguration.

Total revenues decreased to $40,382 for the year ended December 31, 2007 compared to $641,396 for the year ended December 31, 2006. The reduction in revenues reflected management initiatives undertaken in 2006 adjusting to the regulatory changes affecting the online gaming industry. In 2007, the Company did not pursue licensing revenue from independent gaming operators (previously a major source of revenue) instead targeting Governments or their licensed agents. The sales cycle for these clients is expected to be longer and the Company believes its complaint strategy will be a distinguishing factor as governments consider and implement their online gaming initiatives. In 2007 the Company attempted to become a sales channel for a smart phone product in Asia, which did not materialize also hampering aspects of bundling opportunities for other Fireswirl products.

Total expenses increased from $1,563,325 for the year ended December 31, 2006 to $2,178,081 for the year ended December 31, 2007. Human resources remained the Company's single largest expenditure of $1,469,129 for the twelve months ended December 31, 2007 compared to $878,453 for the same period of 2006. In 2007 the Company deferred software development costs of $803,484 (net of a one-time write down of $446,700) compared to $437,244 in 2006. The write down relates to uncertainty of revenue prospects for the SMS Translation and Mobile Lottery (SMILES), however the Company will continue with efforts to monetize these projects in fiscal 2008.

In Q4 2007 the Company initiated expense reductions that would not impair the intellectual core of our technology and preserve key staff members. The expense reductions focused on fewer staff in Canada, relocation of premises, and reducing consultants. In mid 2007, the Company opened an office in China (Shenzhen) and re-located the Company's CTO to oversee operations which focus on business development and quality testing. In addition to lower staffing costs, having a presence in China is essential to our strategies in 2008.

2007 was a developmental year for the Company requiring alignment to our product and target markets. Our going forward model surrounds involvement with high traffic "internet or mobile phone" corridors that can be monetized through advertisers or databases that in many cases will use our gaming software as entertainment content. The Company also developed an infrastructure (legal, banking, financing, import/export, permits, VAT accounts, etc,) for trading mobile devices in China which we will pursue in 2008. The Company is well funded for its current projects and able to consider additional projects. In the latter part of 2007 and continuing in Q1 2008 the Company achieved expense reductions and was able to complete 3 projects, expected to produce revenues in 2008. The Company remains committed to its strategies in North America and Asia.

Project Update

In June 2007 the Company acquired a 3G Platform capable of deploying interactive video content on 3rd generation mobile phones. The company subsequently developed 3G content with a play for free casino suite to attract users and corresponding network usage by the customer. Beta testing was completed in February 2008 with the company recently syndicating its 3G content to Hong Kong under a "content provider agreement" with Hutchison Telephone Company Limited ("HT"). HT and the Company are now considering their promotion strategies to increase usage.

On March 1, 2008 the Company launched a play for free Texas Holdem poker site (www.chipsnchat.com) whereby contestants can earn points, socialize through a chat feature, and compete in tournaments. The site has grown to over 18,000 sign-ups and receives approximately 2,500 daily users. The company is investing in marketing programs to promote this site, with a view of attracting sponsors or advertisers.

In late March 2008, the Company launched a website(www.cathayhub.com) catering to an English and Chinese forum of users, containing comprehensive and relevant information about starting or conducting business in China. Revenues are expected from memberships with expectations to complete the content and market the site in Q2 2008.

SUMMARY OF FINANCIAL RESULTS

Key Financial Events

- On February 2, 2007 the Company completed a $4.5 million private placement for net proceeds of $4,109,839. Stock options and warrants were exercised for an additional amount of $617,227 for the twelve months ended December 31, 2007. Total securities issued in fiscal 2007 were 5,138,112 increasing the outstanding shares to 25,205,112 and 30,781,000 on a fully diluted basis.

- As of December 31, 2007 the Company had a strong balance sheet with cash of $4,248,211, working capital of $4,063,827 and no debt.

- Human resources remained the Company's single largest expenditure. Total expenditure was $1,469,219 for the twelve months ended December 31, 2007 compared to $878,453 for the same period of 2006. Costs relating to the development of software are expensed as incurred unless they meet the criteria for deferral and amortization under the generally accepted accounting principles. In 2007 the Company deferred costs of $803,484 compared to $437,244 in 2006.

- The Company reported a loss of $2,022,188 for the year ended December 31, 2007 compared to a loss of $855,791 for the same period of 2006.

- Fully diluted loss per share was ($0.08) for the year ended December 31, 2007 compared to fully diluted losses of ($0.05) for the same period of 2006.

SELECTED ANNUAL FINANCIAL DATA
Comparison of the years ended December 31, 2007 and 2006.

Consolidated Statement of Operations and Deficit

	2007	**2006**
Revenue	$40,382	$641,396
Operating expenses		
Amortization	23,883	20,616
Sales and Marketing	204,976	107,455
General Administration	584,826	489,930
Salaries and Benefits	604,768	530,269
Stock based compensation	312,928	278,211
Bad and Doubtful Debts	-	136,844
Impairment Development cost	446,700	-
Total Expenses	2,178,081	1,563,325
Operating income (loss)	(2,137,699)	(921,929)
Other income (expenses)	115,511	68,034
Income (Loss) before taxes	(2,022,188)	(853,895)
Income tax expenses (recovery)	-	(1,896)
Net income (loss) for the year	**(2,022,188)**	**(855,791)**
Basic/diluted loss per share	**$ (0.08)**	**$ (0.05)**

RESULTS OF OPERATIONS
Comparison of the years ended December 31, 2007 and 2006.

REVENUE

Total revenues decreased to $40,382 for the year ended December 31, 2007 compared to $641,396 for the year ended December 31, 2006. The reduction in revenues is related to management initiatives undertaken in 2006 to adjust to the regulatory changes affecting the online gaming industry. Carrying on from late 2006, in fiscal 2007 management did not pursue licensing of its gaming software to independent operators, a primary source of revenue in 2006. In 2007 the Company attempted to secure distribution rights and become a sales channel for smart phones in China, which had yet to materialize in fiscal 2007.

OPERATING EXPENSES

Total operating expenses increased to $2,178,081 in 2007 from $1,563,325 in 2006. The major factors of the expense increases from 2006 to 2007 were:

- Impairment charges of $446,700 were realized related to deferred software development costs in the current fiscal year due to uncertainty of associated revenue. There were no comparable charges in the prior year.

- Sales and marketing expenses increased from $107,455 in 2006 to $204,976 in 2007.

- General and Administrative expenses increased from $489,930 in 2006 to $584,826 in 2007 (see detailed breakdown) Salaries and benefits expenses increased from $530,269 in 2006 to $604,768 in 2007 associated with additional payroll burden for product development, and a severance package paid to a former officer of the Company.

- Stock based compensation expenses increased from $278,211 in 2006 to $312,928 in 2007. The increase is attributable to stock options provided as incentive for our team members and consultants retained for investor relations and advancing our business interests.

The Company capitalized $803,985 for the year ended December 31, 2007 compared to $437,244 in the year ended December 31, 2006 of development costs related to new software platforms Poker/Casino suite.

In the last quarter of 2007 the Company undertook measures to reduce operating expenses by staff reductions and replacing positions in Canada with lower cost staffing in China. The Company also relocated to smaller facilities in Q1 2008 and was able to sublease its former facilities on an accretive basis of $21,904 per year until the expiry of the lease in June 2011.

Amortization

Amortization expenses increased to $23,883 in 2007 from $20,616 in 2006. The increase in depreciation is due to higher net book values of property and equipment at December 31, 2007 compared to the year earlier. For the software development projects still in progress, no amortization was charged to expenses for the period, with the exception of our sports book platform of which the capitalized development cost is being amortized over a 3 year period.

Sales and Marketing

Sales and marketing expenses increased by 91% to $204,976 in 2007 compared to $107,455 in 2006. The increase is attributable to negotiations for distribution of smart-phone units, retaining sales consultants in Asia and general increases in costs.

General and Administrative

General and administrative expense increased by 19% to $584,826 in 2007 compared to $489,930 in 2006. Of this amount $81,453 was incurred to establish and operate our offices in Shenzhen (China) to import smart-phones into China, as well additional professional fees were incurred. A detailed breakdown of general and administrative expenses is as follows:

		2007		2006
Interest and bank charges		$2,246		$2,085
Insurance		15,481		610
Office expense		20,599		20,138
Professional fees				
- Legal	$181,611		$217,826	
- Accounting	95,446		112,022	
- Consultant	127,369		33,440	
- Investor Relation	56,325	460,751	15,458	378,746
Listing and filing		24,767		11,922
Rent		48,505		57,812
Telephone		12,477		18,617
Total		$584,826		$489,930

Salaries and Benefits

Salaries and benefits costs are the Company's single largest expenditure. Salaries (net of deferred software development costs) increased by 14% to $604,768 in 2007 compared to $530,269 in 2006. Costs relating to the development of software are expensed as incurred unless they meet the criteria for deferral under the generally accepted accounting principles. The Company began deferring software development costs in the second half of 2006, in the prior periods costs were expensed as incurred.

Stock based compensation

The Company recorded $312,928 of stock based compensation for 2007 compared to $278,211 in 2006. Stock based compensation expense related to the amortization of the fair value of stock options granted to employees, directors and consultants. Expenses are amortized over the vesting periods of one to five years. The year over year increase in the expense is primarily due to the granting of new options to our staff members and vesting of options previously granted to consultants.

Impairment of Deferred Development

Through the second half of 2006 and throughout the early part of 2007 the Company deferred $122,746 to SMILES Lottery and $323,954 to SMS Translator platform totaling $ 446,700 of software development costs. The Company successfully resolved the technological and data integrity challenges related with mobile devices and developed a demonstration product. The Company was ready to make the additional investment to commercialize the product if there was sufficient market demand. Due to the uncertainty of revenue management assessed it was appropriate to eliminate the carrying value of the product deferred software development for the SMILES and the SMS Translator products.

Other income

The Company recorded $217,553 of other income in 2007 compared to $71,143 of other income in 2006. Included in other income are interest income and transfer to income of customer deposit.

The Company recorded $192,683 of interest income in 2007 compared to $71,143 in 2006. Interest income increased due to larger deposits associated with an equity issue completed in February 2007 for net proceeds of $4,109,839 combined with more favorable interest rates during the year compared to the previous year

Loss from investment

Management has reviewed the carrying amount of our investment in the joint venture project with Urumqi General System Computer Limited (WestSMS) to jointly develop and market a Texas Hold'em Poker game service network. The number of subscribers using the site did not meet our targets or timeframe. Management believes therefore that the carrying value $30,620 at year end 2007 is not recoverable and has decided to record an impairment of the full carrying value.

Foreign exchange loss

The Company incurred a foreign exchange loss of $71,422 in 2007 compared to a loss of $3,109 in 2006. The foreign currency losses experienced reflect losses in the value of cash balances of foreign denominated amounts as the Canadian dollar strengthened against foreign currencies. Throughout fiscal 2007 and 2006 the Company did not utilize hedges or forward contracts.

Provision for income taxes

The Company has not made any provisions for future tax benefits which arise from loss carry-forward and future deductions of deferred development costs. The valuation of tax assets is based on the amount of tax benefits available combined with the determination as to when the tax benefits will be realized and the tax rate in effect at that time.

Net income (Loss)

The Company reported a net loss of $2,022,188 for the year ended December 31, 2007 compared to a net loss $855,791 for the year ended December 31, 2006. The principal reason for the decline of net income is a reduction in revenue and an increase of expenses consisting of the impairment of software development, an increase in general and administration expenses, stock based compensation and growth of our expenses in salaries and sales and marketing to support our business.

Diluted loss per share was $0.08 for the year ended December 31, 2007 compared to a per share loss of $0.05 in 2006. The decrease in diluted earnings per share in the current year reflects, principally the increased loss from the previous year.

CASH FLOW STATEMENT

Operating activities

Cash flow used by operating activities was $1,479,767 for the year ended December 31, 2007 compared to $350,263 used for the year ended December 31, 2006.

Investing activities

The Company reported investment activities of $1,107,939 for the year ended December 31, 2007 compared to $498,691 for the year ended December 31, 2006. The Company's investing activities consisted mainly of short term investments, deferral of software development costs and purchase of equipment.

Financing activities

Cash provided by financing activities was $4,727,067 for the year ended December 31, 2007 compared to $2,845,438 for the year ended December 31, 2006. During 2007 the Company's financing activities consisted of an equity issue, issuance of shares for cash from the exercise of stock options and warrants.

The private placement of the shares completed in 2007 was for general corporate purposes and was not subject to commitments for liabilities or capital expenditures.

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.

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Revenue	$5,884	$6,084	$6,414	$22,000	$66,659	$128,260	$236,133	$210,344
Expenses								
Depreciation & Amortization	19,047	1,910	1,453	1,475	(7,287)	12,365	12,548	2,990
Sales & Marketing	25,967	77,132	52,536	51,341	27,276	31,981	29,190	19,008
General Administration	180,655	143,071	155,445	105,655	335,360	53,193	92,088	41,132
Salaries & Benefits	307,308	106,112	88,572	100,776	60,066	133,136	166,104	139,120
Stock based compensation	37,480	38,533	75,107	161,807	74,361	111,678	92,172	-
Bad and Doubtful Debts	-	-	-	-	20,160	116,684	-	-
Impairment Development Costs	446,700	-	-	-	-	-	-	-
Total Expenses	1,017,157	366,758	373,113	421,054	509,936	459,037	392,102	202,250
Operating Income (Loss)	(1,011,273)	(360,674)	(366,699)	(399,054)	(443,277)	(330,777)	(155,969)	8,094
Other Income	70,156	52,292	60,292	34,249	32,058	24,031	15,054	-
Loss from investment	(30,620)	-	-	-	-	-	-	-
Foreign Exchange	1,671	(39,386)	(38,920)	5,213	6,211	829	(7,131)	(3,018)
Income (Loss) Before Taxes	(970,066)	(347,205)	(345,327)	(359,592)	(405,008)	(305,917)	(148,046)	5,076
Income Tax (expense)/recovery	-	-	-	-	(69,954)	69,189	9,554	(10,685)
Loss attributed to minority interest	-	(56)	56	-	-	-	-	-
Net Loss	**$ (970,066)**	**$ (347,261)**	**$ (345,271)**	**$ (359,592)**	**$ (474,962)**	**$ (236,728)**	**$ (138,492)**	**$ (5,609)**
Basic/Diluted loss per share	**$ (0.04)**	**$ (0.01)**	**$ (0.01)**	**$ (0.03)**	**$ (0.02)**	**$ (0.01)**	**$ (0.01)**	**-**

QUARTERLY RESULTS
Comparison of the three months ended December 31, 2007 and three months ended December 31, 2006

Revenue

For the three months ended December 31, 2007 the Company reported revenue of $5,884 compared to $66,659 for the same period.

Operating Expenses

Total operating expenses increased to $1,017,157 for the three months ended December 31, 2007 (which include a one-time impairment of $446,700) compared to $509,936 for the same period of 2006. In the quarter ended December 31, 2007 the Company capitalized $223,642 of software development costs compared to $199,904 for the same period of 2006.

Depreciation and Amortization

The Company reported depreciation expenses of $19,047 for the three months ended December 31, 2007 compared to an adjustment of ($7,287) for the same period of 2006.

The increase in depreciation and amortization expenses is due to higher net book values of property and equipment at December 31, 2007. As well in the last quarter of 2007 the Company started the amortization of its sport book software platform. Management has estimated the appropriate amortization period to be three years for this product. As for the other software project still in progress, no amortization was charged to expenses for the period.

The Company is deferring software development costs to future periods when all criteria for the deferral are met.

Sales and Marketing

Sales and marketing expenses decreased to $25,967 for the three months ended December 31, 2007 compared to $27,276 for the same period of 2006.

General and Administrative

General and administrative expenses decreased by 46% to $180,655 for the three months ended December 31, 2007 compared to $335,360 for the same period of 2006 (which included $161,439 in professional fees relating to the company's reverse takeover transaction, and considered a non recurring expense.)

Salaries and Benefits

Salaries and benefits expenses net of software development costs increased by 128% to $307,308 for the three months ended December 31, 2007 compared to $134,427 for the same period of 2006. The increased costs are due to general wage increases, the addition of a product manager, and a severance payment to a former officer of the Company. The Company is deferring a portion of salaries and benefits expenses allocated to software development costs to future periods when all criteria for the deferral are met.

Stock Based Compensation

The Company recorded $37,480 of stock based compensation for the three months ended December 31, 2007 compared to $74,361 for the same period of 2006. Stock based compensation relates to the amortization of the fair value of stock options granted to employees, directors and consultants. Expenses are amortized over the vesting period of one to five years. The year over year decrease is due to fewer options being granted and forfeited options of departed employees.

Impairment of Deferred Development

Throughout the second half of 2006 and throughout the early part of 2007 the Company deferred $122,746 of the SMILES Lottery and $323,954 of the SMS Translator platform totaling $446,700 of software development costs. The Company successfully resolved the technological and data integrity challenges related with mobile devices and developed a demonstration product. The Company was ready to make the additional investment to commercialize the product if there was sufficient market demand. Due to the uncertainty of revenue for these products, management elected to eliminate the carrying value of the products deferred software development.

Software Development Costs

Software Development costs of $223,192 for the three months ended December 31, 2007 were capitalized and deferred to future periods compared to $225,273 for the same period of 2006. The Company capitalized development costs in relation to the re-branding of the new software platforms of the poker and casino suite. As the development projects are still in progress, no amortization of the cost was charged to expenses for the period.

Other Income

Other income totaled $70,156 for the three months ended December 31, 2007 (consisting of interest income of $45,286 plus a customer deposit forfeiture of $24,870) compared to $32,058 for the same period of 2006. Interest income increased reflecting additional cash on deposit associated with a financing and the exercise of options and warrants during fiscal 2007.

Loss from Investment

Management has reviewed the carrying amount of our investment in the joint venture with Urumqi General System Computer Limited (WestSMS) to jointly develop and market a Texas Hold'em Poker game service network. The number of subscribers using the site did not meet our targets and time frame. Management believes therefore that the carrying value of $30,620 at year end 2007 is not recoverable and has decided to record an impairment of this amount.

Foreign Exchange Loss

The Company recognized foreign exchange gain of $1,671 for the three months ended December 31, 2007 compared to foreign exchange gain of $6,211 for the same period of 2006. The Company does not utilize hedges or forward contract to mitigate foreign currency risks.

Provision for Income Taxes

The Company has reported no tax liability or recovery for the three months ended December 31, 2007 compared to a tax expense $69,189 for the same period of 2006 which was an adjustment of the Company's future tax benefits recorded in previous quarters. The Company follows the asset and liability method of accounting for income taxes. Current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets from the benefit of losses available to be carried forward to future years for tax purposes are recognized only if it is more likely than not that they can be realized.

Net Income (Loss)

The Company reported net losses of $970,066 for the three months ended December 31, 2007 compared to net losses of $474,962 for the same period of 2006. In Q4 2007 the Company incurred some non recurring expense, such as impairment of software development costs, severance payment to a former executive, which had a negative effect on the amount of reported income.

Diluted loss per share was ($0.04) for the three months ended December 31, 2007 compared to a diluted loss of ($0.03) in the same period of 2006.

CASH FLOW STATEMENT

Operating Activities

Cash used by operations was $525,386 for the three months ended December 31, 2007 compared to cash used by operation of $254,419 for the same period of 2006. The increase is mainly attributable to a higher loss in the Q4 of 2007 then the same period of 2006.

Financing Activities

Cash provided by financing activities was $11,250 for the three months ended December 31, 2007 compared to cash provided by financing activities of $7,975 for the same period of 2006. The Company's financing activities in both quarters resulted from the issuance of shares for cash from the exercise of warrants.

Investing activities

Cash used by investing activities was $86,172 for the three months ended December 31, 2007 compared to investing activities $71,541 for the same period of 2006. The Company's investing activities in the fourth quarter consisted of the purchase of property and equipment which includes computers and software for the (3G) Interactive Video Platform in Macau.

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to maintain a strong balance sheet. At December 31, 2007 the Company had no debt, $4,248,211 in cash and short term investments and working capital (defined as current assets less current liabilities) of $4,063,827. The Company has adequate cash and short term investments to meet the Company's planned growth and development activities. The Company does not see any material fluctuation in its liquidity or working capital position and based on the present level of revenue and expenses does not foresee any significant changes to its working capital requirements. Contractual commitments are summarized in "Contractual Obligations" section.

The Company does not have commitments for capital expenditures as of December 31, 2007. 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:

2008	$94,623
2009	$94,623
2010	$61,848
2011	$32,724

In February 2008, the former premises of the Company were subleased for $83,748 per year (base rent), which is accretive $21,904 per year until the maturity of the lease in June 2011. New facilities are $32,775 per year (base rent) until January 2010.

Related Party Transactions

General administration expenses include $47,663 paid to a Company related to a director of the Company in the normal course of business. These transactions were measured and recorded in general and administrative, sales and marketing and software development costs.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies and methods used in preparation of the Company's financial statements are described in Note 2 of consolidated financial statements of the Company for the year ended December 31, 2007. The Company has not affected any changes to its significant accounting policies during the two years ended December 31, 2007 except as follows:

Financial Instruments, Comprehensive Income and Hedges

On January 1, 2007 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 2007. The adoptions of these new sections had no impact on net (loss) income.

The following new accounting standards will be 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 collectibility 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 collectibility

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:

- 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 December 31, 2007.

Off Balance Sheet Arrangement

As at December 31, 2007 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".

Other MD&A Requirements

The Company evaluated the effectiveness and design of its disclosure controls and procedures for the period ended December 31, 2007 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 25,205,112 common shares outstanding at April 3, 2008. If all of the Company's options were exercised, the Company would have 31,111,000 common shares outstanding.