

Consolidated Financial Statements of

FIRESWIRL TECHNOLOGIES INC.

Years ended December 31, 2009 and 2008

(Audited)



MEYERS NORRIS PENNY LLP

AUDITORS' REPORT

To the Shareholders of **Fireswirl Technologies Inc.:**

We have audited the consolidated balance sheets of Fireswirl Technologies Inc. as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss, and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

MEYERS NORRIS PENNY LLP

Vancouver, BC
April 26, 2010



CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
2300 – 1055 DUNSMUIR STREET VANCOUVER, BC V7X 1J1
PH. (604) 685-8408 FAX (604) 685-8594 www.mnp.ca

FIRESWIRL TECHNOLOGIES INC.

Consolidated Balance Sheets

	December 31 2009	December 31 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,467,401	\$2,226,544
Restricted cash- Note 7	308,000	-
Amounts receivable	1,044,408	122,924
GST/VAT recoverable	54,422	75,787
Deposits and prepayments	706,651	75,410
Loan receivable	-	8,411
Inventory	1,047,472	256,868
	4,628,354	2,765,945
Capital assets - Note 8		
Investment in Tysen - Note 10	193,307	30,945
Deferred development cost - Note 13	-	479,165
Trademark - Note 13	-	15,606
Goodwill - Note 10	18,964	16,464
	306,926	-
Total Assets	\$ 5,147,551	\$ 3,415,687
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities - Note 14	838,233	563,720
Taxes payable	179,653	-
Loan from shareholders	517,545	-
Short term loan - Note 15	1,199,756	-
Current portion of long term loan - Note 16	37,741	-
	2,772,928	563,720
Long Term Loan		
	64,315	-
	2,837,243	563,720
NON CONTROLLING INTEREST - Note 9,10,11	502,492	-
SHAREHOLDERS' EQUITY		
Common shares - Note 20	5,610,417	5,186,310
Contributed surplus - Warrants - Note 20	2,606,979	2,606,979
Contributed surplus - Options - Note 20	724,419	689,803
	8,941,815	8,483,092
Deficit	(7,133,999)	(5,738,688)
	1,807,816	2,744,404
Total Liabilities and Shareholders' Equity	\$ 5,147,551	\$ 2,744,404

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 24)

Subsequent events (Note 27)

On behalf of the Board:

"Tony Lau"

"Ji Yoon"

Tony Lau
CEO

Ji Yoon
Interim CFO

FIRESWIRL TECHNOLOGIES INC.
Consolidated Statements of Operations

	Year ended	
	December 31 2009	December 31 2008
Revenue - Note 6, 21		
Handset resale	\$ 4,226,541	\$ 293,760
Advertising	686,967	-
Service and maintenance fees	71,802	30,441
	4,985,310	324,201
Cost of goods sold - Note 6	3,923,660	285,547
Gross profit	1,061,650	38,654
Operating Expenses		
Amortization- capital Assets	25,369	37,903
Amortization- intangible assets	15,606	15,606
Sales and marketing	151,267	221,820
General administration	580,981	573,494
Salaries and benefits	654,314	988,769
Stock based compensation	34,617	173,689
Impairment - Note 12	424,094	1,353,056
	1,886,248	3,504,483
Loss before other items	(824,598)	(3,465,829)
Other items:		
Interest expenses	(42,886)	-
Other incomes and losses - Note 17	16,276	47,726
Foreign exchange gain (loss)	(86,008)	221,478
Share of equity investment loss - Note 12	(55,071)	(29,873)
	(167,689)	(3,086,353)
Loss before Income Tax	(992,287)	(3,086,353)
Income Tax Expense	(87,051)	-
Loss and comprehensive loss before NCI	(1,079,338)	(3,086,353)
Non Controlling Interest - 11	(315,973)	-
Loss and Comprehensive loss for the year	\$ (1,395,311)	\$ (3,086,353)
Basic/ diluted earnings (loss) per share - Note 19	\$ (0.04)	\$ (0.12)
Weighted average number of shares outstanding	26,813,130	25,254,402

The accompanying notes are an integral part of these financial statements.

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Cash Flows

	Year ended	
	December 31	December 31
	2009	2008
OPERATING ACTIVITIES		
Net loss for the period	\$ (1,395,311)	\$ (3,086,353)
Non cash items:		
Amortization and depreciation	40,975	53,509
Loss on sales of capital assets	-	41,329
Stock based compensation	34,617	173,689
Impairment loss	424,094	1,353,056
Loss from investment	55,071	29,873
Non-controlling interest	315,973	-
Changes in non-cash working capital items:		
Amounts receivable	233,187	(145,036)
Deposits and prepayments	(631,241)	(49,439)
Inventory	433,407	(256,868)
Accounts payable and accrued liabilities	(1,062,336)	66,508
Income taxes payable	179,653	-
	(1,371,911)	(1,819,730)
INVESTING ACTIVITIES		
Deferred development costs and other asset	(2,500)	(3,088)
Cash acquired from acquisition of XCXD	282,496	-
Investment in Tysen	-	(189,528)
Acquisition of capital assets	(13,052)	(30,022)
Proceeds from sales of capital assets	-	4,904
Loan receivable	-	(260,500)
Repayment of loan receivable	8,411	252,089
	275,354	(226,145)
FINANCING ACTIVITIES		
Proceeds from short term loan	170,820	-
Proceeds from shareholder loan	517,545	-
Repayment of long-term loans	(13,863)	-
Shares issued for cash	-	-
Shares issued for options exercised	-	29,250
	674,502	29,250
Increase in cash during the year	(422,055)	(2,016,626)
Effect of foreign exchange on cash	(29,087)	(5,041)
Cash and cash equivalents, beginning of year	2,226,544	4,248,211
Cash and cash equivalents, end of year	\$ 1,775,403	\$ 2,226,544
Supplemental disclosure with respect to cash flows		
Cash paid for:		
Interest	42,886	-
Income taxes	87,051	-

The accompanying notes are an integral part of these financial statements.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

Note 1- Nature and Continuance of Operations

Fireswirl Technologies Inc.'s ("the Company") focuses on conducting e-commerce, including operating official online stores for international mobile handset brands in China and reselling handsets on these online stores, and providing value added services for deployment with the Telco's mainly in China.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

Several adverse conditions cast doubt on the validity of this assumption. During the years ended December 31, 2009 and 2008, the Company experienced operating losses and negative operating cash flows which were primarily funded by the issuance of share capital.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing, and to commence profitable operations in the future. There is no assurance the Company will be able to achieve profitable operations. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

	December 31 2009 \$	December 31 2008 \$
Deficit	(7,133,999)	(5,738,688)
Working capital	1,855,426	2,202,225

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

Note 2 - Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars.

Certain comparative figures have been reclassified to conform with the presentation adopted for the current period.

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

Name	Place of incorporation	Ownership
Fireswirl Systems Inc.	Province of British Columbia, Canada	100%
Fireswirl Asia Ltd.	Hong Kong, China	100%
FTI Europe Ltd.	British Virgin Islands	100%
Fireswirl Mobile Solutions Ltd.	Hong Kong, China	100%
M- Lingo Limited	British Virgin Island	51%
SMS Translators Limited	British Virgin Island	51%
Fireswirl Technologies (Shenzhen) Co.Ltd.	Shenzhen, China	100%
Fireswirl Technologies (Beijing) Co. Ltd.	Beijing, China	100%
Beijing Xingchang Xinda Technology Development Co., Ltd	China	50%

Investments over which the Company is able to exercise significant influence are accounted for by the equity method.

Name	Place of incorporation	Ownership
Beijing Tysen Xieli Technology Co. Ltd.	China	21%

All significant inter-company transactions and balances have been eliminated upon consolidation.

Note 3 - Significant Accounting Policies

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

Cash consists of cash, funds in bank accounts, and marketable securities such as guaranteed investment certificates. Interest income earned on these marketable securities is recorded on an accrual basis.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

Cash is held in both Canadian dollars, US dollars, Hong Kong dollars, and Chinese RMB which is not freely convertible into other currencies. Under China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through a government bank authorized to conduct foreign exchange business. As of December 31, 2009, cash included RMB 5,855,550 (\$901,755) (December 31, 2008 – RMB 3,565,181 (\$639,950)).

b) Capital assets

Capital assets are recorded at cost. Amortization is charged on the declining balance basis using the following annual rates:

Computer hardware	20%
Furniture and fixtures	20%
Leasehold improvements	Straight-line over the term of the lease

Capital assets are written down to the net recoverable value when management determines there has been a change in circumstances which indicates its carrying amount may not be recoverable.

c) Comprehensive income

Effective January 1, 2007, the Company adopted the new accounting standard issued by the CICA under Section 1530 for reporting comprehensive income. Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available-for-sale securities, which are not included in net income (loss) until realized. The adoption of Section 1530 had no impact on the opening equity or balance sheet of the Company.

d) Software development costs

Under CICA Handbook Section 3450, Research and Development Costs, the Company capitalizes computer software development costs incurred subsequent to establishing technological feasibility to the extent that their recovery can reasonably be regarded as assured. Amortization of development costs commences with commercial production or use of the product or process.

e) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheets dates. Non-monetary assets and liabilities and revenue and expenses arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Foreign exchange gains or losses arising from the translation are included in net income.

Integrated subsidiaries are accounted for under the temporal method. Under this method, monetary assets and liabilities of subsidiaries are translated into Canadian dollars at the exchange rate in effect at the balance sheets dates. Non-monetary assets and liabilities are translated at the exchange rate in effect at the date of the transaction. Revenues and expenses are translated at

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

average exchange rates prevailing during the period. Unrealized foreign exchange gains or losses arising from the translation are included in the income statement.

e) Income taxes

The asset and liability method is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance against future tax assets to the extent that the Company does not consider them to be more than likely not of being realized.

f) Revenue recognition

The Company generates its revenue from mobile handset sales, online advertising, system setup fees, customization fees, service and licensing fees.

Revenue from the sale of mobile handsets 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, customization fees and software development consulting fees are recognized based on the percentage of completion method or as agreed upon milestones are reached and when there are no significant obligations remaining and the sale price is fixed and determinable and collectability is reasonably assured.

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

g) Inventory

In 2007, the CICA issued Handbook Section 3031, "Inventories". CICA 3031 aligns Canadian GAAP with International Financial Reporting Standards (IFRS) and establishes the principles for measurement, recognition and disclosure of inventories.

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Inventory consists of finished goods.

h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the balance sheets as well as the reported amounts of revenues, expenses, and cash flows during the periods presented. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from estimated amounts.

Amounts recorded for amortization are based on the estimated lives of property, plant and equipment. Stock-based compensation is based upon expected volatility and option life estimates. The provision for income taxes is based on judgments in applying income tax law and estimates on the timing, likelihood and reversal of temporary differences between the accounting and tax basis of assets and liabilities. Valuation of the accounts receivable are based on assumptions

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

regarding collectability. Valuation of goodwill is based on assumptions regarding recoverability of the recorded amount. These estimates are subject to measurement uncertainty and changes in these estimates could materially impact the financial statements of future periods.

i) Stock-based compensation

The company has adopted CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments" and applies the fair value method to all grants of stock options. All options granted, accounted for as a capital transaction at the time of the grant, are reflected as stock options in shareholders' equity. The fair value of options granted is estimated at the date of the grant using a Black-Scholes option pricing model incorporating assumptions regarding risk-free rates, dividend yield, volatility of return and a weighted average expected life of options. The estimated fair market value is recorded over the options' vesting period. Any consideration paid on the exercise of stock options is credited to share capital.

j) Long-lived assets

The Company reviewed long-lived assets for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value.

k) Transaction Costs

Transaction costs, other than in respect of financial assets held for trading which are expensed as incurred, are added to the initial fair value of the acquired financial asset or financial liability. The Company has selected this method as it believes that this results in a better matching of the transaction costs with the periods benefiting from the transaction costs.

l) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on fair values. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the business is compared to its fair value. When the fair value of the business exceeds its carrying amount, goodwill of the business is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of the business exceeds its fair value, in which case the implied fair value of the business' goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill in a business combination as described above. Using the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess of the carrying amount over the fair value of goodwill. No impairment of goodwill was recognized during the year ended December 31, 2009 (2008 - \$Nil).

m) Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts when management estimates collectability to be uncertain. Accounts receivable are continually reviewed to determine which, if any, accounts are doubtful of collection. In making the determination of the appropriate allowance

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

amount, the Company considers current economic and industry conditions, relationships with each significant customer, overall customer credit-worthiness and historical experience. If events indicate that specific receivable balances may be impaired, further consideration is given to those balances and the allowance is adjusted accordingly. Accounts are written off when the Company's efforts to collect are unsuccessful. During the year ended December 31, 2009, the Company recorded an allowance for doubtful accounts of \$Nil (2008 - \$Nil).

n) Equity accounted investments

Investments in companies over which the Company has or is deemed to have significant influence, but does not control, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received from the investment. The Company's share of net income and losses of such investments is included in the consolidated statements of operations.

Note 4 - Changes in Accounting Policies

a) Financial instruments

In 2005, The CICA issued Handbook Section 3855, Financial Instruments – Recognition and Measurement (“Section 3855”), Section 1530, Comprehensive Income (“Section 1530”), Section 3251, Equity (“Section 3251”), and Section 3865, Hedges (“Section 3865”). The new standards are effective for the Company's interim and annual financial statement commencing January 1, 2007. Section 1530 establishes standard for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated. The adoption of these new standards had no impact on opening deficit as of January 1, 2007.

Under Section 3855, financial instruments must be classified into one of these five categories: i) held-for- trading; ii) loans and receivables; iii) held-to-maturity; iv) available for sale; or v) other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

- Upon adoption of the new standards, the Company has designated its cash and cash equivalents as held-for-trading which are measured at fair value with changes recorded in the consolidated statement of earnings and deficit as interest income.
- Accounts receivables, loan receivable, and deposits and prepayments are classified as loans and receivables, which are measured at amortized cost and consistent to the Company's accounting policy prior to the adoption of Section 3855.
- Accounts payable and accrued liabilities, loan from shareholders, short term loan, and long term loan have been classified as other liabilities, which are measured at amortized cost.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

- The Company had no assets designated as held-to maturity or available for sale as at December 31, 2009.
- The Company had no elements of other comprehensive income (loss) during the years ended December 31, 2009 and 2008.

On January 1, 2008 the Company adopted CICA Handbook Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation.

CICA Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. CICA Section 3862 and CICA Section 3863 enhance disclosures to enable users to evaluate the significance of financial instruments, the nature and extent of risks arising from financial instruments and how an entity manages such risk. This includes new requirements to quantify certain risk exposures and provide sensitivity analysis for some risks.

The new standards result in additional disclosures in the notes to the consolidated financial statements (see Note 23), but did not have an impact on the financial position or results of operations of the Company.

b) Goodwill and intangible assets and financial statement concepts

In February 2008, the Accounting Standards Board issued Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Intangible Assets" and amended Section 1000, "Financial Statement Concepts" clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard was effective for fiscal years beginning on or after October 1, 2008. The Company is currently assessing the future impact of this standard on its consolidated financial statements.

c) Credit risk and the fair value of financial assets and liabilities

In January 2009, the CICA approved EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company is continually evaluating its counterparties and their credit risks; the accounting treatments provided in EIC-173 have been applied in the preparation of these consolidated financial statements. The adoption of this standard did not have an impact on the valuation of financial assets and liabilities.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

Note 5 - Future Accounting Changes

a) Consolidated financial statements

In January 2009, the CICA issued new Handbook Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), "Consolidated and Separate Financial Statements". The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on December 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year.

b) Business combinations

In January 2009, the CICA issued new Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after October 1, 2011. Earlier application is permitted.

c) International financial reporting standards

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies, will be converged to International Financial Reporting Standards ("IFRS") over a transition period that is expected to be complete by December 31, 2011. The Company's first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Starting in the first quarter of 2011, the Company will provide unaudited consolidated financial information in accordance with IFRS including comparative figures for 2010.

d) Multiple deliverable arrangements

In December 2009, the CICA issued EIC-175, "Multiple Deliverable Revenue Arrangements", which provides guidance for determining whether an arrangement involving multiple deliverables contains one or more units of accounting. The accounting treatments provided in EIC-175 are effective for the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. The Company does not believe that this guidance will have an impact on its consolidated financial statements.

Note 6 – Revenue and Cost of Sales

Revenue

The Company generated revenue from handset resale, advertising and service and maintenance fees in 2009.

In 2009, the Company recognized \$4,226,541 of revenue from the handset sales in China (2008 - \$293,760). Within this amount, \$4,007,548 was made by Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD"), a subsidiary in China.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

XCXD recognised \$686,967 of revenue from advertising in 2009. 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 recorded \$34,220 of revenue from software development for US customers during the year2009.

Up to September 30, 2009, a monthly service and maintenance agreement with U.K customer, Betfair provided fixed monthly revenue of 1,000 GBP (approximately equivalent to \$1,694) from a service and maintenance agreement. The service and maintenance fees also include IT consulting work done to a Canadian customer.

Cost of sales

Cost of sales includes the cost of purchasing the mobile handsets, sales tax, delivery, technical service and advertising expenses related to the sales. During the year ended December 31, 2009, \$3,259,793 (2008 - \$285,547) of inventory was recognized in expenses.

Note 7– Restricted Cash

Our subsidiary Beijing Xingchang Xinda Technology Development Co., Ltd ("XCXD") is required to maintain a deposit of RMB 2,000,000 (equivalent to \$308,000 as of December 31, 2009) with its financial institution for its short term loan account. The restricted cash earns interest at the prime rate (1.71% for savings in 2009) and is redeemable when the loan is paid off.

Note 8- Capital Assets

	2009				2008			
	Cost	Accumulated Amortization	Impairment	Net	Cost	Accumulated Amortization	Impairment	Net
Computer Hardware	\$152,073	\$36,580	-	\$115,493	\$66,708	\$48,662	\$17,204	\$842
Computer Software	-	-	-	-	90,779	76,965	13,813	-
Fixtures	22,986	7,955	-	15,031	42,351	16,659	8,565	17,127
Leasehold Improvement	89,631	26,848	-	62,783	23,956	10,980	-	12,976
	\$264,690	\$71,383	\$0	\$193,307	\$223,794	\$153,266	\$39,582	\$30,945

During the year ended December 31, 2009, the company recorded an impairment of \$Nil (2008 - \$39,582) capital assets.

Note 9 - Business Combination

On October 1, 2009, the Company completed the acquisition, through its wholly owned subsidiary Fireswirl Technologies (Shenzhen) Co., Ltd. ("Fireswirl Shenzhen"), of a 50% interest in Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD") in consideration for 6,058,673 common shares of the Company (the "Transaction"). The results of XCXD's operations have been included in the consolidated financial statements since that date.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

Pursuant to the terms of the Transaction, the Company acquired 50% of all rights and interests of XCXD, including 50% of any before tax profit, in consideration for up to 6,058,673 common shares of the Company, where 3,029,337 shares were issued on closing of the Transaction and 3,029,336 shares (the "Milestone Shares") are being held under escrow, releasable upon XCXD achieving RMB 5 million before tax profit for its fiscal year ended December 31, 2009. The Company also has the option to acquire the remaining 50% rights and interests of XCXD in 2011 at a price determined in accordance with an agreed multiple of XCXD's pretax profit in 2010, subject to TSX Venture Exchange approval. Fireswirl Shenzhen has the right to exercise, at all meetings of shareholders, 51% of all voting rights attached to the issued and outstanding XCXD shares held by the XCXD shareholders.

All common shares issued pursuant to the Transaction were subject to a hold period that expires four months and a day from the closing date in accordance with applicable Canadian Securities rules.

The acquisition was accounted for using the acquisition method of accounting for business combinations using management's best estimates of fair values at the date of acquisition as follows:

Consideration	
Common shares issued	\$ 493,445
Allocation of purchase price	
Cash	322,747
Accounts receivable	1,133,305
Inventory	1,224,011
Capital assets	174,679
Goodwill	306,926
Accounts payable and accrued liabilities	(1,336,849)
Other short term liabilities	(1,028,936)
Long-term debt	(115,919)
Non-controlling interest	(186,519)
	\$ 493,445

Acquisition costs of \$69,338 were included in the purchase price.

Note 10 - Goodwill

Balance – beginning of year	\$ -
Current year acquisitions (Note 9)	306,926
Balance – end of year	\$ 306,926

Note 11 – Non-controlling Interest

Balance – beginning of year	\$ -
Current year acquisitions (Note 9)	186,519
Net income attributable to non-controlling interest	315,973
Balance – end of year	\$ 502,492

Note 12 - Investment in Tysen

The Company's wholly owned subsidiary Fireswirl Shenzhen acquired a 21% interest in Beijing Tysen Xieli Technology Co. Ltd ("Tysen") a limited liability company incorporated under the laws of

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

the People's Republic of China on November 1, 2008. The total acquisition cost of Tysen was \$509,038.

Tysen is an integrator of a push e-mail ("Pushmail") and mobile messaging software that has entered into a collaboration agreement with China Unicom Shanghai, a provincial branch of China Unicom.

Since the Company can nominate a majority of the board of directors and can exercise significant influence over the strategic operating, investing and financing policies of Tysen, the Company's control over this investment is considered to be significant Influence, according to CICA Handbook Section 3051, and accordingly is accounted for using the Equity Method.

Tysen reported a net loss of \$262,243 for the year ended December 31, 2009 (2008 - \$142,253). The Company's proportionate 21% share of Tysen's loss was \$55,071 (2008 - \$29,873) and has been recognized in the statement of operations for the years ended December 31, 2009 and 2008 and as a corresponding reduction of the cost of the investment.

Investment in Tysen:

Acquisition cost, November 1, 2008	\$	509,038
Investment loss calculated according to the equity method		(29,873)
Balance, December 31, 2008		479,165
Investment loss calculated according to the equity method		(55,071)
Impairment		(424,094)
Balance, December 31, 2009	\$	-

On December 31, 2009, the Company recorded an impairment of \$424,094 on the investment in Tysen balance due to the uncertainty of revenue streams with the Pushmail project.

Note 13 - Deferred Development Costs and Trademarks

Software development costs consists of labour costs of personnel directly engaged in research and development activities and a reasonable allocation of overhead. The only remaining deferred development costs as of December 31, 2008 was relate to Bet Exchange and it commenced amortization of this software product in 2007. Amortization of the costs related to the development of the Bet Exchange has been conducted on a straight line basis over 3 years at an amount of \$15,606 per year. The development cost balance for Bet Exchange is \$Nil as of December 31, 2009.

	December 31, 2009	December 31, 2008
Software Development Cost - Bet Exchange		
-Cost	\$46,819	\$46,819
-Accumulated Amortization	(46,819)	(31,213)
	-	15,606
Trademark	18,964	16,464
Total	\$18,964	\$32,070

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

The Company registered a trademark of its logo in Hong Kong, China and Canada in 2007, 2008 and 2009. Total cost of this registration was \$18,964. The management determined that the useful life of the trademark to be indefinite, therefore the capitalized trademark is not amortized.

Note 14 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of December 31, 2009 consisted of accounts payable, accrued expenses, wages and vacation payable, of payroll remittances, taxes payable and customer deposits.

	December 31, 2009		December 31, 2008	
Accounts payable and accrued liabilities	\$	787,070	\$	425,152
Wages and vacation payable		33,400		105,500
Payroll remittances		751		7,888
Customer deposits		17,012		-
	\$	838,233	\$	563,720

Note 15 - Short Term Loan

As at December 31, 2009, the Company had the following short term loans outstanding:

- a) RMB 5,000,000 (equivalent to \$770,000 as of December 31, 2009) was received from Standard Chartered Bank on May 27, 2009. The loan bears variable interest at prime plus 1.25% per annum. This loan is revolving every three months
- b) RMB 2,800,000 (equivalent to \$431,200 as of December 31, 2009) was received from Beijing Bank on June 28, 2009. The loan bears variable interest at prime times 1.3 per annum. This loan matures June 28, 2010.

The prime rate for short term loans in China was 5.31% in 2009.

Note 16 - Long Term Loan

As at December 31, 2009, the Company had the following long-term loan outstanding:

RMB 800,000 (equivalent to CDN \$123,200 as of December 31, 2009) was received from Standard Chartered Bank in China on April 27, 2009. The loan bears interest at 21% and repayable in 36 monthly installments at approximately CDN \$4,600 per month starting from May 27, 2009. The fair value of the loans are approximately RMB 662,688 (equivalent to CDN \$102,056) as of December 31, 2009. Within this amount, RMB245, 233(equivalent to \$37,741) is due within 1 year and classified as a current liability. The remaining RMB 417,455 (equivalent to CDN \$64,315) is recorded as Long term loan as of December 31, 2009.

During the year ended December 31, 2009, \$5,675 (2008 - \$Nil) of interest paid on the long-term loan was recognized in expenses.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

Note 17 - Other Income and Loss

Other income and loss consists of interest income, loss on sale of capital assets, and other miscellaneous income/loss.

	December 31, 2009		December 31, 2008	
Interest income	\$	14,801	\$	88,859
Loss from sale of capital assets		-		(41,133)
Miscellaneous		1,475		-
	\$	16,276	\$	47,726

Note 18 - Income Tax Recovery (Expense)

The following table reconciles the expected income tax payable (recovery) at the Canadian federal and provincial statutory income tax rates to the amounts recognized in the consolidated statements of operations for the years ended December 31, 2008 and 2007.

	December 31, 2009		December 31, 2008	
Net income (loss) before tax	\$	(992,287)	\$	(3,086,353)
Income tax rate		30%		31%
Expected income tax expense (recovery) at above rates		(297,686)		(956,707)
Increase (decrease) due to:				
Impact of lower statutory rates on foreign subsidiaries		79,186		14,255
Effect of reduced tax rate		30,749		24,518
Non-deductible stock based compensation		10,385		53,844
Other permanent differences		109,152		1,476
Valuation allowance		155,266		862,615
Provision for income taxes	\$	87,051	\$	-

The potential benefit arising from the operating losses has been recognized as a future tax asset. To the extent that these benefits may not be realized, a valuation allowance is provided.

The following tables reflect future income tax assets and liabilities as at December 31, 2009 and 2008:

	December 31, 2009		December 31, 2008	
Future income tax assets:				
Non-capital loss carry forwards	\$	947,638	\$	827,097
Unamortized share issuance costs		13,200		32,736
Tax value of intangible assets in excess of book value		420,132		347,125
Tax value of capital assets in excess of book value		21,337		39,784
Valuation allowance		(1,402,307)		(1,247,041)
	\$	-	\$	-

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

The Company has non-capital losses available for carry forward expiring in the following years:

	December 31, 2008
2017	\$ 1,400
2018	47,933
2026	897,677
2027	803,560
2028	1,469,860
2029	482,155
	\$ 4,270,170

The combined non-capital losses from the Company's Hong Kong subsidiaries, Fireswirl Mobile Solutions Ltd. and Fireswirl Asia Ltd. available for carry forward was \$125,615, that can be carried forward indefinitely.

Note 19 - Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to redeem common shares at the prevailing market value. However, under CICA Handbook Section 3500.33, when an enterprise has a loss before discontinued operations and extraordinary items or a loss before discontinued operations and extraordinary items available to common shareholders, including potential common shares in the computation of the diluted per share amount of that loss is always anti-dilutive.

Note 20 - Share Capital and Contributed Surplus

The authorized share capital of the Company is an unlimited number of common shares without par value.

	Number of Shares	Share Capital	Contributed Surplus	
			Warrants	Options
Balance, January 1, 2008	25,205,112	\$ 5,088,335	\$ 2,606,979	\$ 584,838
Re-pricing stock options granted in 2006				1,632
Re-pricing stock options granted in 2007				9,870
Fair value of options granted in 2007 and vested in 2008				17,906
Fair value of options granted in 2008				144,282
Stock options exercised in 2008	97,500	97,975		(68,725)
Balance, December 31, 2008	25,302,612	5,186,310	2,606,979	689,803
Shares issued to XCXD on October 1, 2009	6,058,673	424,107		
Fair value of options granted in 2008 and vested in 2009				17,270
Fair value of options granted on January 2, 2009				8,000
Fair value of options granted on November 10, 2010				9,346
Balance, December 31, 2009	31,361,285	\$ 5,610,417	\$ 2,606,979	\$ 724,419

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

On May 1, 2006, the Company purchased all the issued and outstanding securities of Fireswirl Systems Inc. for consideration comprised of 12,300,000 common shares at a deemed price of \$0.80 per share and \$300,000 in cash. A finder's fee of 500,000 common shares was paid in connection with the acquisition.

- (a) Concurrent with the acquisition noted above, the Company completed a private placement of 4,000,000 subscription receipts at a price of \$0.80 and for gross proceeds of \$3,200,000. Each subscription receipt was exchanged without any further action on the part of the holder thereof and for no additional consideration for one Redstone unit upon completion of the acquisition. Each unit consists of one Redstone common share and half of one Redstone share purchase warrants. Each whole Warrant will entitle the holder to acquire one Share at an exercise price of \$1.10 per Share for a period of twenty-four months following completion of the offering. The Offering was closed on May 18, 2006.

Compensation warrants were issued in connection with the above placement. Additionally a cash commission of 7% of the gross proceeds was paid to the agents.

- (c) On February 22, 2007, the Company completed a non brokered private placement financing of 4.5 million units at \$1.00 per unit. Each unit consists of one common share and one half of a share purchase warrant. Each full warrant entitle the holder to purchase one common share for \$1.25 for a period of 2 years from the date of closing. The warrants also include a forced conversion clause that will come into effect if the price of the underlying shares exceeds \$1.50 for a period of 30 consecutive trading days

Stock option plan

The Company has established three stock option plans under which stock options to purchase common shares may be granted to directors, officers and employees of the Company and to any other person or Company permitted by the applicable regulatory authorities to purchase unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the plan shall not exceed 10% of the common shares of the corporation.

	2009		2008	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Outstanding, beginning of year	1,580,000	0.51	1,296,000	0.85
Granted	610,000	0.07	1,140,000	0.28
Exercised	-	-	(97,500)	0.30
Forfeited	(600,000)	0.55	(758,500)	0.69
Outstanding, end of year	1,590,000	0.33	1,580,000	0.51
Exercisable, end of year	1,285,000	0.39	1,066,250	0.61

During the fiscal year 2009, the Company granted 610,000 options (1,140,000 in 2008) with an exercise price ranging from \$0.05 to \$0.12 of which 450,000 were granted to officers, 60,000 were granted to employees and 100,000 were granted to directors. On the date such options are granted, 50% of the options vested and 50% will vest a year later. These options are exercisable over 5 years.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

Amount forfeited is due to the cancellation of consulting services with consultants and the termination of employment during the vesting period or in the case options vested, options were out of the money.

On January 2, 2009, the Company granted 200,000 new options at an exercise price of \$0.12 to one of its officers. These granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years. The grant date fair value of options was \$0.04.

On November 10, 2009, the Company granted 410,000 new options at an exercise price of \$0.5 to its employees, officers and directors. Granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years. The grant date fair value of options was \$0.04.

Exercise Price (\$)	Options Outstanding		Options Exercisable	
	Number of options	Weighted average remaining life (Years)	Number of options	Weighted average remaining life (Years)
0.05	410,000	2.22	205,000	2.22
0.12	300,000	2.22	200,000	3.99
0.30	705,000	3.07	705,000	3.07
0.80	175,000	1.47	175,000	1.47
	1,590,000	2.51	1,285,000	2.86

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

Warrants

	2009		2008	
	Number of warrants	Weighted average exercise price (\$)	Number of warrants	Weighted average exercise price (\$)
Outstanding, beginning of year	2,250,000	1.25	4,279,888	1.16
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(2,250,000)	1.25	(2,029,888)	1.06
Outstanding, End of year	-	-	2,250,000	1.25
Exercisable, end of year	-	-	2,250,000	1.25

Pursuant to the term of a non brokered private placement on February 22, 2007, the Company issued 2,250,000 share purchase warrants with an exercise price of \$1.25 exercisable over two years. The warrants include a forced conversion clause that will come into effect if the price of the underlying shares exceeds \$1.50 for a period of 30 consecutive trading days.

There were no warrants issued or exercised during the year 2009 and there were no outstanding warrants as of December 31, 2009 as 2,250,000 of warrants expired on February 22, 2009.

Assumptions

The fair value of the options and warrants has been estimated by using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.30 - 3.85%
Dividend yield	-
Volatility	80% - 145%
Expected life	1 year to 5 years

Note 21 - Related Party Transactions

The Company had the following transactions with directors and officers of the Company:

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

	2009	2008
Expenditures:		
- Salaries and severance	\$ 272,650	\$ 526,826
- Professional fees	60,000	2,500
- Director fees	12,464	16,000
Accounts payable	33,206	1,975
Shareholders of XCXD	517,445	-
	\$ 895,765	\$ 547,301

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. During the year the Company paid \$272,650 in salaries to its management. Also, the Company paid \$60,000 in professional fees to one of its directors. As of December 31, 2009, the accounts payable balance included \$33,206 incurred from regular operational expenses outstanding to an officer of the company. The Company also had \$517,445 due to the share holders of XCXD.

In 2008, the Company paid \$153,000 of severance to the Company's former officer.

Note 22 - Segmented Information

The Company's sales revenues are allocated to geographic segments as follows:

	December 31, 2009		December 31, 2008	
China	\$	4,931,579	\$	293,760
United Kingdom		19,511		23,319
USA		34,220		-
Canada		-		7,122
	\$	4,985,310	\$	324,201

No customers accounted for greater than 10% of the Company's sale in 2009 while one customer in China accounted for \$293,759 or 91% of sales made in the year 2008.

The Company's long-term assets are located in Canada and China at December 31, 2009 as follows:

	China		Canada		Total
Capital assets	\$	181,979	\$	11,328	\$ 193,307
Goodwill		306,926		-	306,926
Deferred development costs		18,964		-	18,964
	\$	507,869	\$	490,493	\$ 519,197

The Company's long-term assets are located in Canada and China at December 31, 2008 as follows:

	China		Canada		Total
Capital assets	\$	5,496	\$	25,449	\$ 30,945
Deferred development costs		18,964		13,106	32,070
Investment in Tysen		479,165		-	479,165

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

\$	503,625	\$	38,555	\$	542,180
----	---------	----	--------	----	---------

Note 23 - Credit Risk and Financial Instruments

Credit risk

The Company grants credit to its customers in the normal course of business. Credit evaluations are performed on a regular basis and the financial statements take into account an allowance for bad debts. The business also depends on new customers using the product and there is additional risk when credit is granted to new and unproven customers. Credit evaluations are also performed on new customers.

There were no overdue accounts receivables outstanding as of December 31, 2009.

As at December 31, 2009, an amount of Cdn\$646,800 (RMB4,200,000) due from one customer was included in the balance of accounts receivable (2008 - \$Nil).

Currency risk

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

The Company uses the Canadian dollar as its reporting currency for these consolidated financial statements. The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company currently does not use derivative instruments to hedge its exposure to those risks. Most of the Company's businesses are organized geographically so that many of its expenses are incurred in the same currency as its revenues thus mitigating some of its exposure to currency fluctuations.

	December 31, 2009	December 31, 2008
US dollars:		
- Cash and cash equivalents	\$17,230(US\$16,447)	\$6,127(US\$5,001)
- Accounts receivable	\$13,071(12,477)	
Hong Kong Dollars		
- Cash and cash equivalents	\$13,573(HK\$100,540)	\$132,434(HK\$837,662)
China Yuan Renminbi		
- Cash and cash equivalents	\$901,755(¥ 5,855,550)	\$639,950(¥ 3,565,181)
- Restricted cash	\$308,000(¥ 2,000,000)	
United Kingdom Pounds		
- Accounts receivable	-	\$5,459(£3,000)

Within the amounts listed above, \$901,755 (¥ 5,855,550) are held in the Company's wholly owned foreign enterprise (WFOE) Fireswirl Technologies (Shenzhen) Company Limited for the increasing business activities in China. The capital held in the WFOE can be freely used in China for business activities however if these funds were required in Canada, there may be lengthy timing issues relating to procedures required to repatriate the funds to Canada.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

Foreign currency sensitivity analysis

The Company is mainly exposed to fluctuations in the Chinese RMB, US dollar and HK dollar. The major currency exposures, as of December 31, 2009, are summarized in Canadian dollar equivalents in the following table. The local currency amounts have been converted to Canadian dollar equivalents using the period end exchange rates.

	Chinese RMB	US dollar	HK dollar
Cash	\$ 901,755.00	\$ 17,230.00	\$ 13,573.00
Restricted cash	308,000	-	-
Short term investment and marketable securities available on sale	-	-	-
Accounts Receivable	1,026,065	13,071	
Other financial assets	762,240		24,920
Accounts payable and accrued liabilities	(710,770)		(49,051)
Other financial liabilities	(1,893,175)		(25,338)
Shareholder loans	517,545		
Net financial assets	\$ 911,660.00	\$ 30,301.00	\$ (35,896.00)

The following table details the Company's sensitivity, with regards to the above net asset position, to a 1% strengthening of the Chinese RMB, US dollar and HK dollar, against the Canadian dollar. The sensitivity analysis includes foreign currency denominated monetary assets and liabilities and adjusts their translation at period end for a 1% change in foreign currency rates. For a 1% weakening against the Canadian dollar, there would be an equal and opposite impact on net income and comprehensive income.

	Chinese RMB	US dollars	HK dollars
Net income	\$ 9,117	\$ 303	\$ (359)
Comprehensive income	\$ 9,117	\$ 303	\$ (359)

Fair Value

Fair value is the amount at which a financial instrument could be exchanged between willing parties based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The fair value hierarchy established by CICA Handbook Section 3862 – Financial Instruments – Disclosures (“Section 3862”) establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The Company's financial instruments include cash, accounts receivable, deposits and prepayments, loan receivable, accounts payable and accrued liabilities, short term loans, loans from shareholders, and long-term loans.

The fair value of accounts receivable, deposits and prepayments, loan receivable, accounts payable and accrued liabilities, and short term loans is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term loan approximates its fair value as the interest rate approximates the current market rate for similar instruments.

The fair value of loan from shareholders could not be determined as there are no fixed terms of repayment.

Interest Risk

The Company is exposed to interest rate risk on the utilized portion of its credit facilities and does not currently hold any financial instruments that mitigate this risk. Management does not believe that the impact of interest rate fluctuations on the current level of borrowings will be significant and, therefore, has not provided a sensitivity analysis of the impact of fluctuations on net income and comprehensive income.

Liquidity Risk

The purpose of liquidity risk management is to maintain a sufficient amount of cash and cash equivalents. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and the issuance of equity. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

As at December 31, 2009 the Company has accounts payable and accrued liabilities of \$1,017,886 due within 12 months. As at December 31, 2009 the Company is holding cash and cash equivalents of \$1,467,401. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

Note 24 - Commitments and Contingencies

- (a) The Company has lease obligations with its previous premises under an arrangement which expires on June 30, 2011. The future annual minimum payments under operating leases is \$61,848.
- (b) A foreign subsidiary Fireswirl Technologies (Shenzhen) Company Ltd. has a lease obligation of \$1,091 per month until the lease expires on August 31, 2010.
- (c) A foreign subsidiary Fireswirl Asia Ltd. has a lease obligation of \$1,001 per month until the lease expires on August 24, 2010.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

(d) A foreign subsidiary XCXD has a lease obligation of \$12,192 per month until the lease expires on December 1, 2013

Note 25- Capital Management

The Company has defined its capital as capital stock, contributed surplus and retained earnings.

The following table summarizes certain information with respect to the Company's capital structure at the end of each period:

	December 31, 2009	December 31, 2008
Shareholders' equity	\$1,807,815	\$2,744,404

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments.

The company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed since last year. These objectives and strategies are reviewed on a continuous basis.

The Company normally finances its property and equipment purchases with cash.

Note 26 – Supplemental Disclosure with Respect To Cash Flows

	2009	2008
Cash paid during the period for interest	\$ 42,886	\$ -
Cash paid during the period for income taxes	\$ 87,051	\$ -

The significant non-cash transactions during the period ended December 31, 2008 are as follow:

issuance of 6,058,673 common shares in the acquisition of XCXD as consideration of the assets and liabilities transferred (Note 9).

Note 27 - Subsequent Events

There were no material subsequent events during the period from December 31, 2009 to the date of this report.

Note 28 – Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.