

***FIRESWIRL TECHNOLOGIES INC.***

**(Formerly Redstone Capital Corp.)**

**Interim Consolidated Financial Statements**

**Three months ended September 30, 2006**

**(Unaudited - Prepared by Management)**

## **NOTICE TO INTERIM FINANCIAL STATEMENTS**

The accompanying interim consolidated financial statements of the Company for three months ended September 30, 2006 have been prepared by the management of the Company. The independent auditor of the Company has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

On behalf of the Board:

**"Tony Lau"**

Tony Lau  
Director

## **FIRESWIRL TECHNOLOGIES INC.**

### **Consolidated Balance Sheets (Unaudited)**

	<b>September 30 2006</b>	December 31 2005
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	412,795	112,366
Term deposits	2,014,040	-
Accounts receivable	88,269	189,570
Recoverable R&D tax credits	52,778	52,778
Deposits and prepayments	33,800	9,797
Due from related parties - Note 9	-	700
	<b>2,601,682</b>	365,211
Equipment	86,516	41,309
Future income tax	68,058	-
Other assets - Note 8	354,040	-
	<b>3,110,296</b>	406,520
<b>LIABILITIES</b>		
Current liabilities		
Bank indebtedness		544
Accounts payable and accrued liabilities	107,656	63,664
Provision for income taxes	-	-
Due to related parties - Note 9	-	80,000
	<b>107,656</b>	144,208
<b>SHAREHOLDERS' EQUITY</b>		
Share capital - Note 4	2,657,741	36,666
Contributed surplus - Note 4	500,082	-
Retained earnings (deficits)	(155,183)	225,646
	<b>3,002,640</b>	262,312
	<b>3,110,296</b>	406,520

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

On behalf of the Board:

**"Tony Lau"**

**"Andrew Mah"**

Tony Lau  
 Director

Andrew Mah  
 Director

**FIRESWIRL TECHNOLOGIES INC.**  
**Consolidated Statements of Earnings**  
**(Unaudited)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>Sep 30</b>	Sep 30	<b>Sep 30</b>	Sep 30
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of period	<b>81,545</b>	145,676	<b>225,646</b>	110,824
Net (loss)/income for the period	<b>(236,728)</b>	22,787	<b>(380,829)</b>	57,639
Balance, end of period	<b>(155,183)</b>	168,463	<b>(155,183)</b>	168,463

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

**FIRESWIRL TECHNOLOGIES INC.**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	Three months ended		Nine months ended	
	Sep 30 2006	Sep 30 2005	Sep 30 2006	Sep 30 2005
	\$	\$	\$	\$
Revenue	<b>128,260</b>	229,410	<b>574,737</b>	648,242
Operating Expenses				
Amortization	<b>12,365</b>	3,467	<b>27,903</b>	10,401
Sales and marketing	<b>31,981</b>	20,261	<b>80,179</b>	53,251
General administration	<b>53,193</b>	27,402	<b>186,413</b>	104,601
Salaries and benefits	<b>133,136</b>	129,504	<b>438,360</b>	368,690
Stock based compensation	<b>111,678</b>	-	<b>203,850</b>	-
Foreign exchange	<b>(829)</b>	10,065	<b>9,320</b>	7,063
Bad and doubtful debts	<b>116,684</b>	-	<b>116,684</b>	-
	<b>458,208</b>	190,699	<b>1,062,709</b>	544,006
(Loss)/Income before other items	<b>(329,948)</b>	38,711	<b>(487,972)</b>	104,236
Other items:				
Development costs - Note 8	<b>(237,340)</b>	(16,344)	<b>(237,340)</b>	(49,510)
Capitalization of development costs - Note 8	<b>237,340</b>	-	<b>237,340</b>	-
Other incomes - Note 6	<b>24,031</b>	-	<b>39,085</b>	11
(Loss)/Income before income taxes	<b>(305,917)</b>	22,367	<b>(448,887)</b>	54,737
Income tax recovery	<b>69,189</b>	420	<b>68,058</b>	2,902
Net (loss)/income for the period	<b>(236,728)</b>	22,787	<b>(380,829)</b>	57,639
Basic/Diluted loss per share - Note 7	<b>(0.01)</b>	-	<b>(0.02)</b>	-
Weighted average number of shares outstanding	<b>20,045,000</b>	12,300,000	<b>16,362,555</b>	12,300,000

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

## FIRESWIRL TECHNOLOGIES INC.

### Consolidated Statements of Cash Flows (Unaudited)

	Three months ended		Nine months ended	
	Sep 30 2006	Sep 30 2005	Sep 30 2006	Sep 30 2005
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net (loss)/income for the period	<b>(380,829)</b>	22,787	<b>(380,829)</b>	57,639
Changes to income not affecting cash:				
Amortization	<b>27,903</b>	3,467	<b>27,903</b>	10,401
Stock based compensation	<b>203,850</b>	-	<b>203,850</b>	-
Income taxes	<b>(68,058)</b>	-	<b>(68,058)</b>	-
	<b>(217,134)</b>	26,254	<b>(217,134)</b>	68,040
Changes in non-cash working capital balances related to operations:				
Accounts receivable	<b>101,301</b>	1,096	<b>101,301</b>	(9,814)
Income taxes receivable				2,079
Recoverable R&D tax credits	-	(22,991)	-	(3,868)
Deposits and prepayments	<b>(24,003)</b>	-	<b>(24,003)</b>	(1,950)
Accounts payable and accrued liabilities	<b>43,992</b>	(1,011)	<b>43,992</b>	(27,337)
	<b>(95,844)</b>	3,348	<b>(95,844)</b>	27,150
<b>Investing Activity</b>				
Deferred charges	<b>(129,667)</b>		<b>(129,667)</b>	-
Deferred development costs	<b>(237,340)</b>		<b>(237,340)</b>	
Acquisition of equipment	<b>(60,143)</b>	(363)	<b>(60,143)</b>	(7,829)
	<b>(427,150)</b>	(363)	<b>(427,150)</b>	(7,829)
<b>Financing Activities</b>				
Bank indebtedness	<b>(544)</b>	520	<b>(544)</b>	(3,826)
Due from related parties	<b>700</b>	4,000	<b>700</b>	4,098
Due to related parties	<b>(80,000)</b>		<b>(80,000)</b>	-
Shares issued on acquisition of subsidiaries	<b>74,656</b>		<b>74,656</b>	-
Shares issued for cash	<b>2,811,401</b>		<b>2,811,401</b>	-
Shares issued for options exercised	<b>31,250</b>		<b>31,250</b>	-
	<b>2,837,463</b>	4,520	<b>2,837,463</b>	272
Increase/(Decrease) in cash during the period	<b>2,314,469</b>	7,505	<b>2,314,469</b>	19,593
Cash, beginning of the period	<b>2,842,158</b>	12,088	<b>112,366</b>	-
Cash, end of the period	<b>5,156,627</b>	19,593	<b>2,426,835</b>	19,593
<b>Supplementary cash flow information:</b>				
Cash paid for:				
Interest	-	-	-	-
Income taxes	-	-	-	-

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

## **FIRESWIRL TECHNOLOGIES INC.**

### **Notes to the Interim Consolidated Financial Statements (Unaudited)**

#### **Note 1 Company Restructuring**

- a) On September 1, 2006 the Company's fully owned subsidiary Fireswirl Systems Inc. amalgamated with its subsidiary Fireswirl Technologies Inc. with Fireswirl Systems Inc. being the surviving entity.
- b) Redstone Capital Corp. changed its name to Fireswirl Technologies Inc. on August 18, 2006 and continued out of Alberta into British Columbia from September 1, 2006.

#### **Note 2 Nature of Operations**

The Company is in the business of software development consulting and software systems setup and software licensing. The core business of the Company was to license Fireswirl Online Poker Suite, a proprietary software product developed by the Company which enables peer-to-peer online poker games with multi-player capability, and help its licensees to setup and customize their systems to operate an online poker site.

#### **Note 3 Significant Accounting Policies**

- a) Interim financial statements

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) except that certain information and note disclosures normally included in the Company's annual consolidated financial statements have not been presented. These interim consolidated financial statements and notes should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2005.

The interim consolidated financial statements follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements.

- b) Basis of consolidation

The Company acquired 100% of the issued and outstanding capital stock of Fireswirl Systems Inc. (Fireswirl) on May 1, 2006 by paying \$300,000 cash and issuing 12,300,000 common shares. Legally, the Company is the parent of Fireswirl. However, control of the combined companies passed to the former shareholders of Fireswirl as a result of the transaction. This type of share exchange is referred to as a "reverse takeover". These consolidated financial statements follow the requirements of Reverse Takeover Accounting in EIC-10 and CICA 1580.16. The consolidated financial statements, although issued under the name of Fireswirl Technologies Inc., are a continuation of Fireswirl.

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Interim Consolidated Financial Statements**  
 (Unaudited)

**Note 3 Significant Accounting Policies (cont.)**

c) Use of estimates

The presentation 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, liabilities, revenues, expenses and other disclosures as at the end of or during the reporting periods. Because a precise determination of many assets and liabilities is dependent upon future events, actual results may vary from these estimates.

d) Prior period comparative figures

Certain prior period comparative figures have been changed to conform with the presentation of of current reporting.

**Note 4 Share Capital and Contributed Surplus**

	Number of Shares	Stated Amount	Contributed surplus
Authorized:			
Unlimited common shares, without par value			
Unlimited preferred shares, issuable in series			
Common shares issued:			
Capital stock of the Company	3,120,000	-	-
Stated capital of Fireswirl		36,666	
Shares issued pursuant to acquisition	12,300,000	74,656	
Shares issued for Finder's fee on acquisition	500,000		
Shares issued pursuant to private placement	4,000,000	3,200,000	
Share issue costs		(367,844)	
Agents warrants granted capitalized as issue costs		(296,232)	296,232
Fair value of employees options 2006(1) granted			92,172
Directors options exercised	100,000	25,000	
Agents warrants exercised	25,000	6,250	
Balance - Jun 30, 2006	20,045,000	\$2,678,496	\$388,404
Fair value of employees options 2006(2) granted			111,678
Additional share issue costs on private placement		(20,755)	
Balance - September 30, 2006	20,045,000	\$2,657,741	\$500,082

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Interim Consolidated Financial Statements**  
**(Unaudited)**

**Note 4 Share Capital and Contributed Surplus (cont.)**

(a) Shares held in escrow or subject to statutory resale restrictions

(i) 1,120,000 common shares issued during the period ended August 31, 2005 are held in escrow pursuant to the requirements of the Exchange to be released as to 10% thereof on the completion of the Corporation's qualifying transaction and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release.

(ii) 12,300,000 shares issued by the Corporation on May 1, 2006 pursuant to the Acquisition, including the Finder's Fee Shares, will be placed in escrow and be released as to 5% thereof 6 months following issuance by the Exchange of the Final Exchange Bulletin, and as to 5% thereof on each of the 12, 18 and 24 month anniversaries of the Final Exchange Bulletin and as to 10% thereof on each of the 30, 36, 42, 48, 54, 60, 66 and 72 month anniversaries of the Final Exchange Bulletin.

**Note 5 Share Purchase Warrants**

The Company issued 2,000,000 share purchase warrants during its private placement on May 18, 2006. Each warrant entitles the holders to acquire one common share of the Company at an exercise price of \$1.10. The warrants expire on May 17, 2008.

**Note 6 Other Incomes**

Other incomes mainly include interest income on term deposits at bank.

**Note 7 Earning per Share**

Diluted loss per share did not include other common share equivalents as the effect will be anti-dilutive.

## **FIRESWIRL TECHNOLOGIES INC.**

### **Notes to the Interim Consolidated Financial Statements (Unaudited)**

#### **Note 8 Other Assets**

	Deferred charges - note (a)	Development costs - note (b)	Total
<b>Costs:</b>			
As at Jul 1, 2006	\$129,458	\$0	\$129,458
Additions	209	237,340	237,549
As at Sep 30, 2006	\$129,667	\$237,340	\$367,007
<b>Amortization:</b>			
As at Jul 1, 2006	\$6,473	\$0	\$6,473
Amortization during the period	6,494	-	6,494
As at Sep 30, 2006	\$12,967	\$0	\$12,967
Net book values at Sep 30, 2006	\$116,700	\$237,340	\$354,040

(a) Deferred charges include costs incurred by the subsidiary on merger. They are deferred and amortized at annual rate of 20% on straight-line basis.

(b) Deferred development costs comprise of labour costs of personnel directly engaged in research and development activities, and a reasonable allocation of overhead. As the development project is still in progress, no amortization of the costs was charged to expenses for the period.

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Interim Consolidated Financial Statements**  
**(Unaudited)**

**Note 9 Related Party Transactions**

The Company had the following transactions with director and shareholders of the Company:

	For three months ended		For nine months ended	
	Sep 30, 06	Sep 30, 05	Sep 30, 06	Sep 30, 05
Expenses				
Salaries and benefits	\$24,000	\$12,300	\$104,000	\$36,900
Office expenses	\$0	\$0	\$7,815	\$0
Other item				
R&D costs	\$26,200	\$2,700	\$26,200	\$8,100

Related party transactions are in the normal course of operations and occur on terms and conditions that are similar to those of transactions with unrelated parties. The salaries and benefits are measured at the exchange amount agreed between the various parties. Office expenses were paid to a company related by virtue of a director who is also an officer of that company for office facilities and administrative services rendered.

The amount due to and from related parties of, respectively, \$Nil (2005: \$80,000) and \$Nil (2005: \$700) consists of amounts due to/from a shareholder of the Company or director of the Company with respect to advances. These amounts are non-interest bearing and were all settled before the end of the period.

**Note 10 Segmented Information**

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

	For three months ended		For nine months ended	
	Sep 30, 06	Sep 30, 05	Sep 30, 06	Sep 30, 05
Belize		\$0	\$0	\$40,003
United States of America		30,000	-	63,125
Canada			-	14,954
Costa Rica	56,000		56,000	-
Island of Man		106,480	28,000	106,480
British Virgin Islands			191,850	10,000
Hong Kong	20,160	36,000	78,390	86,000
United Kingdom	6,000	23,180	15,000	40,430
Panama	5,600		83,997	-
Barbados	40,500	33,750	121,500	287,250
	\$128,260	\$229,410	\$574,737	\$648,242

The Company has no capital assets located outside Canada.

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Interim Consolidated Financial Statements**  
**(Unaudited)**

**Note 11 Share Purchase Options**

	Options			Balance at Sep 30, 2006	Option	
	Granted	Vested	Exercised		prices	Expiry
Directors options - 2005	150,000	150,000	(100,000)	50,000	\$0.25	Dec 12, 2010
Agents warrants - 2005	100,000	100,000	(25,000)	75,000	\$0.25	May 18, 2008
Agents warrants - 2006 - note (a)	400,000	400,000		400,000	\$0.80	May 17, 2008
Agents warrants - 2006W - note (a)	200,000	-		-	\$1.10	May 17, 2008
Employees options - 2006(1) - note (b)	361,500	180,750		180,750	\$0.80	May 24, 2011
Employees options - 2006(2) - note (c)	438,000	219,000		219,000	\$0.80	Aug 25, 2011
	1,649,500	1,049,750	(125,000)	924,750		

(a) The Company issued compensation warrants on May 18, 2006 allowing the agents and members of the selling group so formed in connection with the private placement, to purchase up to 400,000 Units at an exercise price of \$0.80 per Unit for a period of twenty-four (24) months following completion of the Offering. If the warrants are exercised, the agents will have the right to further exercise, on a two for one basis, to purchase common shares at option price of \$1.10 within the same 24 months period. Fair value of warrants issued \$296,232 was charged to Share Capital as part of share issue costs.

(b) The Company granted options to employees on May 24, 2006 to acquire 361,500 shares at an exercise price of \$0.80 per share under its stock option plan (Employee options - 2006(1)). 50% of the options became vested on the grant date, while the vesting date of the remainder is set to May 24, 2007. The options expire on May 24, 2011.

(c) On August 25, 2006 the Company granted options to employees to acquire 438,000 shares at an exercise price of \$0.80 per share under its stock option plan (Employee options - 2006(2)). 50% of the options became vested on the grant date, while the vesting date of the remainder is set to August 25, 2007. The options expire on August 25, 2011.

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

Risk-free interest rate	3.83 - 3.85%
Dividend yield	-
Volatility	125%
Expected life	2 years to 2.5 years

The weighted average grant date fair value of options was \$0.48