

FIRESWIRL TECHNOLOGIES INC.
Consolidated Financial Statements
Years ended December 31, 2007 and 2006

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Consolidated Financial Statements
Years ended December 31, 2007 and 2006

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Cinnamon Jang Willoughby & Company

Chartered Accountants

A Partnership of Incorporated Professionals

AUDITORS' REPORT

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

We have audited the consolidated balance sheet of Fireswirl Technologies Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations 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 consolidated 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Cinnamon Jang Willoughby & Company"

Chartered Accountants

Burnaby, BC
April 3, 2008

FIRESWIRL TECHNOLOGIES INC.**Consolidated Balance Sheets****As at December 31, 2007 and 2006**

	December 31 2007	December 31 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,248,211	\$ 2,108,850
Amounts receivable	53,676	72,729
Deposits and prepayments	25,971	61,942
	4,327,858	2,243,521
Capital assets - Note 5	411,198	61,303
Deferred development cost and other assets - Note 6	1,152,795	437,244
Total Assets	5,891,851	2,742,068
LIABILITIES		
Current liabilities		
Accounts payable	264,032	132,054
	264,032	132,054
SHAREHOLDERS' EQUITY		
Share capital - Note 11	5,088,335	1,510,800
Contributed surplus - Note 11	3,191,817	1,729,359
Deficits	(2,652,333)	(630,145)
	5,627,819	2,610,014
Total Liabilities and Shareholder's Equity	\$ 5,891,851	\$ 2,742,068

Nature of operations (Note 1)

Commitments and contingencies (Note 15)

Subsequent events (Note 16)

On behalf of the Board:

"Dale Peterson"**"Ji Yoon"**Dale Peterson
President, CEOJi Yoon
Director

FIRESWIRL TECHNOLOGIES INC.
Consolidated Statements of Deficit
For the years ended December 31, 2007 and 2006

	Year ended	
	December 31 2007	December 31 2006
Balance, beginning of the period	\$ (630,145)	\$ 225,646
Net loss for the period	(2,022,188)	(855,791)
Balance, end of the period	\$ (2,652,333)	\$ (630,145)

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

FIRESWIRL TECHNOLOGIES INC.
Consolidated Statements of Operations
For the years ended December 31, 2007 and 2006

	Year ended	
	December 31 2007	December 31 2006
Revenue	\$ 40,382	\$ 641,396
Operating Expenses		
Amortization	23,883	20,616
Sales and marketing	204,976	107,455
Bad debts	-	136,844
General administration	584,826	489,930
Salaries and benefits	604,768	530,269
Stock based compensation	312,928	278,211
Impairment of software development cost - Note 6	446,700	-
	2,178,081	1,563,325
Loss before other items	(2,137,699)	(921,929)
Other items:		
Other incomes - Note 7	217,553	71,143
Foreign exchange loss	(71,422)	(3,109)
Loss from Investment - Note 8	(30,620)	-
Loss before income taxes	(2,022,188)	(853,895)
Income tax expense	-	(1,896)
Net loss for the period	\$ (2,022,188)	\$ (855,791)
Basic/Diluted loss per share - Note 10	\$ (0.08)	\$ (0.05)
Weighted average number of shares outstanding	24,355,555	17,298,345

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

FIRESWIRL TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2007 and 2006

	Year ended	
	December 31 2007	December 31 2006
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,022,188)	\$ (855,791)
Non cash items:		
Amortization	42,617	41,453
Stock based compensation	312,928	278,211
Bad debt expense	-	136,844
Impairment of development cost	86,204	-
Changes in non-cash working capital items:		
Amounts receivable	19,053	(20,003)
Recoverable R&D tax credit	-	52,778
Deposits and prepayments	35,971	(52,145)
Accounts payable and accrued liabilities	45,648	68,390
	(1,479,767)	(350,263)
INVESTING ACTIVITIES		
Deferred development costs and other assets	(817,361)	(437,244)
Acquisition of capital assets	(290,578)	(61,447)
	(1,107,939)	(498,691)
FINANCING ACTIVITIES		
Bank indebtedness	-	(544)
Due from related parties	-	700
Due to related parties	-	(80,000)
Shares issued on acquisition of subsidiaries	-	74,656
Shares issued for cash	4,109,839	2,811,401
Shares issued for warrants exercised	605,228	-
Shares issued for options exercised	12,000	39,225
	4,727,067	2,845,438
Increase in cash during the year	2,139,361	1,996,484
Cash and cash equivalents, beginning of year	2,108,850	112,366
Cash and cash equivalents, end of year	\$ 4,248,211	\$ 2,108,850

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

Supplementary cash flow information:

Cash paid for:

Interest	-	-
Income taxes	-	-

FIRESWIRL TECHNOLOGIES INC.
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Note 1 Nature of Operations

Fireswirl Technologies Inc.'s ("the Company") business is focused on creating transactional based revenue through combinations of software development, software consulting, software systems setup and software licensing.

These financial statements have been prepared on a going concern basis notwithstanding the fact that the Company has experienced operating losses and negative cash flows from operations during the years ended December 31, 2007 and 2006.

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.

The Company, formerly Redstone Capital Corp., acquired 100% of the issued and outstanding capital stock of Fireswirl Systems Inc. on May 1, 2006 by paying \$300,000 cash and issuing 12,300,000 common shares. The Company is the parent of Fireswirl Systems Inc but control of the combined companies passed to the former shareholders of Fireswirl Systems Inc. as a result of the transaction. These consolidated financial statements follow the requirements for reverse takeover accounting in Emerging Issues Committee ("EIC") Abstract 10 and Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1580.16.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

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

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

FIRESWIRL TECHNOLOGIES INC.
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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 certificate. Interest income earned on these marketable securities is recorded on an accrual basis.

b) Capital assets

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

Computer hardware	30%
Computer software	30%
Furniture and fixtures	20%

In the year an asset is acquired, additions are amortized at half of the normal rate.

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) Software development cost

Under The 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 cost commence with commercial production or use of the product or process.

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

FIRESWIRL TECHNOLOGIES INC.
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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 deferred 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 system setup fees, customization fees, service and licensing fees and software development fees.

The 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 collectibility is reasonably assured.

The 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.

Throughout the year of 2007, a monthly service and maintenance agreement with U.K customer, Betfair provided a set monthly revenue of 1,000GBP from a service and maintenance agreement.

g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumption that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the company may undertake in the future, actual result may differ from the estimates.

h) 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.

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Note 4 Changes in Accounting Policies

Financial instrument

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 in 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 receivable 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.
- The Company had no held-to maturity, available for sale or loans and receivables during the year ended December 31, 2007.
- The Company had no other comprehensive income/ (loss) transactions during the year ended December 31, 2007.

For all periods presented, there is no difference between the Company’s comprehensive income or loss for the year. The adoption of these standards had no impact on the Company’s loss for the year ended December 31, 2007.

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Note 5 Capital Assets

	2007			2006		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer Hardware	\$265,525	\$52,717	\$212,808	\$60,073	\$40,691	\$19,382
Computer Software	232,179	72,123	160,056	86,581	63,488	23,093
Fixtures	55,185	16,850	38,334	29,327	10,499	18,828
Total	\$552,888	\$141,691	\$411,198	\$175,981	\$114,678	\$61,303

The Computer Hardware and Computer Software categories include \$164,042 of hardware and \$134,216 of software respectively that was purchased for use within the Hutchison Telecommunication network in Macau. The entire \$298,258 capital asset for this 3G Gaming Video Platform has not been amortized in 2007 since the company has not started generating revenue from this project in 2007. The 3G gaming service was launched in February 2008 in Hong Kong and Macau.

Note 6 Deferred Development Cost and Other Assets

Deferred cost refers to software development cost and patent application cost which relates to the development. Software development cost consists of labor costs of personnel directly engaged in research and development activities and a reasonable allocation of overhead. The company started amortizing Bet Exchange development cost in 2007 based on expected life of the current developed software of 3 years.

Capitalized software is evaluated for impairment periodically by comparing the capitalized costs of a computer software product to the net realizable value of that product. At December 31, 2007, the Company wrote off \$446,700 of capitalized software for two of our projects, SMILES and SMS Translator. The write-off was a result of management's decision to discontinue development effort for the projects due to uncertainty of revenues.

The company has continued and improved their focus on the development and revenue opportunities from their Casino Suite software. As Casino Suite developments are still in progress, no amortization of the costs was charged to expenses during the period.

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	SMILES	Casino Suite	SMS Translator	Bet Exchange	Total
Software Development Cost					
-Balance, beginning of 2007	\$86,204	\$304,221	\$ -	\$46,819	\$ 437,244
-Deferred in 2007	30,018	803,484	310,449	-	\$1,143,951
-Amortization in 2007	-	-	-	(15,606)	(15,606)
	116,222	1,107,705	310,449	31,213	1,565,589
Patent Application Cost					
	6,524	501	13,505	-	20,530
Impairment in 2007	(122,746)		(323,954)		(446,700)
Total deferred cost, end of 2007	\$ -	\$1,108,206	\$ -	\$31,213	\$1,139,419

The company registered a trademark of its logo in Hong Kong, China, US and Canada in 2007. Total cost of this registration was \$13,376.

Note 7 Other Incomes

Other income consists of \$192,683 interest income and a transfer of \$24,870 from customer deposits to miscellaneous income due to a customer's failure to meet their contractual obligations to the Company.

Note 8 Loss from Investment

At December 31, 2007, the Company performed a preliminary impairment test on an investment in a joint venture with King Genius Holdings, a corporation in China. According to the preliminary test results, the impairment loss was recognized since management does not anticipate any progress in the project.

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Note 9 Income Tax Recovery (Expense)

The provision for income taxes reported differs from the amount computed by applying the Canadian statutory rate to income before income taxes for the following reasons:

	2007	2006
Loss from continuing operations before income taxes	\$ (2,022,188)	\$ 853,895
Statutory income tax rate	34.12%	35.12%
Expected recovery of income taxes	(689,971)	(299,888)
Impact of lower statutory tax rates on foreign subsidiaries	54,894	-
Non deductible expenses	246,189	104,979
Unrecorded benefit of tax loss incurred during the year	388,891	196,805
Income tax due	\$ -	\$ 1,896

Subsequent to the year end, the effective statutory tax rate decreased to 31.50%.

Future income taxes result principally from temporary differences in the recognition of certain expense items for financial and income tax reporting purposes. Significant components of the future tax assets are as follows:

	2007	2006
Eligible capital expenditure	\$ 28,242	\$ -
Equipment	17,090	8,743
Operating loss carryforward	671,271	188,062
Financing cost	133,123	-
Net future income tax asset	849,726	196,805
Valuation allowance	(849,726)	(196,805)
	\$ -	\$ -

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The potential benefit arising from 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 Company has non capital loss carry forwards expiring in the following year:

	Canada	China
2012	\$ -	\$ 23,698
2015	499	-
2016	281,862	-
2027	307,793	-
	<u>\$ 590,154</u>	<u>\$ 23,698</u>

The Hong Kong subsidiaries have non capital loss carry forwards of \$57,419 that can be carried forward indefinitely to future taxation years.

Note 10 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.

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Note 11 Share Capital and Contributed Surplus

	Number of Shares	Share Capital	Contributed Surplus
Balance, May 1, 2006	3,120,000	\$36,666	
Shares issued on acquisition – note (a)	12,300,000	74,656	
Shares issued for finder's fee – note (a)	500,000		
Private placement – note (b)			
- gross proceeds	4,000,000	2,811,401	
- fair value of stock option warrants		(1,160,000)	1,160,000
Agents warrants granted capitalized as issued costs		(296,232)	296,232
Fair value of employees options granted			259,567
Fair value of agent options granted			17,609
Share issued on options exercised	147,000	44,309	(5,084)
Agent options vested on exercise of warrants			1,035
Balance, January 1, 2007	20,067,000	\$1,510,800	\$1,729,359
Private placement - note (d):			
- gross proceeds	4,500,000	4,109,839	
- fair value of 2,250,000 stock option warrants		(1,485,000)	1,485,000
Warrants exercised in 2007	623,112	934,396	(330,204)
Stock options exercised in 2007	15,000	18,300	(6,300)
Fair value of options granted in 2007			189,963
Fair value of options granted in 2006 and vested in 2007			123,999
Balance, December 31, 2007	25,205,112	\$5,088,335	3,191,817

- (a) On May 1, 2006 the Company purchased all the issued and outstanding securities of Fireswirl Systems Inc. for consideration comprised of an aggregate 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.
- (b) Concurrent with the acquisition noted above the Company completed private placement ("Offering") of 4,000,000 subscription receipts ("Subscription Receipt") at a price of \$0.80 per Subscription Receipt 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 ("Unit") upon completion of the Acquisition. Each Unit consists of one Redstone common share (a "Share") and half of one Redstone share purchase warrant (the "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 (24) months following completion of the Offering. The Offering was closed on May 18, 2006.

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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) 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) 12,800,000 shares issued by the Corporation on May 1, 2006 pursuant to the Acquisition, including the Finder's Fee Shares are held in escrow and 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.

(d) 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 will 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.

	2007		2006	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Outstanding, beginning of year	1,149,500	0.78	150,000	0.25
Granted	298,500	1.24	1,099,500	0.80
Exercised	(15,000)	0.80	(100,000)	0.25
Forfeited	(137,000)	1.08	-	
Outstanding, end of year	1,296,000	0.85	1,149,500	0.78
Exercisable, end of year	1,204,750	0.82	524,750	0.75

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During fiscal year 2007, the Company granted 298,500 options (1,099,000 in 2006) with an exercise price ranging from \$1.10 to \$1.35 of which 198,000 were granted to employees and 100,000 were granted to a consultant. 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.

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

Exercise Price (\$)	Options Outstanding		Options Exercisable	
	Number	Weighted average remaining life (Years)	Number	Weighted average remaining life (Years)
0.25	50,000	3.0	50,000	3.0
0.80	1,063,500	2.4	1,063,500	2.4
1.28	100,000	4.3	50,000	4.3
1.35	82,500	4.2	41,250	4.2
	1,296,000	2.7	1,204,750	2.6

Warrants

	2007		2006	
	Number of warrants	Weighted average exercise price (\$)	Number of warrants	Weighted average exercise price (\$)
Outstanding, beginning of year	2,653,000	1.04	100,000	0.25
Granted	2,250,000	1.25	2,600,000	1.05
Exercised	(623,112)	0.97	(47,000)	0.30
Outstanding, End of year	4,279,888	1.16	2,653,000	1.04
Exercisable, end of year	4,132,464	1.16	2,455,250	1.04

Pursuant to the term of non brokered private placement on February 22, 2007, the Company issued 2,250,000 share purchase warrants with an exercise price of \$1.25 and are 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.

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Exercise Price (\$)	Options Outstanding		Options Exercisable	
	Number	Weighted average remaining life (Years)	Number	Weighted average remaining life(Years)
0.80	291,098	0.4	291,098	0.4
1.10	1,738,790	0.4	1,591,366	0.4
1.25	2,250,000	1.1	2,250,000	1.1
	4,279,888	0.8	4,132,464	0.8

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	2.78 - 3.85%
Dividend yield	-
Volatility	80% - 125%
Expected life	1 year to 5 years

The weighted average grant date fair value of options was \$1.09

Note 12 Related Party Transactions

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

	2007	2006
Expenditures:		
- Salaries and severance	\$ 676,485	\$ 230,183
- Professional fees	47,663	50,339
- Accounts payable	2,531	-
	726,679	280,522
Other item:		
Software development costs	\$ 166,481	\$ 142,825

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All the above transactions were in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties. These transactions are recorded at market value. During the year, the Company paid \$496,485 in salaries to its management and \$180,000 severance to the Company's former officer. Also the Company paid \$47,663 in professional fees to one of its directors. As of December 31, the accounts payable balance includes \$2,531 of regular operational expenses outstanding to an officer of the company.

Within the \$496,485 salaries expenditure, \$166,481 was capitalized as software development cost.

Note 13 Segmented Information

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

	2007	2006
Costa Rica	\$ -	\$ 56,000
Island of Man	-	28,000
British Virgin Islands	-	191,850
Hong Kong	-	98,500
United Kingdom	40,382	21,000
Panama	-	83,996
Barbados	-	162,000
	\$ 40,382	\$ 641,396

Note 14 Credit Risk and Financial Instrument

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.

Currency risk

The majority of the Company's operations are carried out in Canada but the Company has subsidiaries in foreign countries that pay expenditures in their own currencies. The Company bills its revenue primarily in local currencies of the customers. For these reasons, the company holds

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foreign currencies for operating and investment purposes. Changes in the exchange rates may cause a significant fluctuation in income as transactions are not hedged through derivatives. The following balances include amounts denominated in foreign currencies:

	December 31 2007	December 31 2006
US dollars:		
- Cash and cash equivalents	\$376,616	\$253,459
- Accounts receivable	-	\$17,000
- Accounts payable and accrued liabilities	-	-
Hong Kong Dollars		
- Cash and cash equivalents	\$51,962	-
China Yuan Renminbi		
- Cash and cash equivalents	\$777,578	-
United Kingdom Pounds		
- Accounts receivable	\$3,000	-

Note 15 Commitments and Contingencies

- (a) The Company has leased its premises under an arrangement which expires on June 30, 2011. The future annual minimum payment under operating lease is \$61,848.
- (b) A foreign subsidiary Fireswirl Technologies (Shenzhen) Company Ltd. has a lease obligation of \$5,019 in total until the lease expires on April 30, 2008.

Note 16 Subsequent Events

- (a) In January, 2008, the Company signed a contract to sublease its premises from March 1, 2008 to June 29, 2011. The Company will recognize \$21,904 as rental revenue during each year of the subleasing. The Company has also entered into a new lease agreement from February 1, 2008 to December 31, 2009 in which the new operating lease obligation is \$32,775 per year.
- (b) On February 19, 2008, the Company re-priced 200,000 of stock options granted to employees in 2006 and 2007. This 200,000 of stock options consists of 35,500 options at \$0.80 per share, 100,000 options at \$1.28 per share, and 64,500 options at \$1.35. All these options are now re-priced to \$0.30 per share. There was no change in the vesting period or expiry date for the re-priced options.

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On the same date, the Company also granted 840,000 new options to its employees, officers and directors. Granted options vested 50% immediately and 50% are to be vested one year later. Fair value of this new grant is \$201,600 and are exercisable over 5 years.