



Fireswirl

Technologies Inc.

**Management Discussion and Analysis of the Financial Condition and Results of operations,
for the years ended December 31, 2008 and 2007.**

April 29, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with Fireswirl Technologies Inc. ("Fireswirl" or the "Company") audited consolidated financial statements and the accompanying notes for the year ended December 31, 2008, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Reference to 2008 or fiscal 2008 means the twelve months ended December 31, 2008. Likewise, reference to 2007 or fiscal 2007 refers to the twelve months ended December 31, 2007.

Additional information about the Company is available on SEDAR at (www.sedar.com) under Fireswirl Technologies Inc. and on the Company website at www.fireswirl.com.

Special Note Regarding Forward Looking Statements

This MD&A contains certain forward looking statements which reflect Management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities.

Statements about the Company's future plans and intentions, results level of activity, performance or achievements or other future events constitute forward looking statements. Whenever possible, words such as "anticipate", "estimate", "may", "will", "could", "should", "expect", "plan", "intend", "believe", "estimate", or "potential" or similar words, have been used to identify these forward looking statements.

The Company cautions that the forward-looking statements reflect the current views and/or expectations of the Company with respect to its performance, business and future events. Investors are cautioned that all forward looking statements involve risks, uncertainties and assumptions. Including, without limitations; those relating to a limited operating history, an uncertain regulatory environment, a competitive environment, internet viability and system infrastructure and reliability, dependence on key personnel and foreign exchange fluctuations. These risks may cause the Company's actual results to differ materially from those projected in the forward looking statements. The Company does not undertake any obligations to release publicly any revisions for updating any voluntary forward looking statements.

Factors which could cause results or events to differ from current expectations include among other things: the impact of government legislation; the impact of competition; the ability of the Company to retain and attract qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with current and perspective major customers; general industry and market conditions, growth rates and currency rate fluctuations. The Company disclaims any intentions or obligations to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law. No assurance can be given that actual results, performance or achievement expressed or implied by forward looking statements within this disclosure will occur; or if they do, that any benefits can be derived from them.

Past performance has been considered in drawing conclusions with respect to forward looking statements contained in this MD&A.

OVERVIEW

Fireswirl was founded in 1999 and operated as a software development and project management company specializing in payment platforms for the internet. In 2004, the Company began licensing (in eligible jurisdictions) the “Fireswirl Poker Suite”. Fireswirl in its entirety has never operated a wagering website or processed any forms of wagers over the Internet.

In mid-2006, the Company became a listed company (TSX-Venture; symbol FSW) through a reverse takeover and a \$3.2 million equity financing accompanying its qualifying transaction. The Company embarked on a series of events in fall 2006 to achieve an enhanced business model with greater potential realizing the clients involved and these types of projects require longer sales cycles but will also provide significant leverage to the Company at inauguration.

The company will focus on partnering with wireless carriers to provide value-added services to end-users and market relatively high-margin handsets that are customized with such services. The company has been developing the business cases and negotiating contracts with wireless carriers and technology partners. The first major business case shall be fully launched in second quarter of 2009 and generate visible revenue. Before such a business case is fully launched, the company will maintain the lower margin handset trading business at a low volume to maintain its VAT account status with the tax bureau.

Total revenue increased to \$324,201 for the year ended December 31, 2008 compared to \$40,382 for the year ended December 31, 2007, representing an increase of 703%. The increase was mainly due to the sales revenue generated by the handset trading business in China.

Total expenses increased to \$3,504,483 for the year ended December 31, 2008 from \$2,178,081 for the year ended December 31, 2007, representing an increase of 61%.

In 2007, the Company deferred software development costs of \$1,143,951 while the Company did not defer any software development costs in 2008. The total expense would have been \$3,322,032 for the year ended December 31, 2007, if the capitalization had not taken place.

Salaries and benefits remained the Company’s single largest expenditure of \$988,769 for the twelve months ended December 31, 2008 compared to \$604,768 for the same period of 2007, representing an increase of 63%. Salaries and benefits of \$869,889 was capitalized as software development cost in 2007. Salaries and benefits would have been \$1,474,657 in 2007 if the capitalization did not take place. The decrease in salary expenditure is due to overall staff reduction and hiring more staff in China.

The impairment loss in 2008 consists of the write-off of the software development cost for Casino Suite and computer and software for 3G gaming servers while the impairment loss in 2007 was the write-off for the SMS Translation and Mobile Lottery (SMILES) due to uncertainty of revenue prospects.

The Company recognized the impairment loss of \$1,353,056 for the year ended December 31, 2008 compared to \$446,700 for the year ended December 31, 2007, representing an increase of 203%.

In the fourth quarter of 2007, the Company initiated expense reductions that would not impair the intellectual core of our technology and preserve key staff members. The expense reductions focused on fewer staff in Canada, relocation of premises, and reducing consultants. In addition to lower staffing costs, having a presence in China is essential to our strategies in 2008.

China being the predominant geographic location for Fireswirl has just over 1.3 billion people and is the world's largest and most populous country in the world. To this end, the business opportunities in China are enormous. The cell phone penetration ration for China is only about 35% or 480 million people, whereas the cell phone penetration in North America is over 95% wireless subscriber penetration. Moreover, China in particular is not as severely impacted by current economic conditions as North America relatively speaking.

Project Update

Push mail

The Company's wholly owned subsidiary Fireswirl Technologies (Shenzhen) Co. Ltd. ("FSZL") had acquired 21% of Beijing Tysen Xieli Technology Co. Ltd ("Tysen") a limited liability company incorporated under the laws of the People's Republic of China on November 1, 2008. 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, the provincial branch of China Unicom which is the world's third largest wireless carrier by user base.

The total acquisition cost in Tysen was \$509,038 consisting of \$376,068 of purchase consideration, \$48,440 of legal fees associated with the deal, and \$84,530 as part of a contingent consideration.

From the acquisition of 21% of the shares, FSZL is entitled to nominate two out of the three board members and 30% of Tysen's earnings until December 31, 2009. FSZL has an option to acquire a further 30% of Tysen's share prior the end of 2011 at a consideration equal to price earning (Tysen's after tax earnings in 2010) ratio of 5.

The terms of the contract with Tysen requires an additional cash payment on some specified future event. The accounting for contingent consideration is contained in the CICA Handbook Section 1581. The Company is required to make three payments based on the three milestones set in the contract with Tysen. The Company should make a payment of \$84,530 (¥470,000) within seven days of Tysen signing an agreement with China Unicom, \$84,530 (¥470,000) within seven days of the invoice amount from China Unicom totals greater than ¥100,000, and \$82,731 (¥460,000) within seven days of the invoice amount from China Unicom totals greater than ¥300,000.

The first contingent payment of \$84,530 was made in November, 2008 and the consideration was estimable on the date of the business combination and the outcome was reasonably certain to occur, so the amount was recorded and is considered part of the acquisition cost.

Tysen recorded \$142,253 of net loss during the period from November 1, 2008 to December 31, 2008. The 21% ownership in Tysen resulted in \$29,873 of investment loss for the Company during the period. The Investment in Tysen balance has decreased by the same amount of \$29,873 by using equity method.

SUMMARY OF FINANCIAL RESULTS

Key Financial Events

- As of December 31, 2008 the Company had cash and cash equivalents of \$2,226,544 compared to \$4,248,211 at December 31, 2007, representing a decrease of 48%. As of December 31, 2008, the Company had working capital of \$2,202,225 compared to \$4,063,827 at December 31, 2007, representing a decrease of 46%. The Company had no long term debt as of December 31, 2008 and December 31, 2007.
- Total operating expense was \$3,504,483 for the twelve months ended December 31, 2008 compared to \$2,178,081 for the same period of 2007, representing an increase of 61%. The increase is mainly due to the impairment loss of \$1,353,056 recorded in 2008 and the fact that \$1,143,951 was capitalized as a development cost instead being expensed in 2007. The total expense would have been \$3,322,032 for the year ended December 31, 2007, if the capitalization had not taken place.
- The Company reported a loss of \$3,086,353 for the year ended December 31, 2008 compared to a loss of \$2,022,188 for the same period of 2007, representing an increase in loss of 53%. This is also mainly due to the impairment loss recorded in 2008 of \$1,353,056 and the fact that software development cost was capitalized as a development cost in 2007.
- Fully diluted loss per share was \$0.12 for the year ended December 31, 2008 compared to fully diluted losses of \$0.08 for the same period of 2007, representing an increase in loss of 50%.

SELECTED ANNUAL FINANCIAL DATA
Comparison of the years ended December 31, 2008 and 2007.

Consolidated Statement of Operations and Deficit

	2008	2007
Revenue		
Service and maintenance fees	\$30,441	\$40,382
Mobile handset trading	293,760	
	324,201	40,382
Cost of goods sold	285,547	
Gross Profit	38,654	40,382
Operating expenses		
Amortization	53,509	23,883
Sales and Marketing	221,820	204,976
General Administration	713,639	584,826
Salaries and Benefits	988,769	604,768
Stock based compensation	173,689	312,928
Impairment	1,353,056	446,700
Total Operating Expenses	3,504,483	2,178,081
Operating income (loss)	(3,465,829)	(2,137,699)
Other items:		
Other incomes and losses	187,871	217,553
Foreign exchange gain (loss)	221,478	(71,422)
Loss from investment	(29,873)	(30,620)
Loss before taxes	(3,086,353)	(2,022,188)
Income tax expenses (recovery)	-	-
Net loss for the year	(3,086,353)	(2,022,188)
Basic/diluted loss per share	\$ (0.12)	\$ (0.08)

RESULTS OF OPERATIONS
Comparison of the years ended December 31, 2008 and 2007.

REVENUE

Revenues for the twelve months ended December 31, 2008 increased to \$324,201 compared to \$40,382 for the prior year representing an increase of 703%. This increase was due primarily to the mobile handset trading revenue.

The breakdown of the Company's revenues by category for the twelve months ended December 31, 2008 and 2007 are as follows:

Revenue category	2008	2007
Mobile handset trading	\$293,760	\$ -
Service and maintenance fees	\$30,441	\$40,382

The Company recognized \$293,760 of revenue from the handset trading in China. This re-sale incurred a cost of goods sold of \$285,547, resulting in the gross profit margin of 3%.

Throughout the year of 2008, a monthly service and maintenance agreement with U.K customer, Betfair provided fixed monthly revenue of 1,000 GBP 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 for re-sale to iMobile under the current business arrangement.

OPERATING EXPENSES

Total operating expenses increased to \$3,504,483 for the year ended December 31, 2008 from \$2,178,081 for the same period of 2007, representing an increase of 61%. The major factors of the expense increases were:

- In 2007, the Company deferred software development costs of \$1,143,951 while the Company did not defer any software development costs in 2008. The total expense would have been \$3,322,032 for the year ended December 31, 2007, if the capitalization had not taken place.
- Costs relating to the development of software are expensed as incurred unless they meet the criteria for deferral under the generally accepted accounting principles. The Company began deferring software development costs in the third quarter of 2006, in the prior periods costs were expensed as incurred.
- Impairment losses of \$1,353,056 was recorded for the year ended December 31, 2008 compared to \$446,700 for the same period of 2007, representing an increase of 203%. Impairment losses in 2008 consists of \$1,108,206 of development cost for Casino Suite and related patent cost, \$205,268 of computer and software purchased for 3G gaming platform and \$39,582 of write down of the capital assets to adjust their carrying values to their fair values.

Since the last quarter of 2007 the Company undertook measures to reduce operating expenses through staff reductions and replacement of positions in Canada with lower cost staffing in China resulting in decrease in total expenditures for the year ended at December 31, 2008 compared to the same period in 2007.

Amortization

Amortization expenses increased to \$53,509 for the year ended December 31, 2008 from \$23,883 for the same period of 2007, representing an increase of 55%.

The increase in depreciation is due to higher net book values of property and equipment during the year 2008 compared to 2007. For the software development projects, Bet Exchange, the capitalized development cost is being amortized over a 3 year period.

Sales and Marketing

Sales and marketing expenses increased to \$221,820 for the year ended December 31, 2008 compared to \$204,976 for the same period of 2007, representing an increase of 8%. The increase is attributable to negotiations for distribution of handsets, partnering with wireless carriers and adding sales consultants in Asia.

General and Administrative

General and Administrative expenses increased to \$713,639 for the year ended December 31, 2008 from \$584,826 for the same period of 2007 (see detailed breakdown), representing an increase of 22%.

	2008		2007
Interest and bank charges		\$4,965	\$2,246
Insurance		17,179	15,481
Office and miscellaneous expense		58,445	20,599
Professional fees			
- Legal	\$70,046		\$181,611
- Accounting	94,815		95,446
- Consultant	130,780		127,369
- Investor Relation	<u>2,575</u>	298,216	<u>56,325</u> 460,751
Listing and filing		28,405	24,767
Rent, utilities, and maintenance		264,871	48,505
Sublet Labour		11,270	
Telephone		30,288	12,477
Total		<u>\$713,639</u>	<u>\$584,826</u>

Salaries and Benefits

Salaries and benefits costs are the Company's single largest expenditure. Salaries and benefits expenses increased to \$988,769 for the year ended December 31, 2008 from \$604,768 for the same period of 2007, representing an increase of 63%. Salaries and benefits costs of \$869,889 were capitalized as a software development cost in 2007. The salaries and benefits would have been \$1,474,657 in 2007 if the capitalization did not take place. The decrease in salary expenditure is due to overall staff reduction and hiring more staff in China.

Stock based compensation

Stock based compensation expenses decreased to \$173,689 for the year ended December 31, 2008 from \$312,928 for the same period of 2007, representing a decrease of 44%. The decrease is attributable to the lower fair values of new options granted due to the lower market price of the existing share, decrease in number of options granted, and the fact that the options granted in previous years were mostly vested in previous years.

Impairment loss

The Company recorded impairment loss of \$1,353,056 for the three months ended December 31, 2008 compared to the \$446,700 for the same period of 2007, representing an increase of 203%. Impairment loss consists of the write-off of \$1,108,206 of capitalized software development cost,

write-off of \$205,268 of computer and software purchased for a particular project and write-down of \$39,582 of capital assets for the fair value adjustment.

Capitalized software development cost is evaluated for impairment periodically by comparing the capitalized costs of a computer software product to the net realizable value of that product. As at December 31, 2008, management elected to eliminate the carrying value of the deferred software development and the Company wrote off \$1,108,206 of Casino Suite software development cost. The company deemed it necessary to write off the capitalized amounts related to Casino Suite and Prime Creation due to the uncertainty of revenue from the product.

The Computer Hardware and Computer Software categories at the beginning of 2008 included \$164,042 of hardware and \$134,216 of software respectively that was purchased for use within the Hutchison Telecommunication network in Macau. During 2008, the Company wrote off the net of the entire of computer hardware and computer software and the outstanding payable related related to the 3G gaming service due to the cancellation of the contract and discontinuation of the project with Hutchison.

The Company also wrote down \$31,018 of capital assets to adjust the carrying values to their fair values.

Other incomes and losses

The Company recorded \$187,871 of other incomes and losses for the year ended December 31, 2008 compared to \$217,553 for the same period of 2007, representing a decrease of 16%. Included in other incomes and losses are interest income, rental income, and the losses from sale of capital assets.

The Company recorded \$88,859 of interest income for the year ended December 31, 2008 compared to \$192,683, representing a decrease of 54% for the same period in 2007.

The Company relocated to smaller facilities in the first quarter of 2008 and was able to sublease its former facilities on an accretive basis of \$21,904 per year until the expiry of the lease in June 2011. The rental income for the year ended December 31, 2008 was \$140,145 compared to zero for the same period in 2007.

The Company also recorded loss of \$41,133 from sale of capital assets for the year ended December 31, 2008 compared to zero for the same period in 2007.

Foreign exchange loss

The Company incurred a foreign exchange gain of \$221,478 for the year ended December 31, 2008 compared to a loss of \$71,422 for the same period of 2007. The foreign currency gains experienced in 2008 reflects the strengthening of Chinese Renminbi and Hong Kong dollar against Canadian dollar. Throughout fiscal 2008 and 2007 the Company did not utilize hedges or forward contracts.

Loss from investment

Tysen recorded \$142,253 (¥793,825) of net loss during the period from November 1, 2008 to December 31, 2008. The 21% ownership in Tysen resulted in \$29,873 of investment loss for the

Company during the period. The Investment in Tysen balance has decreased by the same amount of \$29,873 by using equity method.

The loss from investment of \$30,620 in 2007 was the result of the impairment loss recognized by the preliminary test. The Company performed a preliminary impairment test on an investment in a joint venture with King Genius Holdings, a corporation in China. The management did not anticipate any progress in the project

Provision for income taxes

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

Net Loss

The Company reported a net loss of \$3,086,353 for the year ended December 31, 2008 compared to a net loss \$2,022,188 for the year ended December 31, 2007, representing an increase in loss of 53%. The principal reasons for the decline of net income are the impairment of software development and the increase in general and administration expenses.

Diluted loss per share was \$0.12 for the year ended December 31, 2008 compared to a per share loss of \$0.08 in 2007, representing an increase in loss of 50%. The decrease in diluted earnings per share in the current year reflects, principally the increased loss from the previous year.

CASH FLOW STATEMENT

Operating activities

Cash flow used by operating activities was \$1,824,771 for the year ended December 31, 2008 compared to \$1,479,767 used for the year ended December 31, 2007, representing an increase of 23%.

Investing activities

Cash flow used by investing activities was \$226,145 for the year ended December 31, 2008 compared to \$1,107,939 for the year ended December 31, 2007, representing a decrease of 80%. The company's investing activities in 2008 consisted mainly of Investment in Tysen, while the investing activities in 2007 consisted mainly of deferral of software development costs and purchase of equipment.

Financing activities

Cash provided by financing activities was \$29,250 for the year ended December 31, 2008 compared to \$4,727,067 for the same period of 2007, representing a decrease of 99%. The Company's financing activities during 2007 consisted of an equity issue, issuance of shares for cash from the exercise of stock options and warrants while the Company's financing activities during 2008 consisted of exercise of stock options.

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

SELECTED QUARTERLY FINANCIAL DATA

The following table sets out selected unaudited financial information of the Company on a consolidated basis for the last eight quarters.

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Revenue								
Service and software fees	\$5,459	\$12,781	\$6,083	\$6,119	\$5,884	\$6,084	\$6,414	\$22,000
Handset trading	33,716	259,566	477	-	-	-	-	-
	39,175	272,347	6,560	6,119	5,884	6,084	6,414	22,000
Cost of goods sold	29,133	255,916	499	-	-	-	-	-
Gross profit	10,042	16,431	6,061	6,119	5,884	6,084	6,414	22,000
Operating Expenses								
Depreciation & Amortization	11,396	13,864	15,106	13,144	19,047	1,910	1,453	1,475
Sales & Marketing	18,838	64,243	96,503	42,237	25,967	77,132	52,536	51,341
General Administration	186,617	188,502	151,430	187,090	180,655	143,071	155,445	105,655
Salaries & Benefits	252,653	215,085	255,124	265,907	307,308	106,112	88,572	100,776
Stock Based Compensation	(16,783)	21,673	32,587	136,212	37,480	38,533	75,107	161,807
Impairment	1,353,056	-	-	-	446,700	-	-	-
Total Operating Expenses	1,805,778	503,367	550,750	644,590	1,017,157	366,758	373,113	421,054
Operating Loss	(1,795,736)	(486,936)	(544,689)	(638,471)	(1,011,273)	(360,674)	(366,699)	(399,054)
Other Income	26,000	52,963	62,074	46,834	70,156	52,292	60,292	34,249
Foreign Exchange	182,575	12,592	(5,583)	31,894	1,671	(39,386)	(38,920)	5,213
Loss from investment	(16,783)	-	-	-	(30,620)	-	-	-
Loss Before Taxes	(1,617,034)	(421,380)	(488,198)	(559,743)	(970,066)	(347,205)	(345,327)	(359,592)
Income Tax expense)/recovery	-	-	-	-	-	-	-	-
Loss attributed to minority interest	-	-	-	-	-	(56)	56	-
Net Loss	\$(1,617,034)	\$(421,380)	\$(488,198)	\$(559,743)	\$(970,066)	\$(347,261)	\$(345,271)	\$(359,592)
Basic/Diluted loss per share	\$(0.06)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.04)	\$(0.01)	\$(0.01)	\$(0.03)

QUARTERLY RESULTS

Comparison of the three months ended December 31, 2008 and three months ended December 31, 2007

Revenue

The Company reported revenue of \$39,175 for the three months ended December 31, 2008 compared to \$5,884 for the same period in 2007, representing an increase of 566%.

Operating Expenses

Total operating expenses increased to \$1,805,778 for the three months ended December 31, 2008 compared to \$1,017,157 for the same period of 2007, representing an increase of 78%. Increase in

total operating expenses is mainly due to the impairment loss recognized at the end of the year 2008.

In the quarter ended December 31, 2007, the Company capitalized \$223,642 of software development costs while the Company did not capitalize software development cost in 2008. The total expense would have been \$1,240,799 for the three months ended December 31, 2007, if the capitalization had not taken place.

Depreciation and Amortization

The Company reported depreciation expenses of \$11,396 for the three months ended December 31, 2008 compared to \$19,047 for the same period of 2007, representing a decrease of 67%.

The decrease in depreciation and amortization expenses is due to lower net book values of capital assets at December 31, 2008 due to the sale of capital assets during the year 2008.

Sales and Marketing

Sales and marketing expenses decreased to \$18,838 for the three months ended December 31, 2008 compared to \$25,967 for the same period of 2007, representing a decrease of 38%.

General and Administrative

General and administrative expenses increased to \$186,617 for the three months ended December 31, 2008 compared to \$180,655 for the same period of 2007.

Salaries and Benefits

Salaries and benefits expenses decreased to \$252,653 for the three months ended December 31, 2008 compared to \$307,308 for the same period of 2007, representing a decrease of 18%. The decrease in salary expenditure is due to overall staff reduction and hiring more staff in China.

Stock Based Compensation

The Company recovered \$16,783 of stock based compensation expense for the three months ended December 31, 2008 compared to \$37,480 for the same period of 2007. The decrease is attributable to the lower fair values of new options due to the lower market price of the existing share, decrease in number of options granted, and the fact that the options granted in previous years are mostly vested in previous years.

Impairment loss

The Company recorded impairment loss of \$1,353,056 for the three months ended December 31, 2008 compared to the \$446,700 for the same period of 2007, representing an increase of 203%.

Capitalized software development cost is evaluated for impairment periodically by comparing the capitalized costs of a computer software product to the net realizable value of that product. As at December 31, 2008, management elected to eliminate the carrying value of the deferred software development and the Company wrote off \$1,108,206 of Casino Suite software development cost due to the uncertainty of revenue from the product.

The Computer Hardware and Computer Software categories at the beginning of 2008 included \$164,042 of hardware and \$134,216 of software respectively that was purchased for use within the Hutchison Telecommunication network in Macau. During 2008, the Company wrote off the net of the entire amount of computer hardware and computer software and the outstanding payable related to the 3G gaming service due to the uncertainty of revenue streams with the Hutchison project.

The Company also wrote down \$39,582 of capital assets to adjust the carrying values to their fair values.

Other incomes and losses

Other incomes and losses totaled \$26,000 for the three months ended December 31, 2008 compared to \$70,156 for the same period of 2007. Other incomes losses for the three months ended December 31, 2008 consisted of \$3,015 of interest income, \$44,243 of rental income and \$21,258 of loss from sale of capital assets while other incomes and losses for the three months ended December 31, 2007 consisted of \$45,286 of interest income and \$24,870 of gain from a forfeiture of a customer deposit.

The Company's head office relocated to a smaller facility in the first quarter of 2008 and was able to sublease its former facility on an accretive basis of \$21,904 per year until the expiry of the lease in June 2011. The rental income for the year ended December 31, 2008 was \$44,243 compared to zero for the same period in 2007.

The Company recorded loss of \$21,258 from sale of capital assets for the year ended December 31, 2008 compared to zero for the same period in 2007.

Foreign Exchange Loss

The Company recognized foreign exchange gain of \$182,575 for the three months ended December 31, 2008 compared to foreign exchange gain of \$1,671 for the same period of 2007, representing an increase of 10,926%. The foreign currency gains experienced in 2008 reflects the strengthening of Chinese Renminbi and Hong Kong dollar against Canadian dollar. Throughout fiscal 2008 and 2007, the Company did not utilize hedges or forward contracts.

Provision for Income Taxes

The Company has reported no tax liability or recovery for the three months ended December 31, 2008 and for the same period of 2007. The Company follows the asset and liability method of accounting for income taxes. Current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets from the benefit of losses available to be carried forward to future years for tax purposes are recognized only if it is more likely than not that they can be realized.

Net Loss

The Company reported net losses of \$1,617,034 for the three months ended December 31, 2008 compared to net losses of \$970,066 for the same period of 2007, representing an increase in loss of 67%. In the fourth quarter in 2008, the Company incurred some non recurring expenses, such

as impairment loss, severance payment to a former executive, which had a negative effect on the amount of reported income.

Diluted loss per share was \$0.06 for the three months ended December 31, 2008 compared to a diluted loss of \$0.04 in the same period of 2007, representing an increase in loss of 50%.

CASH FLOW STATEMENT

Operating Activities

Cash used by operating activities was \$356,736 for the three months ended December 31, 2008 compared to cash used by operation of \$525,386 for the same period of 2007, representing a decrease of 32%.

Investing activities

Cash inflow from investing activities was \$63,131 for the three months ended December 31, 2008 compared to cash outflow from investing activities \$86,172 for the same period of 2007, representing a decrease of 27%. The company's investing activities in the fourth quarter of 2008 consisted mainly of repayment of loan receivable from I-Mobile and investment in Tysen while the investing activities in 2007 consisted mainly of short term investments, deferral of software development costs and purchase of equipment.

Financing Activities

Cash provided by financing activities was zero for the three months ended December 31, 2008 compared to cash provided by financing activities of \$11,250 for the same period of 2007. The Company's financing activities in the fourth quarter of 2007 resulted from the issuance of shares for cash from the exercise of warrants.

LIQUIDITY AND CAPITAL RESOURCES

The Company had no debt, \$2,226,544 in cash and short term investments and working capital (defined as current assets less current liabilities) of \$2,202,225. The Company has adequate cash and short term investments to meet the Company's planned growth and development activities. The Company does not see any material fluctuation in its liquidity or working capital position and based on the present level of revenue and expenses does not foresee any significant changes to its working capital requirements. However, the recent dramatic decline in the global economic environment results in increasing uncertainty regarding future revenue and customer commitments, both in terms of timing and magnitude for such future sales. Contractual commitments are summarized in "Contractual Obligations" section.

The Company does not have commitments for capital expenditures as of December 31, 2008. The Company's capital resources consist of common share issuances.

Contractual Obligations

The Company's future minimum annual payments under operating leases are the following:

2009	\$104,799
2010	\$64,579
2011	\$30,924

In February 2008, the former premises of the Company were subleased for \$83,748 per year (base rent), which is accretive \$21,904 per year until the maturity of the lease in June 2011. The rental cost for the new facilities are \$32,775 per year (base rent) until January 31, 2010.

Related Party Transactions

In 2008, salaries and severance expense included \$526,826 of salary paid to management, and general administration expenses included \$2,500 paid to a director of the Company in the normal course of business. The company also paid \$16,000 director fees. There was \$1,975 payable to a management as of December 31, 2008.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies and methods used in preparation of the Company's financial statements are described in Note 2 of consolidated financial statements of the Company for the year ended December 31, 2008. The Company has not affected any changes to its significant accounting policies during the two years ended December 31, 2008 except as follows:

Financial Instruments, Comprehensive Income and Hedges

On January 1, 2007 the Company adopted the new CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" Section 1530, "Comprehensive Income", and Section 3865, "Hedges" on a prospective basis.

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

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

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

The Company determined that it had no embedded derivatives that were required to be separated from the host contract, and that it had no "other comprehensive income or loss" transactions during 2007. The adoptions of these new sections had no impact on net (loss) income.

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

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

CRITICAL ACCOUNTING ESTIMATES

There are a number of accounting estimates underlying the accounting policies the Company applies in preparing its financial statements. The following are those which management has determined to be material.

Allowance for Doubtful Accounts

The Company charges license fees to licensees based on their level of activity. The Company's management exercises judgment in making collectibility assumptions on a customer by customer basis in determining whether receivables are collectible and in determining the appropriate allowance for doubtful accounts based on knowledge of the customer's payment history and expectation of collectibility

Deferred Development Costs

The Company exercises in the determination of the costs which meet the criteria for deferral and amortization under Canadian generally accepted accounting principles. These costs are estimated based on employee salaries applicable to development activities believed to meet the criteria and have value to the Company. The amortization period is estimated on the period of expected benefit to the Company.

Intangible Assets

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

Risks and Uncertainties

Important risks factors that could cause actual results, performance or achievements to be materially different than past performance or those implied by forward looking statements include:

- Foreign currency exchange risk
- Uncertainty as to the degree of new and continuing market acceptance of our products;
- Our products could contain defects that lead to costs, damage of reputation or litigation;
- Our dependence on customer performance;
- Uncertainty regarding future profitability;
- Uncertainty regarding the pricing, reporting and collection of accounts;

- Risks associated with sales in foreign countries and their government policy and regulations therein
- Our ability to diligently ensure that our customers operate in accordance with the terms of our license agreements that require observation of the laws of Canada and foreign countries;
- Our ability to attract and retain key personnel.

Proposed Transactions

There is no proposed asset or business acquisition or disposition transactions pending as at December 31, 2008.

Off Balance Sheet Arrangement

As at December 31, 2008 the Company has not entered into any off balance sheet arrangements.

Financial Instruments and Other Instruments

The Company's financial instruments consists of cash, short term investments, accounts receivable, accounts payable and accrued liabilities, income taxes recovery and capital lease obligations. The fair values of these financial instruments approximate their carrying values, except as noted below. It is management's opinion that the Company is not exposed to significant interest risks. The Company's short term investments consist of investments in low risk bank certificates. A substantial portion of the Company's revenue is earned in foreign currencies and is exposed to currency fluctuations. The Company does not use financial derivatives or "other financial instruments".

Other MD&A Requirements

The Company evaluated the effectiveness and design of its disclosure controls and procedures for the period ended December 31, 2008 and based on this evaluation (which included testing of the key controls by examining evidence demonstrating their existence on a test basis) have determined these controls to be effective.

The Corporation's financial reporting procedures and practices have enabled the certification of Fireswirl Technologies Inc. annual filing in compliance with Multilateral Instrument 52-109 "Certification of Disclosure in Issuers Annual and Interim Filings". Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other annual filings in accordance with Canadian Generally Accepted Accounting Principles, except as noted below.

Given the size of the Company, the evaluation of the design of internal controls over financial reporting for the Company resulted in the identification of the following weaknesses:

Management is aware that due to its relatively small scale of operation there is a lack of segregation of duties to a limited number of employees dealing with accounting and financial matters. However, management has concluded that considering the employees involved and the control procedures in place, including management and Audit Committee oversight, risks associated with such lack of segregation of duties are not

significant enough to justify the expense associated with adding employees to segregate duties.

Management is aware that in-house expertise to deal with complex taxation, accounting and reporting issues may not be sufficient. The Company requires outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues, which is common with companies of similar size.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting. The Company internal control systems continue to evolve as the Company grows. We believe these systems are sufficient to execute the business plan and provide meaningful information upon which to manage the business. Management believes the disclosure, controls and procedures currently in place are effective.

The Company has 25,302,612 common shares outstanding at April 29, 2009. If all of the Company's options were exercised, the Company would have 26,282,612 common shares outstanding.