



Fireswirl

Technologies Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2009 and 2008

May 26, 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") unaudited consolidated financial statements and the accompanying notes for the quarter ended March 31, 200, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

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 focuses on partnering with wireless carriers to provide value-added services to end-users and markets bundled 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.

Overall Performance

Total revenue increased to \$107,874 for the three months ended March 31, 2009 compared to \$6,119 during the same period in 2008, representing an increase of 1,663%. The increase was mainly due to the sales revenue generated by the handset trading business in China.

Total Operating expenses decreased to \$271,284 for the three months ended March 31, 2009 from \$631,176 during the same period in 2008, representing a decrease of 57%.

Salaries and benefits remained the Company’s single largest expenses of \$123,078 for the three months ended March 31, 2009 compared to \$265,907 during the same period in 2008, representing a decrease of 54%. The decrease in salary expenses is due to overall staff reduction in North America offset by hiring more staff in China.

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 March 31, 2009. 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.

Tysen reported a \$111,314 net loss for the three months ended March 31, 2009. The Company's proportionate 21% share of Tysen's losses was \$23,376 and has been recognized in income for the quarter and as a corresponding reduction of the cost of the investment.

RESULTS OF OPERATIONS 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.

	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Revenue								
Service and software fees	\$12,168	\$5,459	\$12,781	\$6,083	\$6,119	\$5,884	\$6,084	\$6,414
Handset trading	95,706	33,716	259,566	477	-	-	-	-
	107,874	39,175	272,347	6,560	6,119	5,884	6,084	6,414
Cost of goods sold	95,748	29,133	255,916	499	-	-	-	-
Gross profit	13,126	10,042	16,431	6,061	6,119	5,884	6,084	6,414
Operating Expenses								
Depreciation & Amortization	10,671	11,396	13,864	15,106	13,144	19,047	1,910	1,453
Sales & Marketing	24,307	18,838	64,243	96,503	42,237	25,967	77,132	52,536
General Administration	92,083	144,374	146,259	9,187	173,676	180,655	143,071	155,445
Salaries & Benefits	123,078	252,653	215,085	255,124	265,907	307,308	106,112	88,572
Stock Based Compensation	21,146	(16,783)	21,673	32,587	136,212	37,480	38,533	75,107
Impairment	-	1,353,056	-	-	-	446,700	-	-
Total Operating Expenses	271,284	1,805,778	461,124	508,507	631,176	1,017,157	366,758	373,113
Operating Loss	(258,158)	(1,795,736)	(444,693)	(502,446)	(625,057)	(1,011,273)	(360,674)	(366,699)
Other Income	4,182	(16,243)	10,720	19,831	33,420	70,156	52,292	60,292
Foreign Exchange	20,226	182,575	12,592	(5,583)	31,894	1,671	(39,386)	(38,920)
Loss from investment	(23,376)	(16,783)	-	-	-	(30,620)	-	-
Loss Before Taxes	(257,126)	(1,617,034)	(421,380)	(488,198)	(559,743)	(970,066)	(347,205)	(345,327)
Income Tax expense)/recovery	-	-	-	-	-	-	-	-
Loss attributed to minority interest	-	-	-	-	-	-	(56)	56
Net Loss	\$(257,126)	\$(1,617,034)	\$(421,380)	\$(488,198)	\$(559,743)	\$(970,066)	\$(347,261)	\$(345,271)
Basic/Diluted loss per share	\$(0.01)	\$(0.06)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.04)	\$(0.01)	\$(0.01)

QUARTERLY RESULTS

Comparison of the three months ended March 31, 2009 and 2008

Revenue

The Company reported revenue of \$107,874 for the three months ended March 31, 2009 compared to \$6,119 during the same period in 2008, representing an increase of 1,663%.

The breakdown of the Company's revenues by category for the three months ended March 31, 2009 and 2008 are as follows:

	Three months ended	
	March 31, 2009	March 31, 2008
Mobile handset trading	\$95,706	\$ -
Service and maintenance fees	\$12,168	\$6,119

The Company recognized \$95,706 of revenue from the handset trading in China. This re-sale incurred a cost of goods sold of \$94,748, resulting in a net gross profit margin of 1%.

The service and maintenance fees consist of service and maintenance provided to a U.K customer and software development consulting service provided to a U.S customer. U.K customer, Betfair provides fixed monthly revenue of 1,000 GBP under a service and maintenance agreement.

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 decreased to \$271,284 for the three months ended March 31, 2009 compared to \$631,176 during the same period in 2008, representing a decrease of 57%. The decrease in total operating expenses is mainly attributable to the expense reduction efforts made in 2008 and relocation of the core business over to China.

Depreciation and Amortization

The Company reported depreciation expenses of \$10,671 for the three months ended March 31, 2009 compared to \$13,144 during the same period in 2008, representing a decrease of 19%.

The decrease in depreciation and amortization expenses is due to lower net book values of capital assets employed as at March 31, 2009 due to the sale of capital assets and asset impairment during the prior fiscal year.

Sales and Marketing

Sales and marketing expenses decreased to \$24,307 for the three months ended March 31, 2009 compared to \$42,237 during the same period in 2008, representing a decrease of 42%.

General and Administrative

General and administrative expenses decreased to \$92,083 for the three months ended March 31, 2009 compared to \$173,676 during the same period in 2008, representing a decrease of 47%.

Salaries and Benefits

Salaries and benefits expenses decreased to \$123,078 for the three months ended March 31, 2009 compared to \$265,907 during the same period in 2008, representing a decrease of 54%. The decrease in salary expenditures is due to overall staff reduction in North America offset by hiring more staff in China.

Stock Based Compensation

The Company recorded \$21,146 of stock based compensation expense for the three months ended March 31, 2009 compared to \$136,212 during the same period in 2008, representing a decrease of 84%. The decrease is attributable to the lower fair values of new options due to the lower market

price of the existing share capital, a decrease in number of options granted, and the fact that the options granted in previous years are mostly vested in previous years.

Other incomes and losses

Other incomes and losses totaled \$4,182 for the three months ended March 31, 2009 compared to \$33,420 during the same period in 2008, representing a decrease of 87%. Other incomes and losses for the three months ended March 31, 2009 was solely from interest income of \$4,182, while other incomes and losses during the same period in 2008 consisted of \$35,778 of interest income and \$2,358 of loss from sales of capital assets.

Foreign Exchange Loss

The Company recognized foreign exchange gain of \$20,226 for the three months ended March 31, 2009 compared to \$31,894 during the same period in 2008, representing a decrease of 37%. The foreign currency gains reflect the strengthening of Chinese Renminbi and Hong Kong dollar against Canadian dollar. The Company does not utilize any hedges or forward contract arrangements.

Provision for Income Taxes

The Company reported no tax liability or recovery for the three months ended March 31, 2009 and for the same period of 2008. 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.

Loss from investment

Tysen recorded \$111,314 of net loss during the three months ended March 31, 2009. The 21% ownership in Tysen resulted in \$23,376 of investment loss for the Company during the period. The Investment in Tysen balance has been decreased by the same amount of \$23,376 by application of the equity method.

Net Loss

The Company reported net losses of \$257,126 for the three months ended March 31, 2009 compared to net losses of \$559,743 during the same period in 2008, representing a decrease in loss of 54%.

Diluted loss per share was \$0.01 for the three months ended March 31, 2009 compared to a diluted loss of \$0.02 during the same period in 2008, representing an increase in loss of 50%.

CASH FLOW STATEMENT

Operating Activities

Cash used by operating activities was \$247,872 for the three months ended March 31, 2009 compared to cash used by operation of \$527,068 during the same period in 2008, representing a decrease of 53%.

Investing activities

Cash used by investing activities was \$382,733 for the three months ended March 31, 2009 compared to \$25,178 during the same period in 2008, representing an increase of 1,420%. The company's investing activities in the first quarter of 2009 consisted mainly of loan receivable made to I-Mobile and investment in Tysen while the investing activities in the prior year consisted mainly of deferral of software development costs.

Financing Activities

Cash used by financing activities was nil for the three months ended March 31, 2009 and 2008. There was no issuance of shares for cash from exercise of options and warrants during the periods.

LIQUIDITY AND CAPITAL RESOURCES

The Company had no long term debt, \$1,595,940 in cash and short term investments and working capital (defined as current assets less current liabilities) of \$1,997,245 as at March 31, 2009 compared to \$2,226,544 of cash and short term investments and working capital of \$2,202,225 as at December 31, 2008.

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 did not have commitments for capital expenditures as at March 31, 2009. The Company's capital resources consisted 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 offsets rental expenses.

Related Party Transactions

In the first quarter of 2009, salaries and severance expense included \$69,209 of salary paid to management or officers, and general administration expenses included \$2,000 of director fees and \$15,000 of consulting fees paid to a director of the Company in the normal course of business.

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 March 31, 2009. The Company has not affected any changes to its significant accounting policies during the three months ended March 31, 2009 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 March 31, 2009.

Off Balance Sheet Arrangement

As at March 31, 2009 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 March 31, 2009 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 May 26, 2009. If all of the Company's options were exercised, the Company would have 26,482,612 common shares outstanding.