



Fireswirl

Technologies Inc.

**Management Discussion and Analysis of
Financial Condition and Results of Operations**

For the years ended December 31, 2009 and 2008

April 29, 2010

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, 2009, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Reference to 2009 or fiscal 2009 means the twelve months ended December 31, 2009. Likewise, reference to 2008 or fiscal 2008 refers to the twelve months ended December 31, 2008.

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 and online gaming software for the internet. In 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.

In 2007, the Company has formed its first wholly owned subsidiary in China to explore the rapidly emerging market. The Company has since increased its business presence in the country gradually. The Company embarked on mobile handset related business in China including trading mobile phones and partnering with wireless carriers to provide value-added services to end-users.

On October 1, 2009, the Company successfully completed its acquisition of 50% of all rights and interests of Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD"), an e-commerce outsourcing and fulfillment solution provider in China, in consideration for 6,058,673 common shares of the Company. Fireswirl has majority voting rights and majority board control over XCXD according to the agreements related to the transaction. Fireswirl also has an option to purchase the remaining 50% rights and interests of XCXD in 2011.

XCXD is a leader in branded online store market for mobile handsets in China. XCXD has been the sole operator of the official online store for Nokia and Motorola in China. During 2009, it has also become the sole operator of the official online store for Sony-Ericsson, LG and Dopod (known as HTC in other markets) in China.

This acquisition is a major step for Fireswirl in completing its long-term plan to becoming the largest online and mobile service platform in China for international brands, providing the technology and fulfillment know-how for brands to break into the country's rapid growing online and mobile shopping market.

China being the predominant geographic location for Fireswirl has over 1.3 billion people in population and is the fastest growing major economy in the world. To this end, the business opportunities in China are enormous. The e-commerce market in China is expanding at a rapid rate. According to the China Internet Network Information Centre, there are 384 million Internet users in China in 2009, which has grown by 28.9% compared to 2008. The number of Internet shopper has also grown from 74 million in 2008 to 108 million in 2009, representing an increase of 45.9%. E-commerce sales in China have doubled in 2009 compared to 2008, reaching RMB 250 billion (\$36.7 billion Canadian Dollars). In 2009, about 1 out of 4 Internet users in China would make a purchase online, compared with an average of about 2 out of 3 in western countries. As both the number of Internet users and the percentage of people who would make online purchase grow, Fireswirl believes that China will remain as a strong revenue source for the Company in 2010.

Total revenue increased to \$4,985,310 for the year ended December 31, 2009 compared to \$324,201 for the year ended December 31, 2008, representing an increase of 1,438%. The increase was mainly due to the increase in the scale of operation after the consolidation of XCXD's business.

Total expenses decreased to \$1,886,248 for the year ended December 31, 2009 from \$3,504,483 for the year ended December 31, 2008, representing a decrease of 46%. The decrease was mainly due to the major impairment of development cost conducted in 2008 and less salaries and benefits expenses in 2009.

The Company recognized the impairment loss of \$424,094 for the year ended December 31, 2009 compared to \$1,353,056 for the year ended December 31, 2008, representing a decrease of 69%. The

impairment loss in 2009 consists of the write-off of investment in Beijing Tysen Xieli Technology Co. Ltd, (“Tysen”) while the impairment loss in 2008 was the write-off for the software development cost for Casino Suite and computer and software for 3G gaming servers.

Salaries and benefits remained the Company’s single largest expenditure of \$654,314 for the twelve months ended December 31, 2009 compared to \$988,769 for the same period of 2008, representing a decrease of 34%. The decrease in salary expenditure is due to a reduction of number of employees in the headquarters in Canada.

SUMMARY OF FINANCIAL RESULTS

Key Financial Events

- As of December 31, 2009, the Company had cash and cash equivalents of \$1,467,401 compared to \$2,226,544 at December 31, 2008, representing a decrease of 34%. As of December 31, 2009, the Company had working capital of \$1,855,426 compared to \$2,202,225 at December 31, 2008, representing a decrease of 16%. The Company had long term debt of \$64,315 as of December 31, 2009 compared to no debt at December 31, 2008.
- Total operating expense was \$1,886,248 for the twelve months ended December 31, 2009 compared to \$3,504,483 for the same period of 2008, representing an decrease of 46%. The decrease is mainly due to the reduction on impairment loss of and the salaries and benefits expenses.
- The Company reported a loss of \$1,395,311 for the year ended December 31, 2009 compared to a loss of \$3,086,353 for the same period of 2008, representing a decrease in loss of 55%. This is also mainly due the reduction on operating expense and the increment on gross profit.
- Fully diluted loss per share was \$0.04 for the year ended December 31, 2009 compared to fully diluted losses of \$0.12 for the same period of 2008, representing a decrease in loss of 67%.

SELECTED ANNUAL FINANCIAL DATA

Comparison of the years ended December 31, 2009, 2008 and 2007.

	2009	2008	2007
Total revenues	\$ 4,985,310	\$ 324,201	\$ 40,382
Loss before discontinued operations and extraordinary items	\$ (992,287)	\$ (3,086,353)	\$ (2,022,188)
Income (loss) from discontinued operation or extraordinary items	-	-	-
Net loss before income tax	(992,287)	(3,086,353)	(2,022,188)
Income tax expense	(87,051)	-	-
Comprehensive loss before NCI	(1,079,338)	(3,086,353)	(2,022,188)
Non controlling interest	(315,973)	-	-
Comprehensive loss for the year	(1,395,311)	(3,086,353)	(2,022,188)
Basic/diluted net loss per share	(0.04)	(0.12)	(0.08)
Total assets	5,147,551	\$ 3,308,125	\$ 5,891,851
Total long-term financial liabilities	\$ 64,315	-	-
Cash dividends declared per share	-	-	-

RESULTS OF OPERATIONS

Consolidated Statement of Operations and Deficit

Comparison of the years ended December 31, 2009 and 2008.

	2009	2008
Revenue		
Mobile handset and accessories sales	\$ 4,226,541	\$ 293,760
Advertising	686,967	
Service and maintenance fees	71,802	30,441
	4,985,310	324,201
Cost of goods sold	3,923,660	285,547
Gross Profit	1,061,650	38,654
Operating expenses		
Amortization and amortization	40,975	53,509
Sales and Marketing	151,267	221,820
General Administration	580,981	573,494
Salaries and Benefits	654,314	988,769
Stock based compensation	34,617	173,689
Impairment	424,094	1,353,056
Total Operating Expenses	1,886,248	3,504,483
Operating income (loss)	(824,598)	(3,465,829)
Other items:		
Interest expenses	(42,886)	-
Other incomes and losses	16,276	47,726
Foreign exchange gain (loss)	(86,008)	221,478
Loss from investment	(55,071)	(29,873)
Loss before Income tax	(992,287)	
Income tax expenses	(87,051)	-
Comprehensive Loss before NCI	(1,079,338)	(3,086,353)
Non Controlling Interest	(315,973)	-
Comprehensive loss for the year	\$ (1,395,311)	\$ (3,086,353)
Basic/diluted loss per share	\$ (0.04)	\$ (0.12)

REVENUE

Revenues for the twelve months ended December 31, 2009 increased to \$4,985,310 compared to \$324,201 for the prior year representing an increase of 1,438%. This increase was due primarily to the acquisition of XCXD and the consolidation of XCXD's revenue.

The breakdown of the Company's revenues by category for the twelve months ended December 31, 2009 and 2008 are as follow:

Revenue category	2009	2008
Mobile handset trading	\$ 4,226,541	\$ 293,760
Advertising	686,967	-
Service and maintenance fees	71,802	30,441
Total	\$ 4,985,310	\$ 324,201

In 2009, the Company recognized \$4,226,541 of revenue from the handset sales in China. This sales incurred a cost of goods sold of \$3,923,660 resulting in the gross profit margin of 7.2%.

The Company recognised \$686,967 of revenue from advertising in 2009. Advertising fee is charge to advertiser who posts advertisement on websites and online stores operated by the Company in China or uses the Company's advertising service.

The Company recognised \$71,802 of revenue from service and maintenance fees in 2009. Software development consulting and system maintenance services were conduct for various clients from the UK and the US.

COST OF SALES

Cost of sales includes the cost of purchasing the mobile handsets, sales tax, delivery, technical service and advertising expenses related to the sales.

OPERATING EXPENSES

Total operating expenses decreased to \$1,886,248 for the year ended December 31, 2009 from \$3,504,483 for the same period of 2008, representing a decrease of 46%. The major factors of the expense decreases were:

- Impairment losses of \$424,094 was recorded for the year ended December 31, 2009 compared to \$1,353,056 for the same period of 2008, representing a decrease of 69%. 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 while impairment loss in 2009 is from the write off of the investment in Tysen, a significant influence investment made in 2008.
- Stock based compensation expenses were \$34,617 in 2009 compared to \$173,689 in 2008 representing a decrease of 80%. The decrease is mainly due to the lower stock price resulting in less fair value of stock options .
- Salary and benefits expenses were \$654,314 in 2009 compared to \$988,769 in 2008 representing a decrease of 34%. The decrease is due to the restructuring of the Company's headquarters in Canada and relocating certain business functions to China, where the cost base is substantially lower than in Canada.

Since the 4th quarter of 2008 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, 2009 compared to 2008.

Amortization and depreciation

Amortization and depreciation expenses decreased to \$40,975 for the year ended December 31, 2009 from \$53,509 for the same period of 2008, representing an decrease of 23%.

The decrease in depreciation is due to lower net book values of property and equipment during the year 2009 compared to 2008.

Sales and Marketing

Sales and marketing expenses decreased to \$151,267 for the year ended December 31, 2009 compared to \$221,820 for the same period of 2008, representing a decrease of 32%. The decrease is attributable to the relocation of the Company's main business to China.

General and Administrative

General and Administrative expenses increased to \$580,981 for the year ended December 31, 2009 from \$573,494 for the same period of 2008 (see detailed breakdown), representing an increase of 1%.

	2009	2008
Bank charges	\$ 14,243	\$ 4,965
Insurance	16,905	17,179
Office and miscellaneous expense	69,827	58,445
Professional fees	260,394	298,216
Listing and filing	10,656	28,405
Rent, utilities, and maintenance	177,031	264,871
Sublet Labour	4,377	11,270
Telephone	27,548	30,288
Total	\$ 580,981	\$ 713,639

Salaries and Benefits

Salaries and benefits costs are the Company's single largest expenditure. Salaries and benefits expenses decreased to \$654,314 for the year ended December 31, 2009 from \$988,769 for the same period of 2008, representing a decrease of 34%. The decrease in salary expenditure is due to overall staff reduction and relocating certain business functions to China

Stock based compensation

Stock based compensation expenses decreased to \$34,617 for the year ended December 31, 2009 from \$173,689 for the same period of 2008, representing a decrease of 80%. 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 \$424,094 for the year ended December 31, 2009 compared to the \$1,353,056 for the same period of 2008, representing a decrease of 69%. Impairment loss in 2008 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. Impairment loss in 2009 was from the write off of the investment in Tysen, a significant influence investment made in 2008.

Interest Expenses

The Company recorded \$42,886 of interest expenses in 2009 (Nil in 2008). This interest expense was incurred by the loans in XCXD during the period from the acquisition to December 31, 2009.

Other incomes and losses

The Company recorded \$16,262 of other incomes for the year ended December 31, 2009 compared to \$47,726 of other income for the same period of 2008, representing a decrease of 66%. Included in other incomes and losses are interest income, losses from sale of capital assets and miscellaneous incomes and losses.

The Company recorded \$14,801 of interest income for the year ended December 31, 2009 compared to \$88,859, representing a decrease of 83% for the same period in 2008.

The Company recorded zero gain or loss from sale of capital assets while the Company recorded loss of \$41,133 from sale of capital assets for the year ended December 31, 2008.

The Company also recorded other miscellaneous income of \$1,475 in 2009 compared to zero in 2008

Foreign exchange loss

The Company incurred a foreign exchange loss of \$86,008 for the year ended December 31, 2009 compared to a gain of \$221,478 for the same period of 2008. The foreign currency loss experienced in 2009 reflects the strengthening of Canadian dollar against Chinese Renminbi, Hong Kong dollar, and US dollar. Throughout fiscal 2009 and 2008 the Company did not utilize hedges or forward contracts.

Loss from investment

Tysen recorded \$142,253 (using a average exchange rate during the period) 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.

Tysen reported a \$262,243 (using a average exchange rate during the period) net loss for the year 2009. The Company's proportionate 21% share of Tysen's losses was \$55,071 and has been recognized in income for the year and as a corresponding reduction of the cost of the investment.

The Company performed a preliminary impairment test on an investment in Tysen as of Dec 31, 2009 and wrote off the entire remaining balance of \$424,094 due to the uncertainty of revenue streams with the Push-mail 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.

The Company's foreign subsidiaries in China recognized the income tax expenses of \$87,051 in 2009 (Nil in 2008).

Non Controlling Interest

The Company's foreign subsidiary realized a net profit of \$631,946 during the period from the acquisition to December 31, 2009. Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of \$315,973 (Nil in 2008) was subtracted from the consolidated Comprehensive loss before NCI.

Net Loss

The Company reported a net loss of \$1,395,311 for the year ended December 31, 2009 compared to a net loss \$3,086,353 for the year ended December 31, 2008, representing a decrease in loss of 55%. The principal reasons for the decline of net loss are the increase in gross profit and their reduction on operating expenses..

Diluted loss per share was \$0.04 for the year ended December 31, 2009 compared to a per share loss of \$0.12 in 2008, representing a decrease in loss of 67%. The decrease in diluted earnings per share in the current year reflects, principally the decreased loss from the previous year.

CASH FLOW STATEMENT FOR THE YEAR

Operating activities

Cash flow used by operating activities was \$1,371,911 for the year ended December 31, 2009 compared to \$1,819,730 used for the year ended December 31, 2008, representing a decrease of 25%.

Investing activities

Cash inflow by investing activities was \$275,354 for the year ended December 31, 2008 compared to outflow of \$226,145 for the year ended December 31, 2008, representing. The company's investing activities in 2009 consisted mainly of cash acquired from acquisition of XCXD, while the investing activities in 2008 consisted mainly of investment in Tysen and loan to i-Mobile, related company of XCXD.

Financing activities

Cash provided by financing activities was \$674,502 for the year ended December 31, 2009 compared to \$29,250 for the same period of 2008, representing an increase of 2,206%. The Company's financing activities during 2009 was mainly from loan from shareholders in XCXD and the financing activities in 2008 is cash from the exercise of stock options.

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 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Revenue								
Handset resale	\$ 4,029,843	\$ 69,033	\$ 31,959	\$ 95,706	\$ 33,716	\$ 259,566	\$ 477	\$ -
Advertising	686,967	-	-	-	-	-	-	-
Service and software fees	24,376	17,368	17,890	12,168	5,459	12,781	6,083	6,119
	4,741,186	86,401	49,849	107,874	39,175	272,347	6,560	6,119
Cost of goods sold	3,724,724	67,686	31,929	99,321	29,133	255,916	499	-
Gross profit	1,011,321	18,722	18,481	13,126	10,042	16,431	6,061	6,119
Operating Expenses								
Depreciation & Amortization	18,487	4,881	6,936	10,671	11,396	13,864	15,106	13,144
Sales & Marketing	55,165	42,507	29,288	24,307	18,838	64,243	96,503	42,237
General Administration	300,764	98,341	94,352	87,524	142,374	146,259	111,187	173,676
Salaries & Benefits	261,271	141,903	128,062	123,078	252,653	215,085	255,124	265,907
Stock Based Compensation	9,471	2,000	2,000	21,146	(16,783)	21,673	32,587	136,212
Impairment	424,094	-	-	-	1,353,056	-	-	-
Total Operating Expenses	1,064,113	289,638	261,199	271,298	1,805,778	503,367	550,750	644,590
Operating Loss	(52,793)	(270,916)	(242,717)	(258,172)	(1,795,736)	(486,936)	(544,689)	(638,471)
Interest expenses	(42,886)	-	-	-	-	-	-	-
Other Income	(10,635)	15,698	7,031	4,182	(18,243)	10,720	21,831	33,420
Foreign Exchange	(41,227)	(31,508)	(33,499)	20,226	182,575	12,592	(5,583)	31,894
Loss from investment	(4,344)	(6,743)	(20,608)	(23,376)	(16,783)	-	-	-
Loss Before Taxes	(151,884)	(293,470)	(289,793)	(257,140)	(1,617,034)	(421,380)	(488,198)	(559,743)
Income Tax (expense)/recovery	(87,051)	-	-	-	-	-	-	-
Comprehensive loss before NCI	(238,935)	(293,470)	(289,793)	(257,140)	(1,617,034)	(421,380)	(488,198)	(559,743)
Non Controlling Interest	(315,973)	-	-	-	-	-	-	-
Net Loss	\$ (554,908)	\$ (293,470)	\$ (289,793)	\$ (257,140)	\$ (1,617,034)	\$ (421,380)	\$ (488,198)	\$ (559,743)
Basic/Diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.06)	\$ (0.02)	\$ (0.02)	\$ (0.02)

QUARTERLY RESULTS

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

Revenue

The Company reported revenue of \$4,741,186 for the three months ended December 31, 2009 compared to \$39,175 for the same period in 2008, representing an increase of 12,003% mainly due to the acquisition of XCXD and consolidation of XCXD's revenue.

Operating Expenses

Total operating expenses decreased to \$1,064,113 for the three months ended December 31, 2009 compared to \$1,805,778 for the same period of 2008, representing a decrease of 41%.

Depreciation and Amortization

The Company reported depreciation and amortization expenses of \$18,487 for the three months ended December 31, 2009 compared to \$11,396 for the same period of 2008, representing an increase of 62%.

The increase in depreciation and amortization expenses is due to higher net book values of capital assets at December 31, 2009 from acquisition of XCXD and consolidation of their capital assets and leasehold improvement.

Sales and Marketing

Sales and marketing expenses increased to \$55,165 for the three months ended December 31, 2009 compared to \$18,838 for the same period of 2008, representing an increase of 193%.

General and Administrative

General and administrative expenses increased to \$300,764 for the three months ended December 31, 2009 compared to \$142,374 for the same period of 2008 representing an increase of 111%.

Salaries and Benefits

Salaries and benefits expenses increased to \$261,271 for the three months ended December 31, 2009 compared to \$252,653 for the same period of 2008, representing an increase of 3%.

Stock Based Compensation

The Company recovered \$9,471 of stock based compensation expense for the three months ended December 31, 2009 compared to \$16,783 of recovery of compensation for the same period of 2008.

Impairment loss

The Company recorded impairment loss of \$424,094 for the year ended December 31, 2009 compared to the \$1,353,056 for the same period of 2008, representing a decrease of 69%. Impairment loss in 2009 was from the write off of the investment in Tysen, a significant influence investment made in 2008. Impairment loss in 2008 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.

Interest Expenses

The Company recorded \$42,886 of interest expenses in 2009 (Nil in 2008). This interest expense was incurred by the loans in XCXD during the period from the acquisition to December 31, 2009.

Other incomes and losses

Other incomes and losses totaled loss of \$10,635 for the three months ended December 31, 2009 compared to loss of \$18,243 for the same period of 2008. Other incomes losses for the three months ended December 31, 2009 consisted of \$11,583 of interest income reverse in the Company's subsidiary in China from the write off of interest income from i-Mobile, a related company XCXD and \$948 of miscellaneous income while other incomes losses for the three months ended December 31, 2008 consisted of \$3,015 of interest income and \$21,258 of loss from sale of capital assets.

Foreign Exchange Loss

The Company recognized foreign exchange loss of \$41,227 for the three months ended December 31, 2009 compared to foreign exchange gain of \$182,575 for the same period of 2008. The foreign currency gains experienced in the three months ended December 31, 2009 reflects the strengthening of Chinese Renminbi and Hong Kong dollar against Canadian dollar. Throughout fiscal year 2009 and 2008, the Company did not utilize hedges or forward contracts.

Provision for Income Taxes

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.

The Company's foreign subsidiaries in China recognized the income tax expenses of \$87,051 in 2009 (Nil in 2008).

Non Controlling Interest

The Company's foreign subsidiary realized the net profit of \$631,946 during the period from the acquisition to December 31, 2009. Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of \$315,973 (Nil in 2008) was subtracted from the consolidated Comprehensive loss before NCI.

Net Loss

The Company reported net losses of \$554,908 for the three months ended December 31, 2009 compared to net losses of \$1,617,034 for the same period of 2008, representing a decrease in loss of 66%. This is mainly due to the greater amount of impairment loss in the fourth quarter of 2008.

Diluted loss per share was \$0.01 for the three months ended December 31, 2009 compared to a diluted loss of \$0.06 in the same period of 2008, representing a decrease in loss of 83%.

CASH FLOW STATEMENT DURING Q4

Operating Activities

Cash used by operating activities was \$651,151 for the three months ended December 31, 2009 compared to cash used by operation of \$356,736 for the same period of 2008, representing an increase of 82%.

Investing activities

Cash outflow from investing activities was \$83,760 for the three months ended December 31, 2009 compared to cash inflow from investing activities \$63,131 for the same period of 2008. The company's investing activities in the fourth quarter of 2009 consisted mainly of repayment of loan receivable from I-Mobile and investment in Tysen while the investing activities in 2008 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, 2009 compared to cash provided by financing activities was zero for the same period of 2008.

LIQUIDITY AND CAPITAL RESOURCES

The Company has \$64,315 of long term debt, \$1,467,401 in cash and short term investments and working capital (defined as current assets less current liabilities) of \$1,855,426. 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 change 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, 2009. 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:

2010	\$224,876
2011	\$177,216
2012	\$146,292
2013	\$134,112

Related Party Transactions

All of the above transactions were in the normal course of operations and are measured and recorded at the exchange amount of consideration established and agreed to by the related parties. During the year, the Company paid \$272,650 in salaries to its management. Also, the Company paid \$60,000 in

professional fees to one of its directors. As of December 31, 2009, the accounts payable balance includes \$33,206 that is incurred from regular operational expenses outstanding to an officer of the company and the Company also had a balance of \$517,545 due to the share holders of XCXD.

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, 2009. The Company has not affected any changes to its significant accounting policies during the two years ended December 31, 2009 except as follows:

Financial Instruments, Comprehensive Income and Hedges

On January 1, 2008 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 2008. The adoptions of these new sections had no impact on net (loss) income.

The following new accounting standards were 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, 2009.

Off Balance Sheet Arrangement

As at December 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".

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Company evaluated the effectiveness and design of its disclosure controls and procedures for the period ended December 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 31,361,285 common shares and 1,590,000 options outstanding at December 31, 2009 and April 30, 2009. If all of the Company's options were exercised, the Company would have 32,951,285 common shares outstanding.