

FIRESWIRL TECHNOLOGIES INC.

**Management Discussion and Analysis of the Financial Condition and Results of
Operations, for the three and six months ended
June 30, 2007 and 2006.**

August 9, 2007

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, 2006, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

Additional information about the company is available on the SEDAR website (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.

Forward looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results to differ materially from the results discussed or implied in the forward looking statements. These factors should be considered carefully and readers should not place undue reliance on the 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. Fireswirl 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.

EBITDA is defined as earning before interest, taxes depreciation and amortization. EBITDA is not a recognized measure under the Canadian generally accepted accounting principles. However, management believes EBITDA is a useful supplementary measure as it provides an indication of the results of Fireswirl's business operations without regard to how these activities were financed or how these results were taxed. Fireswirl's method of calculating EBITDA may differ from that of other companies. Accordingly, EBITDA may not be directly comparable to measures used by other companies.

OVERVIEW

Founded in 1999, the company initially developed payment interfaces for the internet. In 2002 the company developed and licensed poker software to the internet gaming industry and in late 2006 began development of mobile commerce applications for the gaming and translation industries. The company's products are designed for global deployment with marketing efforts since fall 2006 focused on Asia.

Business Model

Fireswirl is focused on creating transactional based revenue through mobile payment and electronic commerce platforms through combinations of software development, software consulting, software systems setup, software licensing and software bundling. The company is also considering distribution of mobile handsets with a view of opening additional distribution channels for integration and bundling opportunities for our content and payment platforms. The company's technology has broad applications for content providers or OEM's requiring multiple payment interfaces, multi-currency and multi-language capabilities, and can be adapted to industries requiring high volume or micro-payment solutions involving a wide base of users. The company's key products and services are more fully described as follows:

- **Electronic Gaming** – In the fall 2006 the company aligned its products and target markets to governments and their licensed agents in jurisdictions or countries where online gaming is legal, or for deployment within allowable entertainment or skilled based venues. Neither Fireswirl, nor any of its subsidiaries, operates or conducts gambling activities over the internet or by any other means. The company's suite of online gaming software includes slots, poker, tables, sports book, and mobile payment applications for the lottery industry. The functionality includes a multi language and multi currency conversion feature to address the diverse needs and global nature of its users. Since fall 2006 the company has made several proposals for deployment of its products with multiple parties at advanced stages of discussions or subject to indicative but non-binding letters of intent. The company remains committed to electronic gaming and will continue to dedicate capital and human resources to this vertical with expectation of revenues and gross margins in 2007.

- **SMS Translation** – In January 2007 the company acquired intellectual property (provisional patent) for Short Message Service (SMS) Translation. In April 2007 the company filed a second provisional patent (separate of its acquired IP) reflecting an improved system and methods for SMS translation. With an initial target of translating Chinese and English (the top two global) languages, in Q2 2007 the company accelerated its product expenditures to increase the number of supported language pairs and improve the efficacy of its SMS translation. The SMS translation product is now at a demonstrable stage with expectations of a commercially deployable product in 2007.
- **Hardware and Bundling** – Since Q1 2007 the company has been in discussion with distributors of mobile handsets for possibilities of hardware distribution and bundling applications for Fireswirl’s “M-Commerce and SMS Translation” technologies.

Key Financial Events

In the second half of 2006 the company began a series of steps to achieve a more sustainable business model. Some of these steps have had a short term negative impact on our income statement reflecting decreased revenues and increased expenses. Management believes its business case and projects are sustainable and accordingly the company strengthened its balance sheet in Q1 2007 to provide adequate funding for its developing business venues. The most notable financial issues and impacts were as follows:

- In October 2006 the company began an expansion of its product line from an online poker software solution to a broader suite of gaming software products including slots, poker, tables, and sports book. The casino suite is now completed and ready for deployment. Approximately 73% of our human resources were dedicated to this project from October through June 2007.
- In December 2006 the company concluded the sale of its subsidiary Swirl Marketing Ltd. (SML) in an arms length transaction to AsiaPac Technologies Management Inc. SML previously was a sub-licensor of the Fireswirl Poker Suite to several independent website operators. The sale of SML was consistent with management’s decision to only consider online gaming operators who were either government or their licensed operators. Management’s decision to vend SML also reflected the enigmatic issues facing the industry relating to increased competition, reducing margins, and regulatory issues arising from the USA curtailing a large player base.
- On February 2, 2007 the company completed a \$4.5 million private placement for net proceeds of \$4,109,839. Stock options and warrants were exercised for an additional amount of \$591,977 for the six months ended June 30, 2007, total securities issued were 5,079,362 increasing the outstanding shares to 25,146,362

and 30,901,000 fully diluted. As of June 30 the company had cash of \$5.5 million with working capital of \$5.6 million. Management believes working capital is adequate for present projects with a healthy contingency, and the ability to readily consider additional projects or to accelerate present projects.

- Human resources remained the company's single largest expenditure. Total expenditure for the three and six months ended June 30, 2007 were \$339,001 and \$646,958 compared to \$166,104 and \$305,224 for the same period of 2006. Included in the expenditures were \$250,429 and \$457,610 for the three and six months ended June 30, 2007 of capitalized software development cost. No comparable expenditures were capitalized in the same period of 2006.
- The company reported a loss of \$345,271 and \$704,863 for the three and six months period ended June 30, 2007 compared to losses of \$138,492 and \$144,101 for the same period of 2006. The main reason for the decline of net income was the reduction of net revenue and, at the same time an increase of expenses some of which are non comparable such as stock based compensation, an increase in general and administrative expenses and growth of our marketing and travel expenses to support our business and growth.
- Fully diluted loss per share was (\$0.01) and (\$0.03) for the three and six months ended June 30, 2007 compared to diluted losses of (\$0.01) and (\$0.01) for the same period of 2006.

Overview Summary

In fall of 2006 the company undertook a series of events to achieve a more sustainable business model with greater potential. The company has developed proprietary content and technology that is targeted for global deployment to mobile carriers and governments. These types of projects require longer sales cycles but will also provide significant leverage to the company at inauguration.

We have initially focused on marketing to the Asian markets as they appear the most receptive and largest prospects of our technologies and bundling scenarios. In May 2007 we opened an office in Shenzhen, China and relocated our CTO to provide additional focus on our Asian opportunities. In June 2007 we acquired a 3G Video Platform scheduled for deployment in fall 2007 with Hutchison Telecommunications in Macau. The 3G platform is an important addition to our technology capabilities and will allow us to create and market a wide array of mobile content.

Our equity financing in February 2007 improved our financial strength and the ability to pursue additional opportunities. Management continues its support of our chosen verticals and prospects with expectation of revenues and gross margins from our products and services within fiscal 2007.

SUMMARY OF FINANCIAL RESULTS

Comparative Quarterly Operating Results (in thousands, except share data)

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

	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Revenue	\$6,414	\$22,000	\$66,659	\$128,260	\$236,133	\$210,344	356,385	\$229,410
Expenses								
Depreciation & Amortization	\$1,453	\$1,475	(\$ 7,287)	\$12,365	\$12,548	\$2,990	3,469	\$3,467
Sales & Marketing	\$52,536	\$51,341	\$27,276	\$31,981	\$29,190	\$19,008	18,222	\$20,261
General Administration	\$155,445	\$105,655	\$335,360	\$53,193	\$92,088	\$41,132	51,908	\$27,402
Salaries & Benefits	\$88,572	\$100,776	\$60,066	\$133,136	\$166,104	\$139,120	156,861	\$129,504
Stock based compensation	\$75,107	\$161,807	\$74,361	\$111,678	\$92,172	-	-	-
Bad and doubtful debts	-	-	\$20,160	\$116,684	-	-	-	-
Total Expenses	\$373,113	\$421,054	\$509,936	\$459,037	\$392,102	\$202,250	230,460	\$180,634
Operating Income (Loss)	(\$366,699)	(\$399,054)	(\$443,277)	(\$330,777)	(\$155,969)	\$8,094	125,925	\$48,776
Development costs							(49,622)	(\$16,344)
Interest Income	\$60,292	\$34,249	\$32,058	\$24,031	\$15,054	-	1,520	-
Foreign Exchange (Recovery)	(\$38,920)	\$5,213	\$6,211	\$829	(\$7,131)	(\$3,018)	10,666	(\$10,065)
Income (Loss) Before Taxes	(345,327)	(359,592)	(\$405,008)	(\$305,917)	(\$148,046)	\$5,076	88,489	\$22,367
Income Tax (expense)/recovery	-	-	(\$69,954)	\$69,189	\$9,554	(\$10,685)	(31,305)	\$420
Loss attributed to minority interest	\$56	-	-	-	-	-	-	-
Net Income (Loss)	(\$345,271)	(\$359,592)	(\$474,962)	(\$236,728)	(\$138,492)	(\$5,609)	57,184	\$22,787
Basic/Diluted (loss)/earnings per share	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	---	-	----

QUARTERLY RESULTS

Revenue

For the three and six months ended June 30, 2007, the company reported revenue of \$6,414 and \$28,414 compared to \$236,133 and \$446,477 for the same period of 2006 a decrease of 97.2% and 93.6%. The reduction in revenue is attributable to the company's decision to vend SML in December 2006 whose revenue had reduced to \$60,600 in the last quarter of 2006.

Operating Expenses

Total operating expenses decreased by 4.84% and increased by 33.6% to \$373,113 and \$794,167 for the three months and six months ended June 30, 2007 compared to \$392,102 and \$594,352 for the same period of 2006.

The overall increase in operating expenses is reflective of the company's growth in personnel, infrastructure and change in business focus. The company incurred non comparative expenses in the area of stock based compensation, professional and regulatory filings fees required by the stock exchange and a general increase in costs in managing a larger office and administering a public company.

For software development the company capitalized \$336,567 and \$582,023 for the three and six months ended June 30, 2007 of development costs related to new software platforms: SMILES lottery, Poker/Casino suite, and SMS translator. In the first six months of 2006 wage expenses related to the development of software were expensed as incurred. Salary and consulting expenses increased by 45.87% in Q1 and 23.3% in Q2 of 2007 with the addition of translators and general wage inflation.

Amortization

Amortization and depreciation expenses net of software development costs decreased by 88.4% and 81.1% to \$1,453 and \$2,928 for the three and six months ended June 30, 2007 compared to \$12,548 and \$15,538 for the same period of 2006 when expenses related to the development of software were expensed as incurred. The Company is deferring software development costs to future periods when all criteria for deferral are met.

Sales and Marketing

For the three and six months ended June 30, 2007, sales and marketing expenses increased by 79.98% and 116.0% to \$52,536 and \$103,877 from \$29,190 and \$48,198 for the same period of 2006. The increase is attributable to our Company's increased investment in growing our business and increased travel to meet with prospective new clients and partners.

General and Administrative

General and administrative expenses increased by 68.8% and 96.0% to \$155,445 and \$261,100 for the three and six months ended June 30, 2007 compared to \$92,088 and \$133,220 for the same period of 2006. The most significant factor attributable to the increase is due in part to professional fees, increased legal fees and regulatory fees related to the filing and listing requirements of the TSX exchange, these expenditures were not required in 2006.

Salaries and benefits

Salaries and benefits expenses net of software development costs decreased by 46.6% and 37.9% to \$88,572 and \$189,348 for the three and six months ended June 30, 2007 compared to \$166,104 and \$305,224 for the same period of 2006 when costs relating to the development of software were expensed as incurred. The Company is deferring software development costs to future periods when all criteria for deferral are met.

Stock based compensation

The company recorded \$75,107 and \$236,914 of stock based compensation for the three and six months ended June 30, 2007 compared to \$92,172 for the three months only ended June 30, 2006. There is no comparative expense for Q1 of 2006. Stock based compensation expense relates to the amortization of the fair value of stock options granted to employees, directors and consultants. Expenses are amortized over the vesting period of options by using the Black-Scholes option pricing model to calculate the stock options expenses.

Software Development Costs

Software Development costs of \$336,567 and \$582,023 for the three and six months ended June 30, 2007 were capitalized and deferred to future periods. There is no comparative capitalization for the same period of 2006. The company capitalized development costs in relation to re-branding of the new software platform of the poker/casino suite, SMILES mobile lottery, the SMS translator and BetX free play. As the software development project is still in progress, no amortization of the cost was charged to expenses for the period.

OTHER INCOME (EXPENSES)

Interest Income

The Company reported interest income of \$60,292 and \$94,541 for the three and six months ended June 30, 2007 compared to \$15,054 reported in Q2 only of 2006. Interest income increased reflecting additional cash on deposit associated with a new financing of \$4,109,839, and \$591,977 of cash received from the exercise of 134,362 options and 445,000 warrants in the six months period ended June 30, 2007. All proceeds were invested in short term cash certificates.

Foreign exchange gain

The Company recognized foreign exchange losses of \$38,920 and \$33,707 for the three and six months ended June 30, 2007 compared to a foreign exchange loss of \$7,131 and \$10,149 for the same period of 2006. The foreign currency losses experienced in the second quarter of 2007 reflect losses in the value of cash balances of foreign denominated amounts as the Canadian dollar strengthened against foreign currencies. The Company does not utilize hedges or forward contract to mitigate foreign currency risks.

Provision for Income Taxes

The company has reported net losses of \$345,271 and \$704,863 for the three and six months ended June 30, 2007 and it has not reported any income tax recovery for the period compared to income tax recovery of \$9,554 and tax expenses of \$1,131 for the same period of 2006. 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 that not that they can be realized.

Net Income (Loss)

The Company reported net losses of \$345,271 and \$704,863 for the three and six months ended June 30, 2007 compared to net losses of \$138,492 and \$144,101 for the same period of 2006. The main reason for the decline of net income is a reduction of net revenue and at the same time an increase of expenses some of which are non comparable such as stock based compensation, an increase in general and administration expenses and growth of our marketing and travel expenses to support our business and growth.

Diluted loss per share was (\$0.01) and (\$0.03) for the three and six months ended June 30, 2007 compared to diluted losses of (0.01) and (0.01) for the comparative period of 2006.

EBITDA

The company reported EBITDA (defined as net income before interest, taxes, depreciation and amortization) of (\$343,818) and (\$701,935) for the three and six months ended June 30, 2007 compared to (\$135,498) and (\$127,432) for the same period of 2006. The decrease in EBITDA is mainly due to decreased revenue and a corresponding increase in comparative and non comparative expenses such as stock based compensation.

Liquidity and Capital Resources

The company continues to maintain a strong balance sheet. As of June 30, 2007 the company had no debt, \$5,559,169 in cash and short term investments and working capital (defined as current assets less current liabilities) of \$5,689,980. The company has cash and short term investments on hand to meet the Company's planned growth and development activities. The increase in the company's cash position is mainly due to the share subscription completed in Q2 2006 (net of offering costs) of \$2,832,156 and a secondary non brokered private placement financing completed in Q1 2007 (net of offering costs) \$4,109,839.

The company's investing activities in the six months ended June 30, 2007 consisted mainly of the purchase of property and equipment \$39,813, acquisition of IP \$43,586, and deferred development costs \$582,023.

Contractual Obligations

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

2007	\$30,924
2008	\$61,848
2009	\$61,848
2010	\$61,848
2011	\$32,724

The company has a contract with a professional firm to provide investor relations services. The contract will expire on November 23, 2007, with a remaining obligation of \$22,500.

Related party transactions

For the three and six months ended June 30, 2007 the company incurred and paid salaries and benefits to directors and shareholders of the company of \$56,700 and \$111,115 as compared to \$46,792 and \$84,792 for the same period of 2006. General Administration expenses include \$17,150 and \$32,500 paid to a company related by virtue of a director who is also an officer of the company. Related party transactions are in the normal course of operations and occur on terms and conditions that are similar to those transactions with unrelated parties.

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, 2006. The Company has not effected any changes to its significant accounting policies during the two years ended December 31, 2006 except as follows:

Stock based compensation

Effective January 1, 2006 the company adopted the Canadian standard for accounting for stock based compensation and other stock based payments. The recommendations require equity instruments awarded to employees and non employees and the cost of the service received as consideration to be measured and recognized based on the fair value of the equity instruments issued. Compensation expense is recognized over the period of related employee service, usually the vesting period of the equity instrument awarded. In addition the standards require that equity instruments issued to non employees be recorded at their fair value at the date they are earned.

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:

- 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;
- 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.

Off Balance Sheet Arrangement

As at the date of this MD&A, the company has not entered into any off balance sheet arrangements except as noted above.

Business Transactions

There is no proposed asset or business acquisition or disposition transactions pending as at June 30, 2007.

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 credit risk lies in its accounts receivable where the balances due reflect a concentration among a relatively small number of accounts. The Company's short term investments consist of investments in low risks 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 June 30, 2007 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 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 clearly 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 affect, the Company's internal control over financial reporting. Fireswirl 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.