

FIRESWIRL TECHNOLOGIES INC.
Interim Consolidated Financial Statements
For the three and six months ended June 30, 2009 and 2008

(Unaudited - Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

July 31, 2009

FIRESWIRL TECHNOLOGIES INC.

Interim Consolidated Balance Sheets (Unaudited)

	June 30 2009 (unaudited)	December 31 2008 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$1,330,323	\$2,226,544
Amounts receivable	67,787	122,924
GST/VAT recoverable	50,071	75,787
Deposits and prepayments	73,614	75,410
Loan receivable - Note 5,	208,478	8,411
Inventory	141,553	256,868
	1,871,826	2,765,945
Capital Assets - Note 6, 15	24,743	30,945
Investment in Tysen - Note 7	435,180	479,165
Deferred development cost and other asset - Note 8	26,767	32,070
	2,358,515	3,308,125
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities - Note 9	137,899	563,720
	137,899	563,720
SHAREHOLDERS' EQUITY		
Share capital - Note 13	5,186,310	5,186,310
Contributed capital - Note 13	3,319,928	3,296,782
Deficits	(6,285,621)	(5,738,688)
	2,220,617	2,744,404
	\$2,358,515	\$3,308,125

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

On behalf of the Board:

"Tony Lau"

"Ji Yoon"

Tony Lau
CEO

Ji Yoon
Interim CFO

FIRESWIRL TECHNOLOGIES INC.
Interim Consolidated Statements of Operations
(Unaudited)

	Three months ended		Six months ended	
	June 30 2009	June 30 2008	June 30 2009	June 30 2008
Revenue				
Service and maintenance fees	\$17,890	\$6,083	\$30,058	\$12,202
Handset trading	31,959	477	127,665	477
	49,849	6,560	157,723	12,679
Cost of goods sold	31,368	499	126,116	499
Gross profit	18,481	6,061	31,607	12,180
Operating expenses				
Amortization	6,936	15,106	17,607	28,250
Sales and marketing	29,288	96,503	53,595	138,739
General administration	94,913	111,187	187,010	284,862
Salaries and benefits	128,062	255,124	251,140	521,031
Stock based compensation	2,000	32,587	23,146	168,799
	261,199	510,507	532,497	1,141,681
Loss before other items	(\$242,717)	(\$504,446)	(\$500,890)	(\$1,129,501)
Other items:				
Other incomes and losses- Notes 11	7,031	21,831	11,213	55,250
Foreign exchange gain (loss)	(33,499)	(5,583)	(13,273)	26,311
Share of loss of equity investment - Note 10	(20,608)	-	(43,985)	-
Loss before income taxes	(289,793)	(488,198)	(546,935)	(1,047,940)
Income tax recovery (expenses)	-	-	-	-
Loss and comprehensive loss for the period	(289,793)	(488,198)	(546,935)	(1,047,940)
Basic/Diluted loss per share - Note 12	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.04)
Weighted average number of shares outstanding	25,302,612	25,212,993	25,302,612	25,209,096

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

FIRESWIRL TECHNOLOGIES INC.

Interim Consolidated Statements of Cash Flows (Unaudited)

	Three months ended		Six months ended	
	June 30 2009	June 30 2008	June 30 2009	June 30 2008
Operating Activities				
Net loss for the period	(\$289,793)	(\$488,198)	(\$546,935)	(\$1,047,940)
Changes to non cash items:				
Amortization	6,936	15,106	17,607	28,250
Loss on sales of capital assets	-	2,046	-	4,404
Stock based compensation	2,000	32,587	23,146	168,799
Unrealized foreign exchange loss	-	2,970	-	2,970
Changes in non-cash working capital items:				
Amounts receivable	20,602	(9,049)	80,853	(15,799)
Deposits and prepayments	10,931	(18,269)	1,796	(40,155)
Accounts payable and accrued liabilities	49,756	5,931	(107,727)	(84,473)
Inventory	31,368	(42,414)	115,315	(42,414)
	(\$168,201)	(\$499,290)	(\$415,945)	(\$1,026,359)
Investing Activity				
Deferred development costs and other assets	(2,500)	(1,581)	(2,500)	(26,994)
Investment in Tysen	(68,320)		(274,206)	
Acquisition of capital assets	(556)	(23,727)	(3,922)	(23,727)
Proceeds from sales of capital assets		1,599	420	1,834
Loan receivable	(208,478)		(391,042)	
Repayment of loan receivable	182,438		190,975	
	(97,416)	(23,709)	(480,275)	(48,887)
Financing Activities				
Shares issued for cash	-	-	-	-
Shares issued for warrants exercised	-	-	-	-
Shares issued for options exercised	-	21,750	-	21,750
	-	21,750	-	21,750
Increase (decrease) in cash during the period	(265,617)	(501,250)	(896,221)	(1,053,496)
Cash, beginning of the period	1,595,940	3,695,965	2,226,544	4,248,211
Cash, end of the period	\$1,330,323	\$3,194,715	\$1,330,323	\$3,194,715
Supplementary cash flow information:				
Cash paid for:				
Interest	-	-	-	-
Income taxes	-	-	-	-

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statement
Three and six months ended June 30, 2009
(Unaudited – Prepared by Management)

Note 1- Nature and Continuance of Operations

Fireswirl Technologies Inc. (“the Company”) is a provider of technologies and value-added services, including wireless email system, portable reading system and other mobile-based applications, to the wireless industries. The Company has customers from different countries, including the U.S. and the U.K., while its primary market is in China.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

Several adverse conditions cast doubt on the validity of this assumption. The Company has experienced operating losses and negative operating cash flows which were primarily funded by the issuance of share capital.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing, and to commence profitable operations in the future. There is no assurance the Company will be able to achieve profitable operations. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

	June 30 2009 \$	March 31 2009 \$	December 31 2008 \$
Deficit	(6,285,621)	(5,995,814)	(5,738,688)
Working capital	1,733,927	1,997,245	2,202,225

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Note 2 - Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars.

Certain comparative figures have been reclassified to conform with the presentation adopted for the current period.

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

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

Investments over which the Company is able to exercise significant influence are accounted for by the equity method.

Name	Place of incorporation	Ownership
Beijing Tysen Xieli Technology Co. Ltd.	China	21%

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

These consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008.

Note 3 - Significant Accounting Policies

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

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Cash consists of cash, funds in bank accounts, and marketable securities such as guaranteed investment certificates. Interest income earned on these marketable securities is recorded on an accrual basis.

b) Capital assets

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

Computer hardware	30%
Computer software	30%
Furniture and fixtures	20%
Leasehold improvements	Straight-line over the term of the lease

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

Capital assets are written down to the net recoverable value when management determines there has been a change in circumstances which indicates its carrying amount may not be recoverable.

c) Comprehensive Income

Effective January 1, 2007, the Company adopted the new accounting standard issued by the CICA under Section 1530 for reporting comprehensive income. Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available-for-sale securities, which are not included in net income (loss) until realized. The adoption of Section 1530 had no impact on the opening equity or balance sheet of the Company.

d) Software development cost

Under CICA Handbook Section 3450, Research and Development Costs, the Company capitalizes computer software development costs incurred subsequent to establishing technological feasibility to the extent that their recovery can reasonably be regarded as assured. Amortization of development costs commences with commercial production or use of the product or process.

e) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheets dates. Non-monetary assets and liabilities and revenue and expenses arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Foreign exchange gains or losses arising from the translation are included in net income.

Integrated subsidiaries are accounted for under the temporal method. Under this method, monetary assets and liabilities of subsidiaries are translated into Canadian dollars at the exchange rate in effect at the balance sheets dates. Non-monetary assets and liabilities are translated at the exchange rate in effect at the date of the transaction. Revenues and expenses are translated at

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

e) Income taxes

The asset and liability method is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance against future tax assets to the extent that the Company does not consider them to be more than likely not of being realized.

f) Revenue recognition

The Company generates its revenue from mobile handset trading, service fees and maintenance fees.

The software development consulting fees are recognized based on the percentage of completion method or as agreed upon milestones are reached and when there are no significant obligations remaining and the sale price is fixed and determinable and collectability is reasonably assured.

The service and maintenance fees are recognized when the service is performed, there are no significant obligations remaining, the sales price is determinable and collectability is reasonably assured.

g) Inventory

In 2007, the CICA issued Handbook Section 3031, "Inventories". CICA 3031 aligns Canadian GAAP with International Financial Reporting Standards (IFRS) and establishes the principles for measurement, recognition and disclosure of inventories.

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Inventory consists of merchandise inventories.

h) Use of estimates

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

i) Stock-based compensation

The company has adopted CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments" and applies the fair value method to all grants of stock options. All options granted, accounted for as a capital transaction at the time of the grant, are reflected as stock options in shareholders' equity. The fair value of options granted is estimated at the date of the grant using a Black-Scholes option pricing model incorporating assumptions regarding risk-free rates, dividend yield, volatility of return and a weighted average expected life of options. The estimated fair market value is recorded over the options' vesting period. Any consideration paid on the exercise of stock options is credited to share capital.

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j) Long-lived assets

The Company reviewed long-lived assets for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value.

k) Transaction Costs

Transaction costs, other than in respect of financial assets held for trading which are expensed as incurred, are added to the initial fair value of the acquired financial asset or financial liability. The Company has selected this method as it believes that this results in a better matching of the transaction costs with the periods benefiting from the transaction costs.

Note 4 - Future Accounting Changes

a) Consolidated financial statements

In January 2009, the CICA issued new Handbook Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27, "Consolidated and Separate Financial Statements". The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on December 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year.

b) Business combinations

In January 2009, the CICA issued new Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after October 1, 2011. Earlier application is permitted.

c) International financial reporting standards

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies, will be converged to International Financial Reporting Standards ("IFRS") over a transition period that is expected to be complete by December 31, 2011. The Company's first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Starting in the first quarter of 2011, the Company will provide unaudited consolidated financial information in accordance with IFRS including comparative figures for 2010.

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Note 5 - Loan receivable

The Company's wholly owned subsidiary Fireswirl Technologies (Beijing) Co. Ltd. provided financing of \$259,718 to XCXD, a parent company of I-Mobile - a mobile handset retail company in China - for their inventory financing on June 9, 2009. The repayment of the loan is to be made within 30 days with interest of \$5,106 or within 60 days with interest of 3% per month for the remaining balance. XCXD pledged \$306,373 worth of mobile handset inventory as security collateral as part of the financing arrangement.

The repayment of \$51,240 has been made in June 2009 and the \$208,478 remains as the balance as of June 30, 2009.

Note6 - Capital Assets

	June 30, 2009			December 31, 2008			
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Impairment	Net
Computer Hardware	\$3,997	\$ 1,271	\$2,726	\$66,708	\$48,662	\$17,204	\$842
Computer Software	-	-	-	90,779	76,965	13,813	-
Fixtures	24,111	9,081	15,030	42,351	16,659	8,565	17,127
Leasehold Improvement	23,956	16,969	6,987	23,956	10,980	-	12,976
	\$52,064	\$27,321	\$24,743	\$223,794	\$153,266	\$39,582	\$30,945

Note 7 - Investment in Tysen

The Company's wholly owned subsidiary Fireswirl Technologies (Shenzhen) Co. Ltd. ("FSZL") acquired a 21% interest in 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. The total acquisition cost in Tysen was \$509,038 consisting of \$169,883 cash on signing, \$48,440 for legal fees, \$84,530 as an additional payment for Tysen meeting its first milestone and \$27,354 still owing and included in accounts payable as of June 30, 2009.

As part of the acquisition agreement, FSZL was required to make three additional payments upon Tysen meeting certain milestones. The first milestone involved Tysen signing an agreement with China Unicom. This milestone was made, \$84,530 was paid and was included as part of the acquisition cost. Two additional payments are to be made upon Tysen achieving certain sales levels with China Unicom. The two additional payments, when and if paid, would total \$167,261 and because of their contingent nature, have not formed part of the purchase consideration.

FSZL has an option to acquire a further 30% of Tysen's outstanding shares prior to the end of calendar 2011 based on a multiple of Tysen's after tax earnings.

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, a provincial branch of China Unicom.

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Since the Company can nominate a majority of the board of directors and can exercise significant influence over the strategic operating, investing and financing policies of Tysen, the Company's control over this investment is considered to be significant Influence, according to CICA Handbook Section 3051, and accordingly is accounted for using the Equity Method.

Purchase consideration	\$376,068	
Legal fees	48,440	
Payment for meeting first milestone	<u>84,530</u>	
Acquisition Cost		\$509,038
Book value of Tysen's net assets	137,556	
Fireswirl Shenzhen's ownership	<u>21%</u>	<u>28,887</u>
Purchase discrepancy		480,151
Allocation of purchase discrepancy		<u>-</u>
Goodwill		\$480,151

Tysen reported a \$142,253 net loss for the period November 1, 2008 to December 31, 2008. The Company's proportionate 21% share of Tysen's losses was \$29,873 and has been recognized as loss from investment for the year and as a corresponding reduction of the cost of the investment.

Tysen reported a \$98,133 and \$209,451 net loss for the three and six months ended June 30, 2009 respectively. The Company's proportionate 21% share of Tysen's losses was \$20,608 and \$43,985 for the corresponding periods and have been recognized as loss from investment and recorded as a corresponding reduction of the cost of the initial investment using the Equity Method.

Investment In Tysen	
Acquisition Cost, November 1, 2008	\$509,038
The Company's share of Tysen's loss- Period from acquisition to December 31,2008	(29,873)
Balance, December 31, 2008	479,165
The Company's share of Tysen's loss – Six months ended June 30, 2009	(43,985)
Balance, June 30, 2009	\$435,180

Note 8 - Deferred Development Costs and Other Assets

Deferred development costs and other assets refer to software development costs and trademark. Software development costs consist of labour costs of personnel directly engaged in research and development activities and a reasonable allocation of overhead. The Company commenced amortization of Bet Exchange software product in 2007. Amortization of the costs related to the development of the Bet Exchange will be conducted on a straight line basis over 3 years at an amount of \$15,606 per year.

The Company has registered a trademark of its logo in Hong Kong, China, US and Canada and the total cost of this registration is \$18,964.

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	June 30, 2009	March 31, 2009	December 31, 2008
Software Development Cost - Bet Exchange			
-Cost	\$46,819	\$46,819	\$46,819
-Accumulated Amortization	(39,016)	(35,114)	(31,213)
	7,803	11,705	15,606
Trademark	18,964	16,464	16,464
Total	\$26,767	\$28,169	\$32,070

Note 9 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of accounts payable and accrued expenses, wages and vacation payable, payroll remittance, customer deposits and sales tax payable in China.

	June 30, 2009	March 31, 2009	December 31, 2008
Accounts payable and accrued expenses	\$87,909	\$183,195	\$425,153
Wages and vacation payable	32,141	29,893	105,500
Payroll remittance	537	55	7,888
Customer deposits	17,036	17,036	25,180
Sales tax payable (China)	276	4,555	-
Total	\$137,899	\$234,734	\$563,720

Note 10 - Share of Loss of Equity Investment

Tysen recognized a net loss of \$98,133 for the three months ended June 30, 2009 and net loss of \$209,451 for the six months ended June 30, 2009. The Company's share (21%) of Tysen's loss was \$20,608 and \$43,985 respectively. Accordingly, the balance of Investment in Tysen has been decreased by the corresponding amount.

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Note 11- Other Incomes and Losses

Other incomes and losses consist of interest income and losses from the sales of capital assets.

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Interest income	\$7,031	\$23,877	\$11,213	\$59,655
Loss from sales of capital assets	-	(2,046)	-	(4,405)
Total	\$7,031	\$21,831	\$11,213	\$55,250

Note 12 - Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to redeem common shares at the prevailing market value. However, under CICA Handbook Section 3500.33, when an enterprise has a loss before discontinued operations and extraordinary items or a loss before discontinued operations and extraordinary items available to common shareholders, including potential common shares in the computation of the diluted per share amount of that loss is always anti-dilutive.

Note 13 - Share Capital and Contributed Surplus

The authorized share capital of the Company is an unlimited number of common shares without par value.

	Number of Shares	Share Capital	Contributed Surplus	
			Warrants	Options
Balance, January 1, 2008	25,205,112	\$5,088,335	\$2,606,979	\$584,838
Re-pricing stock options granted in 2006				1,632
Re-pricing stock options granted in 2007				9,870
Fair value of options granted in 2007 and vested in 2008				17,906
Fair value of options granted in 2008				144,282
Stock options exercised in 2008	97500	97,975		(68,725)
Balance, December 31, 2008	25,302,612	5,186,310	2,606,979	689,803
Fair value of options granted in 2008 and vested in 2009				18,646
Fair value of options granted on January 2, 2009				4,500
Balance, June 30, 2009	25,302,612	\$5,186,310	\$2,606,979	\$712,949

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- (a) On May 1, 2006, the Company purchased all the issued and outstanding securities of Fireswirl Systems Inc. for consideration comprised of 12,300,000 common shares at a deemed price of \$0.80 per share and \$300,000 in cash. A finder's fee of 500,000 common shares was paid in connection with the acquisition.
- (b) Concurrent with the acquisition noted above, the Company completed a private placement of 4,000,000 subscription receipts at a price of \$0.80 and for gross proceeds of \$3,200,000. Each subscription receipt was exchanged without any further action on the part of the holder thereof and for no additional consideration for one Redstone unit upon completion of the acquisition. Each unit consists of one Redstone common share and half of one Redstone share purchase warrants. Each whole Warrant will entitle the holder to acquire one Share at an exercise price of \$1.10 per Share for a period of twenty-four months following completion of the offering. The Offering was closed on May 18, 2006.

Compensation warrants were issued in connection with the above placement. Additionally a cash commission of 7% of the gross proceeds was paid to the agents.

- (c) On February 22, 2007, the Company completed a non brokered private placement financing of 4.5 million units at \$1.00 per unit. Each unit consists of one common share and one half of a share purchase warrant. Each full warrant entitle the holder to purchase one common share for \$1.25 for a period of 2 years from the date of closing. The warrants also include a forced conversion clause that will come into effect if the price of the underlying shares exceeds \$1.50 for a period of 30 consecutive trading days

Stock option plan

The Company has established three stock option plans under which stock options to purchase common shares may be granted to directors, officers and employees of the Company and to any other person or Company permitted by the applicable regulatory authorities to purchase unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the plan shall not exceed 10% of the common shares of the corporation.

	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,580,000	\$0.51	1,296,000	\$0.76
Granted	200,000	0.12	840,000	0.30
Exercised	-	-	(72,500)	0.30
Forfeited	(600,000)	0.55	(528,500)	0.76
Outstanding, June 30	1,180,000	0.42	1,535,000	0.48
Exercisable, June 30	930,000	\$0.49	1,052,750	\$0.49

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On February 19, 2008, the Company granted 840,000 new options at an exercise price of \$0.30 to its employees, officers and directors. Granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years.

On January 2, 2009, the Company granted 200,000 options with an exercise price \$0.12 granted to an officer. On the date the options are granted, 50% of the options vested and 50% will vest a year later. The options are exercisable over 5 years. The fair value of the option on the date of the grant was \$0.03 per option.

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

Warrants

	2009		2008	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	2,250,000	\$1.25	4,279,888	\$1.16
Exercised	-	-	-	-
Expired	(2,250,000)	\$1.25	(2,029,888)	\$1.06
Outstanding, June 30	-	-	2,250,000	\$1.25
Exercisable, June 30	-	-	2,250,000	\$1.25

Pursuant to the term of a non brokered private placement on February 22, 2007, the Company issued 2,250,000 share purchase warrants with an exercise price of \$1.25 exercisable over two years. The warrants include a forced conversion clause that will come into effect if the price of the underlying shares exceeds \$1.50 for a period of 30 consecutive trading days.

There were no warrants issued or exercised during the quarter ended June 30, 2008 and 2009. There are no outstanding warrants as of June 30, 2008 as 2,250,000 of warrants expired on February 22, 2009.

Exercise Price (\$)	June 30, 2009		June 30, 2008	
	Number of warrants outstanding	Weighted average remaining life (Years)	Number of warrants outstanding	Weighted average remaining life(Years)
1.25	-	-	2,250,000	0.65

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Assumptions

The fair value of the options and warrants has been estimated by using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.48 - 3.85%
Dividend yield	-
Volatility	80% - 108%
Expected life	1 year to 5 years

Note 14 - Related Party Transactions

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

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Expenses:				
- Salaries and benefit	\$ 65,525	\$114,550	\$ 134,735	\$ 211,500
- Professional fees	15,000	-	30,000	-
- Director fees	2,000	3,000	4,000	6,000
	\$ 85,525	\$117,550	\$ 168,735	\$ 217,550

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.

Note 15 - Segmented Information

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

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
China	\$31,959	\$ 477	\$127,712	\$ 477
United Kingdom	8,957	6,083	14,362	12,202
USA	8,933	-	15,649	-
	\$49,849	\$ 6,560	\$157,723	\$ 12,679

One customer in China accounted for \$127,712 or 81% of sales made during the six months ended June 30, 2009 while one customer in the United Kingdom accounted for \$12,202 or 96% during the six months ended June 30, 2008.

The Company's capital assets are located in Canada and China as follows:

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	June 30, 2009	December 31, 2008	June 30, 2008
Canada	\$17,924	\$25,449	\$108,459
China	6,819	5,496	302,310
Total	\$24,743	\$30,945	\$410,769

Note 16 - Credit Risk and Financial Instrument

Credit risk

The Company grants credit to its customers in the normal course of business. Credit evaluations are performed on a regular basis and the financial statements take into account an allowance for bad debts. The business also depends on new customers using the product and there is additional risk when credit is granted to new and unproven customers. Credit evaluations are also performed on new customers.

Currency risk

The Company has subsidiaries in foreign countries that pay expenditures in their own currencies. The Company bills its revenue primarily in local currencies of the customers. For these reasons, the Company holds foreign currencies for operating and investment purposes. Changes in the exchange rates may cause a significant fluctuation in income as transactions are not hedged through derivatives.

The following balances are cash and cash equivalents denominated in Canadian dollars:

(In Canadian dollars)	June 30, 2009	December 31, 2008	June 30, 2008
US dollars	\$19,237	\$6,127	\$398,389
Hong Kong Dollars	138,865	132,434	406,331
China Yuan Renminbi	243,790	639,950	58,520
	\$401,892	\$778,511	\$863,240

Within the amounts listed above, \$243,790 are held in the Company's wholly owned foreign enterprise (WOFE) Fireswirl Technologies (Shenzhen) Company Limited and Fireswirl Technologies (Beijing) Company Limited for the increasing business activities in China. The capital held in the WOFE can be freely used in China for business activities however if these funds were required in Canada, there may be lengthy timing issues relating to procedures required to repatriate the funds to Canada.

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Note 17 - Credit Risk and Financial Instruments

Fair Value

Fair value is the amount at which a financial instrument could be exchanged between willing parties based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The Company's financial instruments include cash, accounts receivable, deposits and prepayments GST/VAT recoverable, loan receivable, and accounts payable and accrued liabilities.

The fair value of accounts receivable, deposits and prepayments, loan receivable, and accounts payable is approximately equal to their carrying values due to their short-term maturity.

Interest Risk

The Company is not exposed to significant interest rate risk. The Company has no interest bearing debt or capital leases. The Company's cash and cash equivalents that are used to finance working capital, which is short-term in nature, are at floating interest rates.

Liquidity Risk

The purpose of liquidity risk management is to maintain a sufficient amount of cash and cash equivalents. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and the issuance of equity. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

As at June 30, 2009, the Company has accounts payable and accrued liabilities of \$137,899, due within 12 months. As at June 30, 2009 the Company is holding cash and cash equivalents of \$1,330,323. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

Note 18 - Commitments and Contingencies

- (a) The Company has lease obligations with its previous premises under an arrangement which expires on June 30, 2011. The future annual minimum payments under operating leases is \$61,848.
- (b) The Company leased its premises under an arrangement which expires on Jan 31, 2010 for the New Westminster office. The future annual minimum payments under this operating lease is \$32,775.
- (c) A foreign subsidiary Fireswirl Technologies (Shenzhen) Company Ltd. has a lease obligation of \$1,272 per month until the lease expires on August 31, 2009.

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Note 19 - Capital Management

The Company has defined its capital as capital stock, contributed surplus and retained earnings.

The following table summarizes certain information with respect to the Company's capital structure at the end of each period:

	June 30, 2009	December 31, 2008	June 30, 2008
Shareholders' equity	\$2,220,617	\$2,744,404	\$4,770,427

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments.

The company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed since last year. These objectives and strategies are reviewed on a continuous basis.

The Company normally finances its property and equipment purchases with cash.