

***FIRESWIRL TECHNOLOGIES INC.***

**Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2008 and  
September 30, 2007**

**(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.

November 28, 2008

# **FIRESWIRL TECHNOLOGIES INC.**

## **Consolidated Balance Sheets (Unaudited)**

	September 30 2008 (unaudited)	December 31 2007 (audited)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$2,520,150	\$4,248,211
Amounts receivable	265,840	53,676
Deposits and prepayments	65,465	25,971
Loan receivable - Note 3	114,107	-
Inventory	70,773	-
	<u>3,036,335</u>	<u>4,327,858</u>
Capital Assets - Note 4	409,210	411,198
Deferred development cost and other assets - Note 5	1,144,178	1,152,795
	<u>4,589,722</u>	<u>5,891,851</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	211,502	264,032
	<u>211,502</u>	<u>264,032</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital - Note 10	5,188,260	5,088,335
Contributed capital - Note 10	3,311,614	3,191,817
Deficits	(4,121,654)	(2,652,333)
	<u>4,378,220</u>	<u>5,627,819</u>
	<u>\$4,589,722</u>	<u>\$5,891,851</u>

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

On behalf of the Board:

"Dale Peterson"

"Ji Yoon"

Dale Peterson  
President, CEO

Ji Yoon  
Director

# **FIRESWIRL TECHNOLOGIES INC.**

## **Consolidated Statements of Deficit**

**(Unaudited)**

	Three months ended		Nine months ended	
	September 30	September 30	September 30	September 30
	2008	2007	2008	2007
Balance, beginning of the period	(\$3,700,274)	(\$1,335,008)	(\$2,652,334)	(630,145)
Net loss for the period	(421,380)	(347,261)	(1,469,320)	(1,052,124)
Balance, end of the period	(\$4,121,654)	(\$1,682,269)	(\$4,121,654)	(1,682,269)

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

# FIRESWIRL TECHNOLOGIES INC.

## Consolidated Statements of Operations

(Unaudited)

	Three months ended		Nine months ended	
	September 30	September 30	September 30	September 30
	2008	2007	2008	2007
<b>Revenue - Note 6, 12</b>				
Service and maintenance fees	\$12,781	\$6,084	\$25,460	\$34,498
Handset trading	259,566	-	259,566	-
	272,347	6,084	285,026	34,498
Cost of goods sold - Note 6	255,916	-	256,414	-
Gross profit	16,431	6,084	28,612	34,498
<b>Operating Expenses</b>				
Amortization	13,864	1,910	42,113	4,838
Sales and marketing - Note 7	64,243	77,132	202,982	181,009
General administration	188,502	143,071	527,022	404,171
Salaries and benefits	215,085	106,112	736,116	295,460
Stock based compensation	21,673	38,533	190,472	275,447
	503,367	366,758	1,698,705	1,160,925
Loss before other items	(486,936)	(360,674)	(1,670,093)	(1,126,427)
Other items:				
Foreign exchange gain	12,592	(39,386)	38,903	(73,093)
Other incomes and losses- Note 8	52,963	52,856	161,871	147,397
Loss before income taxes	(421,380)	(347,205)	(1,469,320)	(1,052,124)
Income tax recovery (expenses)	-	-	-	-
Loss before minority interest	(421,380)	(347,205)	(1,469,320)	(1,052,124)
Loss attributed to minority interest	-	(56)	-	-
<b>Net loss for the period</b>	<b>(421,380)</b>	<b>(347,261)</b>	<b>(1,469,320)</b>	<b>(1,052,124)</b>
<b>Basic/Diluted loss per share - Note 9</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>(\$0.06)</b>	<b>(\$0.04)</b>
Weighted average number of shares outstanding	25,295,819	25,156,837	25,238,214	24,073,232

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

# FIRESWIRL TECHNOLOGIES INC.

## Consolidated Statements of Cash Flows (Unaudited)

	Three months ended		Nine months ended	
	September 30	September 30	September 30	September 30
	2008	2007	2008	2007
<b>Operating Activities</b>				
Net loss for the period	(\$421,380)	(\$347,261)	(\$1,469,320)	(\$1,052,124)
Changes to non cash items:				
Amortization	13,864	7,909	42,113	17,977
Loss on sales of capital assets	10,129		19,871	-
Stock based compensation	21,673	38,533	190,472	275,447
Unrealized foreign exchange loss	5,339		6,795	-
Changes in non-cash working capital items:				
Amounts receivable	(196,922)	67,426	(212,164)	53,428
Deposits and prepayments	661	(17,657)	(39,494)	(203,137)
Accounts payable and accrued liabilities	31,943	(117,256)	(52,530)	(45,972)
Inventory	(28,359)	-	(70,773)	-
	(\$563,053)	(368,306)	(\$1,585,031)	(954,381)
<b>Investing Activity</b>				
Deferred development costs and other assets	-	(317,199)	(27,044)	(899,222)
Short term investment	(114,107)		(114,107)	
Acquisition of intellectual property (IP)	-	-	-	(43,586)
Acquisition of capital assets	(4,904)	(19,858)	(35,699)	(59,671)
Incorporation cost	-	(19,287)	-	(19,287)
Proceeds from sales of capital assets	-	-	4,569	-
	(119,011)	(356,344)	(172,281)	(1,021,766)
<b>Financing Activities</b>				
Shares issued for cash	-	-	-	4,109,839
Shares issued for warrants exercised	-	11,000	-	500,500
Shares issued for options exercised	7,500	3,001	29,250	105,478
	7,500	14,001	29,250	4,715,817
Increase (decrease) in cash during the period	(674,565)	(710,650)	(1,728,061)	2,739,670
Cash, beginning of the period	3,194,715	5,559,169	4,248,211	2,108,850
Cash, end of the period	\$2,520,150	\$4,848,519	\$2,520,150	\$4,848,519
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**  
**For the three and nine months ended September 30, 2007 and 2008**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

**Note 1 Basis of presentation**

These consolidated financial statements of Fireswirl Technologies Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars. 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, 2007.

Certain prior period comparative amounts have been reclassified to conform with the presentation adopted in the current reporting.

**Note 2 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**

Cash and cash equivalents consist 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%

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

The Company recognized leasehold improvement cost during the relocation of the head. This leasehold improvement cost will be amortized using the straight- line method over 2 years which is the length of the operating lease.

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) Software development costs**

Under The Canadian Institute of Chartered Accountants (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 assured. Amortization of development cost commences with commercial production or the use of the product or process.

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Consolidated Financial Statement**  
**For the three and nine months ended September 30, 2007 and 2008**  
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**d) 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 average exchange rates prevailing during the period. Unrealized foreign exchange gains or losses arising from the translation are included in the income statement.

**e) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include providing for amortization of equipment, product development costs and intangible assets, the valuation of stock based compensation and warrants issued, and the net recoverable value of product development costs. Actual results could differ from those estimates.

**f) 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.

**g) Inventory**

Inventory cost is measured by the total cash equivalent outlay made to acquire the goods and to prepare them for re-sale. These costs include goods purchase cost and customs and duties. Inventories are recorded at the lower of cost and market where cost is determined by Average Cost method. Market value is net realizable value.

**h) Financial instrument**

Under Section 3855 Financial Instruments – recognition and Measurement, financial instruments must be classified in one of these five categories: i) held- for –trading; ii) loans and receivables; iii) held- to maturity; iv)available for sale; or v) other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value will depend on their initial classification, as follows: held – for – trading financial assets are measured at fair value and

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**Notes to the Consolidated Financial Statement**  
**For the three and nine months ended September 30, 2007 and 2008**  
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changes in fair value are recognized in net income; available- for – sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

The Company has designated its cash and cash equivalents as held-for-trading which are measured at fair value with changes recorded in the consolidated statement of earnings and deficit as interest income.

Accounts receivable and loan receivable are classified as loans and receivables, which are measured at amortized cost and consistent to the Company's accounting policy prior to the adoption of Section 3855.

**Note 3 Loan receivable**

The Company provided financing of \$304,785 to I-Mobile, a mobile handset retail company in China for their inventory financing on July 6, 2008. I-Mobile made loan repayments of \$190,678 during the Q3 2008 and the Company realized \$7,234 of interest income from the investment. I-Mobile pays 1% of the sale price to the Company every time they make a handset sale using the fund provided by the Company. The repayment of the loan is also made when the handset sale occurs for the amount the same as their cost of goods sold. The contract for the deal guarantees 18% of annual return which can be also greater than 18% depends on the I-Mobile's inventory turnover.

**Note 4 Capital Assets**

	Cost	Accumulated Amortization	Net Book Value
Computer Hardware	\$234,173	\$78,136	\$156,036
Computer Software	259,225	53,330	205,895
Fixtures	47,503	16,195	31,308
Leasehold Improvement	23,956	7,985	15,971
Total	\$564,857	\$155,647	\$409,210

The Computer Hardware and Computer Software categories include \$164,042 of hardware and \$134,216 of software respectively that was purchased for use within the Hutchison Telecommunication network in Macau. The entire \$298,258 capital asset for this 3G Gaming Video Platform has not been amortized since the company has not started generating revenue from this project.

The Company recognized \$23,956 of leasehold improvement cost during the relocation of the head office and amortized \$7,985 up to Q3 2008. This leasehold improvement cost will be amortized over 2 years which is the length of the operating lease.

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Consolidated Financial Statement**  
**For the three and nine months ended September 30, 2007 and 2008**  
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**Note 5 Deferred Development Cost and Other Assets**

Deferred cost refers to software development cost and patent application cost which relates to the development. Software development cost consists of labour cost of personnel directly engaged in research and development activities and a reasonable allocation of overhead. The company began amortizing Bet Exchange development cost in 2007 based on the expected life of the software estimated at three years.

Capitalized software is evaluated periodically for impairment by comparing the capitalized cost of a computer software product to the net realizable value of that product.

	Casino Suite	Bet Exchange	Total
Balance, Dec 31, 2007	\$1,107,705	\$31,213	\$1,138,918
Amortization in 2008	-	(11,705)	(11,705)
	1,107,705	19,508	1,127,213
Patent Application Cost in 2006	501	-	501
Total deferred cost, Sep 30, 2008	\$1,108,206	\$19,508	\$1,127,714

The company registered a trademark of its logo in Hong Kong, China, US and Canada. Total cost of this registration is \$16,464.

**Note 6 Revenue and Cost of Goods Sold**

The revenue in Q3 2008 consists of \$12,781 from service and software fees, \$259,566 from the re-sale of handsets. The cost of goods sold amount of \$255,919 was incurred during the trading of the handsets resulting in \$16,431 of gross profit.

**Note 7 Salaries and Benefits**

The Company recognized salaries and benefits expenses of \$215,085 and \$736,116 for the three and nine months ended September 30, 2008 compared to \$106,112 and \$295,460 for the same periods of 2007. Salary amount of \$231,299 (for the three months ended September 30, 2007) and \$688,909 (for the nine months ended September 30, 2007) were capitalized as development costs which otherwise would have increased salaries and benefits to \$337,411 and \$984,369 for the same periods of 2007. The decrease in salaries and benefit expenditure in 2008 compared to 2007 is due to the measures undertaken by the Company to reduce operating expenses.

**Note 8 Other Incomes and Losses**

Other incomes and losses for the three months ended September 30, 2008 consist of \$26,190 interest income.

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Consolidated Financial Statement**  
**For the three and nine months ended September 30, 2007 and 2008**  
**(Unaudited)**  
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other incomes and losses for the nine months ended September 30, 2008 consist of \$85,845 interest income, \$95,901 rental income and \$19,875 loss from the sale of capital assets.

The Company signed a contract to sublease its previous premises for the period of March 1, 2008 to June 29, 2011. The Company will recognize an accretive amount of \$21,904 rental revenue during each year of the subleasing.

**Note 9 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 the 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 10 Share Capital and Contributed Surplus**

	Number of Shares	Share Capital	Contributed Surplus
Balance, December 31, 2007	25,205,112	\$5,088,335	\$3,191,817
Fair value of options granted in 2007			17,771
Fair value of new options granted in 2008			161,198
Fair value adjustment due to stock option re-price			11,502
Employee options exercised	97,500	99,925	(70,675)
Balance, September 30, 2008	25,302,612	\$5,188,260	\$3,311,613

- (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.

**FIRESWIRL TECHNOLOGIES INC.****Notes to the Consolidated Financial Statement****For the three and nine months ended September 30, 2007 and 2008****(Unaudited)****(Expressed in Canadian dollars)**

- (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
- (d) Shares held in escrow or subject to statutory resale restrictions:
- (i) 1,120,000 common shares issued during the period ended August 31, 2005 are held in escrow pursuant to the requirements of the Exchange to be released as to 10% thereof on the completion of the Corporation's qualifying transaction and as to 15% thereof on each of the 6<sup>th</sup>, 12<sup>th</sup>, 18<sup>th</sup>, 24<sup>th</sup>, 30<sup>th</sup> and 36<sup>th</sup> months following the initial release.
- (ii) 12,800,000 shares issued by the Corporation on May 1, 2006 pursuant to the Acquisition, including the Finder's Fee Shares are held in escrow and released as to 10% thereof on the completion of the Corporation's qualifying transaction and as to 15% thereof on each of the 6<sup>th</sup>, 12<sup>th</sup>, 18<sup>th</sup>, 24<sup>th</sup>, 30<sup>th</sup> and 36<sup>th</sup> months following the initial release.

**Stock option plan**

The Company maintains stock option plan which enables granting of options to directors, officers and employees of the Company. 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.

	<b>Number</b>	<b>Weighted average exercise price</b>
Outstanding , December 31, 2007	1,296,000	\$0.76
Granted in 2008	840,000	0.30
Forfeited in 2008	(653,500)	0.74
Exercised in 2008	(97,500)	0.30

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Consolidated Financial Statement**  
**For the three and nine months ended September 30, 2007 and 2008**  
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**Warrants**

The Company issued compensation warrants and subscriber warrants pursuant to the term of non brokered private placement in 2006 and 2007. The warrants are exercisable over two years.

As at May 20, 2008, \$.80 of 291,098 compensation warrants, \$1.10 of 193,790 compensation warrants and \$1.10 of 1,545,000 subscriber warrants expired. Subsequent to May 20, 2008, the company had 2,250,000 outstanding warrants that will expire on February 22, 2009, at an exercise price of \$1.25. There were no warrants issued or exercised during the quarter.

Exercise Price (\$)	Warrants Outstanding		Warrants Exercisable	
	Number	Weighted average remaining life (Years)	Number	Weighted average remaining life(Years)
1.25	2,250,000	0.40	2,250,000	0.40

**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	2.78 - 3.85%
Dividend yield	-
Volatility	80% - 125%
Expected life	1 year to 5 years

The weighted average fair value of outstanding options and warrants is \$ 0.97.

**Note 11 Related Party Transactions**

The Company had the following transactions with management, directors and shareholders:

	Three months ended		Nine months ended	
	Sep 30 2008	Sep 30 2007	Sep 30 2008	Sep 30 2007
Expenses:				
- Salaries and severance	\$81,600	\$ 67,500	\$293,100	\$178,615
- Professional fees	-	-	-	32,500
- Director fees	3,000	-	9,000	-
	84,600	67,500	302,100	211,115
Other item:				
Software development costs	\$ -	\$ 40,500	\$ -	\$151,616

**FIRESWIRL TECHNOLOGIES INC.****Notes to the Consolidated Financial Statement****For the three and nine months ended September 30, 2007 and 2008****(Unaudited)****(Expressed in Canadian dollars)**

All the above transactions occurred in the normal course of operations and were measured at the exchange amount of consideration established and agreed to by the related parties. These transactions were recorded at market value. During the nine months ended September 30, 2008, the Company paid \$293,100 in salaries and severance payment to its management and \$9,000 administrative fees to the directors of the Company.

No salary expenditures were capitalized as software development cost in 2008 since the projects were in implementation stage or had already started generating revenue.

**Note 12 Segmented Information**

The source of the Company's revenue was service and software fees from the United Kingdom in 2007, Q1 2008 and Q2 2008. In addition to the revenue from the United Kingdom, the company recorded \$259,566 from trading of handsets in China in Q3 2008 (gross margin \$3,650) and \$7,122 from consulting service in Canada.

*Revenue by region*

	Three months ended		Nine months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
United Kingdom	\$ 5,659 (2%)	\$ 6,084(100%)	\$ 18,338 (6%)	\$34,498(100%)
China	259,566 (95%)		259,566 (91%)	
Canada	7,122 (3%)		7,122 (3%)	
	\$272,347 (100%)	\$ 6,084(100%)	\$285,026 (100%)	\$34,498(100%)

*Revenue mix*

	Three months ended		Nine months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
Service & software	\$ 12,781 (5%)	\$ 6,084(100%)	\$ 25,460 (9%)	\$34,498(100%)
Handset trading	259,566 (95%)		259,566 (91%)	
	\$272,347 (100%)	\$ 6,084(100%)	\$285,026 (100%)	\$34,498(100%)

The Company's capital assets are allocated to geographic segments as follows:

	Sep 30, 2008		Sep 30, 2007	
Macau	\$298,258 (76%)	-	-	-
Canada	\$86,405 (22%)	\$102,999 (100%)		
China	\$8,576 (2%)	-	-	-
	\$393,239 (100%)	\$ 102,999 (100%)		

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Consolidated Financial Statement**  
**For the three and nine months ended September 30, 2007 and 2008**  
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**Note 13 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 performed on new customers.

**Foreign currency risk**

The majority of the Company's operations are carried out in Canadian funds but the Company has subsidiaries in foreign countries that pay expenditures in their own currencies. Also, 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 include amounts denominated in foreign currencies:

	Sep 30, 2008	Sep 30, 2007
US dollars:		
- Cash and cash equivalents	US\$30,087	US\$445,722
- Accounts payable and accrued liabilities	US\$34,020	
HK dollars:		
- Cash and cash equivalents	HK\$646,888	
- Accounts payable	HK\$672,000	-
China Yuan Renminbi		
- Cash and cash equivalents	¥2,180,811	-
- Amounts receivable	¥1,168,421	
United Kingdom Pounds		
- Accounts receivable	£3,000	£3,000

Within the amounts listed above, \$52,622 (HK\$385,720) and \$337,535 (RMB ¥2,180,811) are held in the Company's wholly owned foreign enterprise (WOFE) Fireswirl Technologies (Shenzhen) 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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**Notes to the Consolidated Financial Statement**  
**For the three and nine months ended September 30, 2007 and 2008**  
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**Note 14 Commitments**

- (a) The Company has entered into a new lease agreement from February 1, 2008 to January 31, 2009 in which the new operating lease obligation is \$32,775 per year.
- (b) The future annual minimum payment under the operating lease of the Company's previous location is \$61,848. The Company has sub-leased its previous location under an arrangement which expires on June 30, 2011. This generates rental profit of \$21,904 during each year of the subleasing.

**Note 15 Subsequent Events**

**Fine Support – Mobile Phone User Interfaces**

November 17, 2008 the Company announced its wholly owned subsidiary Fireswirl Technologies (Shenzhen) Co. Ltd. ("FTSCL") had entered into a letter of intent with JCs China Co. Ltd. ("JCs") and Fine Support Co. Ltd. ("Fine Support"). The LOI requires the parties to the agreement to enter into a definitive agreement by January 19, 2009 whereby FTSCL would be granted exclusive rights for exploitation of the content and technology of Fine Support (through JCs) for the telecommunication industry of Greater China consisting of China, Taiwan, Hong Kong, and Macau. The definitive agreement will among other things include responsibilities, expense allocation, and revenue sharing of which the Company will provide details upon finalization. There is no guarantee that a definitive agreement will be reached or extended by January 19, 2009 between the parties to this agreement.

Fine Support is a leader in the Japanese changeable mobile phone User Interface (UI) market which allows users to personalize their mobile phones from a stock of approximately 3,000 UI themes base on popular Asian animation characters and Asian artwork. The technology supports wireless carriers to "push" new user interfaces to their customer's mobile phone. There has been 24 million downloads of changeable mobile phone UI in Japan since its inception and the market is estimated to be worth over US\$100 million in Japan in 2008, according to the Mobile Content Forum of Japan. Fine Support indicates that over 40% of UI content providers in Japan are presently utilizing Fine Support's UI technique and content.

**Tysen Investment – Pushmail**

November 26, 2008 the Company announces its wholly owned subsidiary Fireswirl Technologies (Shenzhen) Co. Ltd. ("FTSCL") had acquired 21% of Beijing Tysen Xieli Technology Co. Ltd ("Tysen") a limited liability company incorporated under the laws of the People's Republic of China. FTSCL total investment in Tysen is 3.5 million RMB (approximately Cdn \$625,000) consisting of 1.4 million RMB (approximately Cdn \$250,000) paid to the existing shareholders (subject to milestones) and 2.1 million RMB (approximately Cdn \$375,000) invested to Tysen for working capital. FTSCL has an option to acquire a further 30% of Tysen within the year 2011 at an amount equal to 5 times the multiple of 30% of the after tax net earnings of Tysen in 2010. Fireswirl's investment in Tysen is governed by a definitive shareholder agreement that allows Fireswirl to appoint the "legal representative" of Tysen, 2 of the 3 person board members, and entitlement to 30% of Tysen's net earnings until December 31, 2009. FTSCL's investment in Tysen required foreign ownership approvals from the Peoples Republic of China which has been obtained.

Tysen is an integrator of a push e-mail ("pushmail") and mobile messaging software that has entered into a collaboration agreement with China Unicom Shanghai. (the provincial branch of

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Consolidated Financial Statement**  
**For the three and nine months ended September 30, 2007 and 2008**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

China Unicom, <http://www.chinaunicom.com.hk>) China Unicom Shanghai officially launched the service on October 21, 2008 at Expo Comm China 2008 Beijing. The pilot "Pushmail" service has commenced in Shanghai.