



Unaudited Q1 - 2016

Consolidated Interim Financial Statements &
“MD&A” for three months ending March 31st 2016.

July 08th 2016

To Whom It May Concern:

We the undersigned do certify that we have reviewed the attached Consolidated Interim Financial Statements & “MD&A” for the three months ending March 31st 2016. We certify that the information is complete and presented fairly in all material respects to the best of our knowledge.

Sincerely,

Massimo Barone

CEO of SmartCard Marketing Systems Inc. (SMKG:OTC)
1 844 THE PAYMENT www.smartcardmarketingsystems.com



Smart Card Marketing Systems

Consolidated Interim FS for three months ending March 31st 2016

SmartCard Marketing Systems Inc. (OTC: SMKG)

1st Quarter 2016 Management Discussion & Analysis

About SmartCard Marketing Systems Inc. (OTC:SMKG)

SmartCard Marketing Systems Inc. (OTC: SMKG) develops payment & incentive solutions for Banks, Telecom & Global Enterprise Acquirers with merchant portfolios servicing Retail & Enterprise. The company specializes in payment terminal solutions including Web & Mobile for EMV POS / MPOS, Ecommerce card vaulting & tokenization, Check21 for Remote Deposit Capture & contactless E-wallet applications. The company's solutions provide applications for card acquirers, processors & issuers which minimizes capex & interoperability between vendors improving scalability as intelligent business processes.

Since the beginning of 2015 the company has focused on two distinct channels of business; the first to be completed development and commercialization of its three core platforms for the payment and incentive industry Check21SAAS.com, VelocityMwallet.com & Genorocity.com. The second line of business strategic partnerships to develop an EMV Remote Host for Bank, Credit Union & Telecom Acquirers of Card brands (Credit & Debit) as an acceptance point for emulating transactions, processing & settlement.

In 2015 management continued to develop its payment infrastructure and worked with key clients to commercialize its solutions strengthening its position in the financial services segment. We are transforming the company from a direct merchant services provider to enabling a channel of portfolio merchants for Banks & Telecoms. This transition allows SmartCard to position itself as a technology host & support provider capturing large pools of customers.

The 1st significant partnership entered into with Contact Innovation in North America for 2014 and early 2015 technology for the Check21 Act and Remote Deposit Capture (RDC) was commercially deployed in late May of 2015 with the first joint client ICICI Bank of India (its Canadian subsidiary). The platform solution as a cloud based host was branded www.check21saas.com and now the success of our deployment is allowing us to market to customers internationally.





Management also has secured partnership agreements with CT-Payments Inc. (Canada) to deploy a cloud based EMV Host solution for Payment Acquirers allowing for EMV POS Wireless & MPOS Payment including broadening of services to include Ecommerce Cart Processing for Card Vaulting & Tokenization of recurring transactions. The solution schematic designed as a host by SmartCard includes a Data-Center hub in the local Country for deployment & enabling a suite of functions including a remote EMV Switch, HSM & Remote Key Injection service as a SAAS offering removing large CAPEX for transactional revenue share. To further expand our expertise offering management secured exclusivity for North America with Vie Way ltd of China a DCC (dynamic currency conversion) technology for acquirers/ processors allowing to intercept the currency exchange mitigated rate for foreign cards when presented- this offering is a powerful revenue offering for large retail merchants and enterprise that deal in travel & entertainment. We are expanding this solution building a global network of payment processors to offer a unique single point of access for Enterprise with an agnostic solution that requires minimal management.

Also in late June of 2015 the company entered into formal discussions to acquire a supplier CT Payment Inc. Canada's largest independent processor & acquirer of EMV & Ecommerce payment solutions.



Emerging Trends and Opportunities in the Payment Processing Industry

The payment processing industry will continue to adopt new technologies, develop new products and services, evolve new business models and experience new market entrants and changes in the regulatory environment. In the near-term, as merchants and financial institutions seek services that help them enhance their own offerings to consumers, including acceptance and issuance of Europay-MasterCard-Visa (EMV) chip-based cards, other security and fraud management services, information services, and support for Omni-commerce environments, we believe that payment processors may seek to develop additional capabilities and expand across the payment processing value chain to meet these demands and capture additional data and provide additional value per transaction. To facilitate this expansion and deliver more robust service offerings, we believe that payment processors will need to develop greater control over and integration of their technology platforms, to enable them to deliver and differentiate their offerings from other providers.





Common Share Capitalization

As of March 31st 2016 the Company's Outstanding shares was 300,000,000 (Three Hundred Million) a par value of \$0.0001 and currently has 210,857,143 (two hundred Ten million, aeight hundred fifty seven thousand & one hundred forty three) shares authorized as of March 31st 2016. As of today no warrants, options or rights have been issued to any parties. As of March 31st 2016 the founders & management have not yet converted partial or in full their deferred salaries, advances or invested capital for operations. **note:** The company's registered transfer agent is Manhattan TransferCo of New York.

Director's & Officers

As of March 31st 2016 the officers and directors of the company are as described below

Massimo Barone	Director	Founder, CEO & Chair
Paolo Continelli	Director	Founder, President Operations Canada
Michele Tasillo	Manager of Finance	Consultant
Steve Gaynor	Attorney & Investment Banker	Advisory to the BOD

Funding & Deferred Expenses

Management continues to advance funds to the operations and defers their salaries and registered on a deferred basis. The directors have resolved to defer salaries until capital funding has been completed.

Competitive Advantage & Risk

SmartCard Marketing Systems Inc. is positioned with its industry partners and clients as a Payment Technology company offering innovative and scalable solutions for Retail & Enterprise merchants. The company's management is of the opinion that its proprietary platforms VelocityMWallet.com, Check21SAAS.com & Genorocity.com continue to be a unique proposition for retail & enterprise management companies.

Also equally important is the company's EMV & Ecommerce payment solutions for Banks & Telecom acquirers with its partnership through CT Payments Inc & newly formed subsidiary in Asia are significantly positioning the company globally as a leader in deployment of Payment Infrastructure for major card networks of both credit & debit.

The ongoing risk of limited capital is a factor getting to market in order to win sufficient market space. The company continues to maximize its human resources to exploit is services to expand on partnerships targeting larger enterprise & retail clients for deployment which can easily reduce the exposure to risk & limit capital required to market the company's products and services.



Development of Software

The company continues to use two outsourcing companies in India to develop its modules and perform technical support with its customers. The engagement with customers continues at a moderate pace with best of business practices SLA. Furthermore to date and with this method allows us to allocate necessary resources in a timely manner and manage projects resourcefully at all times of the day respectfully adhering to client schedules globally in all time-zones.

Financing & Investment.

In late June 2015 the company entered into an acquisition with CT-Payments Inc. The company and its officers engaged JCF Capital Advisors of La Jolla California to lead an offering to VC & PE groups for a sum of \$10m USD. This agreement was terminated and the company moved forward with new Debt Lender Adviseco & Investment Bank Wellington Shields a New York Stock Exchange member. Also engaged and referred by Wellington & Shields the Investment Banker Mr. Gene Leventis also of New York.

The company has been through several extension of the LOI throughout the year and to-date. The complexity of CT's current series of shares & debentures created challenges in the investment round but several solutions were facilitated to move forward with the proposed transaction.

Additionally, the company entered into an agreement with Capservegroup Inc. of San Diego California to underwrite its 506c Regulation D offering to retail markets for a \$5m USD offering. The offering once completed and registered with FINRA will be marketed through Equityround.com. The company terminated both agreements with EquityRound.com & JCF Capital Inc to work with existing new relationships structured for the capital raise.

Update of Financing Activity for 2016

About Rule 506 of Regulation D

[Rule 506](#) of [Regulation D](#) is considered a "safe harbor" for the private offering exemption of [Section 4\(a\)\(2\) of the Securities Act](#). Companies relying on the Rule 506 exemption can raise an unlimited amount of money. There are actually two distinct exemptions that fall under Rule 506.

The investors in the offering are all accredited investors; and The company has taken reasonable steps to verify that its investors are accredited investors, which could include reviewing documentation, such as W-2s, tax returns, bank and brokerage statements, credit reports and the like.

Purchasers of securities offered pursuant to Rule 506 receive "[restricted securities](#)", meaning that the securities cannot be sold for at least a year without registering them.



Companies relying on the Rule 506 exemption do not have to register their offering of securities with the SEC, but they must file what is known as a "[Form D](#)" electronically with the SEC after they first sell their securities. Form D is a brief notice that includes the names and addresses of the company's promoters, executive officers and directors, and some details about the offering, but contains little other information about the company. If you are thinking about investing in a Regulation D offering, you should obtain a copy of the company's Form D available from the [EDGAR database](#).

Legal

The company has 2 operating subsidiaries; first is its US subsidiary of operations VelocityMWallet Technology LLC having its registered offices at 19c Trolley Square, Wilmington De 19806. The 2nd subsidiary is in Kowloon, Hong Kong which manages operations in Asia by its President Ronald Chua. - a shared office at 19 Austin Rd – nearby the popular shopping district of Nathan Rd and Miramar Mall. All entities have a Dec 31st financial reporting year end and consolidate statements using IFRS reporting rules.

During the course of 2012 SmartCard was sued by a client and partner, UMS Inc. of Ontario. SmartCard and UMS Inc. were part of a 3-way partnership with and including Direct Card Convenience Card Inc. of Alberta. The innovation technology brought together via SmartCard and its Directors creating a Bill Payment technology through CCIN institutional service unparalleled to any offerings to date. The unfortunate capacity of the company at the time not being able to pay legal fees in multiple jurisdictions resulted in a judgement in court and amounts owed to UMS Inc. of \$ 870,000.00 Canadian dollars plus legal fees. The company has engaged legal and taken legal action against Direct Card Convenience Card Inc. of Alberta for equal to the amount of the judgement and damages but may take an estimated 1 to 2 years prior receiving a court date and if the company Direct Card continues to operate or exist. As of today the Lawsuit the amount payable remaining is \$250,000.00 Canadian dollars (this amount is currently being settled which will clear the remaining balance). During the course of 2014-15 UMS was paid in a 3 party settlement for \$1m Canadian of which \$750K Canadian Dollars was paid. The amount payable of the \$1m Canadian was settled by a three-way party agreement of which Mr. Barone & Mr. Continelli through their holding company paid up sum capital by capital stock of their holdings (note: not SMKG common stock) in favor of a cash settlement to UMS.



Management Executive Summary 1st Quarter 2016

The company in the past year has worked aggressively to pursue significant growth & implementation of its EMV Host solutions with CT Payments Inc – Canada's largest independent processor & Interac acquirer. The combined efforts of both companies has materialized into significant partnerships with POS Manufacturers to support the EMV Host solution.

In addition the company continues to further expand its portfolio always targeting financial institutions & telecom's providing both with EMV payment technology to exploit their retail & enterprise merchant portfolio's.

In the 1st quarter of 2016 the company materialized key agreements to provide processing & connectivity services to Merchant First Inc of Atlanta, Accept Express of India, M-Snap of India a P2P platform & has been successful in rolling out corporate clients for ICICI Bank of India in Canada. Also significant has been the continued development with CT Payments Inc expansion into Asia with Aeon Bank, OmniPay & VeritasPay of the Philippines. The company continues to expand its services and with CT has signed Global Payments of Asia opening acquiring services allowing us to further expand merchant services in the region.

Furthermore management has expanded its consulting services by offering management consultation to payment industry companies with intent of launching Prepaid card solutions with their Mobile Wallets. We have secured two clients for which we have developed a strategy for cross-border transfers & retail contactless transactions.

We continue to look forward to working with both IB's Wellington & Shields & Mr. Gene Leventis to pursue acquisitions in the payment sector that compliment our growth strategy. The financial backing of Wellington & Shields is a firm commitment to our prospects that we can close the financial requirements & capture market share.

Management /SMKG :OTC

March 31st 2016

**SMARTCARD MARKETING SYSTEMS INC.****Balance Sheet****As at March 31 2016 and December 31, 2015**

	Mar-31	Dec-31
	2016	2015
ASSETS		
Current Assets		
Cash	\$ 1,982	\$ -
Security deposit	-	-
Accounts Receivable	40,000	40,000
Total current assets	41,982	40,000
Long Term Assets		
Intangible assets- Software technology	1	1
Property and equipment	870	1,074
	871	1,075
Total Assets	42,853	41,075
Liabilities and Shareholders' deficiency		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,394,349	\$ 1,231,305
Loans payable	\$ 1,358,313	1,331,941
Deposit on Sales	-	-
	2,752,662	2,563,246
Shareholders' Deficiency		
Capital Stock	181,177	131,177
Additional paid up Capital	1,163,185	1,163,185
Deficit	(4,054,171)	(3,816,533)
Total Shareholders' Deficiency	(2,709,809)	(2,522,171)
Total Liabilities & Shareholders' Deficiency	\$ 42,853	\$ 41,075

UNAUDITED*Approved on behalf of the board :*

Director:

Director :

**SMARTCARD MARKETING SYSTEMS INC.****Statement of operations and Comprehensive Loss****For the three months ended March 31, 2016 and year ended December 31, 2015**

	-	3 Months Ended Mar-31 2016	Year ended Dec-31 2015
Revenue			
Revenue	\$	7,809	\$ 93,310
Expenses			
Contract Labour		125,600	402,250
Consulting		78,450	128,800
Bank service fees		321	1,844
Filing fees		-	14,129
Computer expenses		9,136	25,744
Software development		2,164	51,425
Professional expense		-	14,109
Travel /Meals/Entertainment		23,145	69,016
Depreciation expense		204	804
Rent and Office expenses		6,427	21,210
Total Expenses	-	245,447	729,330
Net loss and comprehensive loss		(237,638)	(636,020)
Loss per share, basic and diluted		(0.00117)	(0.00313)
Weighted avg # of common shares outstanding		210,857,143	208,000,000

UNAUDITED

**SMARTCARD MARKETING SYSTEMS INC.****Statement of Cashflows****For the three months ended March 31 , 2016 and year ended December 31, 2015**

	3 Months Ended Mar-31	Year ended Dec-31
	2016	2015
Operating activities		
Net Loss for the period	\$ (237,638)	\$ (636,020)
Adjustment for Items not involving cash:		
Amortization	204	804
Changes in non-cash working capital items:		
Increase(Decrease) in accounts payable and accrued liabilities	163,044	(553,335)
Decrease in deposits on Sales	-	-
(Increase) Decrease in accounts receivable	-	(19,464)
Increase in Loans receivable	26,372	1,207,856
Decrease in security deposit	-	-
Cash flow from operating activities	(48,018)	(159)
Issued share capital	50,000	-
Cash flow from financing activities	50,000	-
Net (decrease) increase in cash	1,982	(159)
Cash - beginning of period	-	159
Cash - end of period	\$ 1,982	\$ -

UNAUDITED



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July 08th 2016

To Whom It May Concern:

We the undersigned do certify that we have reviewed the attached Unaudited Consolidated Interim Financial Statements for the three months ending March 31st, 2016 and year ending December 31st 2015 & MD&A statements and notations. We also certify that the information is complete and presented fairly in all material respects to the best of our knowledge.

Sincerely,



Massimo Barone
Chairman & CEO



Paul Continelli
President Canadian Operations & Treasurer