



SMARTReader

A Newsletter for the Shareholders of QI Systems Inc.

March 2007

A Message from the CEO:



As QI Systems moves deeper into the 2007 Fiscal Year, senior management is very optimistic about the prospects for strong positive growth and increasing revenue during the coming year. This belief is based in part on sales forecasts projecting that QI will experience a dramatic increase in gross sales during the next 12 to 24 months. Revenue growth is being stimulated by our launch, for the first time in the QI's history, of a new aggressive, professionally managed sales campaign designed to target several fast-growing, profitable markets. Based on the high interest in, and early acceptance of, our new QiWave™ contactless product line that was introduced in July of 2006, our re-positioning into the contactless card market is anticipated to produce record sales revenue in 2007 and beyond.

QI Signs New Partnerships:

QI Systems recently announced several major new partnerships or sales alliances with key companies that are having a very positive impact on our sales prospects. While more partnerships should be coming online in the not too distant future, the following alliances are already in place:

HID Global: HID's vast experience in developing card technologies, combined with a massive worldwide installed base of users, makes the company a powerful ally for QI Systems. The highly successful HID *iCLASS* memory card has become the technology of choice for many application providers. QI has been named an HID Global Development Partner. As a result, HID is an influential referral source for our new QiWave™ products.

AccessID: AccessID specializes in using the advanced technologies of HID to provide custom, secure card solutions for the electronic identification market for corporate, education, financial, government, healthcare and airports applications. QI is working with AccessID to offer a one-card contactless cashless payment solution for its target markets.

SmartCentric Technologies: Ireland's SmartCentric has created a one card solution for campus card management that is now being aggressively marketed in the United States. SmartCentric's SmartCity® system, installed in over 90 sites worldwide with over 5 million cards issued, provides university clients with the widest range of applications utilizing both contact and contactless technologies. QI has developed hybrid contact/contactless payment devices specifically for SmartCentric Technologies that will soon be deployed in the US marketplace.

NuVision Network:

QI recently partnered with NuVision to offer colleges and universities a contactless unattended point of sale option. Since its founding in 1984, NuVision has become a leading provider of encrypted transaction processing systems and presently list approximately 500 institutions of higher learning in its client base. QI anticipates providing NuVision's customers with the QiWave™ cashless contactless payment solution.

ParkSmart: ParkSmart's Smart City memory card platform provides innovative products and services for parking, laundry, access control, vending, transit and retail loyalty with an installed base of more than 250,000 systems in Canada. ParkSmart's one card product offerings include Cale' parking equipment. Cale continues to be an important and valued customer of QI Systems.

QI Systems Appoints Company's First CTO:

We are pleased to announce that QI Systems has appointed industry veteran Mr. Donny Lee to the newly created position of Chief Technology Officer. In this role, Mr. Lee will supervise and direct all of QI Systems' research, technical development and engineering efforts.

Until his retirement earlier this year, Donny Lee served as Chairman and CEO of Applied Wireless Identification Group, Inc., a company that he founded. AWI is a leading supplier of RFID Systems for access control and asset systems using reader and tag systems. The company was selected a Rising Star by Doloitte & Touché in 2003 and was named to the High Technology Fast 500 in 2005.

Previous to AWI, Mr. Lee served as Vice President of the Electronic Systems Division of Aeroflex Laboratories and Vice President of Engineering of Comstron Corporation.

QI Launches Product Line:

In July 2006 QI Systems introduced its first major new product line in several years with the launch of the



QiWave™ Contactless Smart Card Payment System. QiWave™ is a cashless payment system which can be used in vending, parking, laundry, and a wide variety of other unattended point-of-sale applications. This innovative system works in both on-line and off-line modes and can be programmed to support multiple devices at the same time. QiWave™ has been featured in several industry publications and is highlighted on the HID Partners web site.

Seasoned QI Veteran Promoted:

QI Systems recently announced the promotion of staff engineer Lee Ingraham to the newly created position of Engineering Manager. Mr. Ingraham, working in the Company's Vancouver facility, is a seasoned smart card industry veteran that has been with the Company for over 10 years. Lee will take the lead engineering role on several key projects and coordinate the daily activities of QI's recently expanded engineering staff.

QI Applies for US Trade Mark:

QI Systems Inc. has applied to the United States Patent and Trademark Office for a name and logo trademark for the new QiWave™ brand and recently begun incorporating the symbol into all of the Company's official Company publications and communications. The QiWave™ moniker was created by QI's Vancouver-based Systems Specialist, Andrew Ludgate.



2008 Growth Prospects Excellent:

During fiscal year 2007, the Company began concentrating sales and marketing efforts on a variety of cashless and contactless unattended point-of-sale applications. Industry indicators show high public acceptance for this technology and QI Systems is well positioned to capitalize on the growing demand.

Rapidly expanding card use in the parking industry continues to create an excellent market for QI Systems. We project record sales in this segment during 2007 and expect to see a significant increase in orders from key clients like Cale Systems as they install their recent municipal contracts in the cities of Baltimore, MD, Oakland, CA and Manchester, NH.

In addition to parking; demand for vending, laundry, patron management and campus administration applications also are experiencing dramatic demand increases. The Company's QiWave™ products are attracting significant attention in these segments and it is expected that unit sales will significantly increase in 2008.

QI Completes Domicile Change:

On July 1, 2006 QI Systems completed its change in domicile from British Columbia, Canada to the State of Delaware and is now recognized by the SEC as a fully reporting US registered corporation. The Company, headquartered in a new office facility in Colleyville, Texas (a Dallas area suburb near the Dallas / Ft. Worth International Airport) plans to maintain its present Vancouver, BC plant as the primary engineering and testing location while expanding production to include off-shore manufacturing alliances.

QI Has Aggressive Convention Schedule:

As part of our new aggressive North American marketing program, QI Systems has been attending an ambitious number of technical exhibits and displaying products at high profile national conventions and symposiums. Recently company representatives have attended the following meetings:

May, 2006: Las Vegas, NV

- **International Parking Conference & Exposition**

May, 2006: San Francisco, CA

- **Card Tech-Secure Tech**

July, 2006: Honolulu, HI

- **Campus of the Future**

Sept, 2006: San Diego, CA

- **ASIS International**

Sept, 2006: Edmonton, AB, CN

- **Canadian Parking Association**

Sept, 2006: San Diego, CA

- **NACAS Congress**

Sept, 2006: San Diego, CA

- **HID Partners Conference**

Oct, 2006: Orlando, FL

- **NAMA International**



The Company expects to increase its trade show exposure during the calendar 2007 exhibition season, to include hosting a QiWave™ booth at the 2007 Clean Show (the laundry industry's primary international show) at the Las Vegas Convention Center in June 2007.

Get Connected:

Keep informed about the latest QI news by visiting the Company's new web sites at:

www.qisystemsinc.com
www.qicontactless.com

QI CONTACTLESS SECURITY:

Our new contactless QiWave™ product is encrypted and the card must be in extremely close proximity to the reader during the transaction which makes the closed system difficult to compromise. For the highest security applications several different types of safeguards can be employed to further protect the system. Additionally, in our system, no personal data is resident on the card making them less of a theft target.

Q2 Financials Available On-line:

The Company's Q2 2007 Financial Report is now available online for review.

QI Systems provides custom and off-the-shelf, plug and play contact and contactless payment solutions for many industries and a wide variety of applications

2007-2008 Estimated Revenue by Market Segment:

Parking:

QI's presence in the on-street parking market will continue to expand during the next twenty-four months driven by the growing success of Cale Parking Systems and ParkSmart in North America. It is anticipated that Cale alone will increase their orders to the point that our 2007 revenue from Cale sales will exceed QI Systems' entire 2006 revenue.

Laundry:

QI's new QiWave™ contactless reader is receiving high praise in this market segment and is poised to create a significant revenue stream that will consistently add to the company revenue growth during the next two years. QI is presently working with several of the largest companies in the industry with an eye on finalizing long term relationships and substantial multi-phase orders in the next few months.

Campus Management:

QI's partnerships with companies such as AccessID, SmartCentric and NuVision should position our company as a front-runner in this market during the short term.

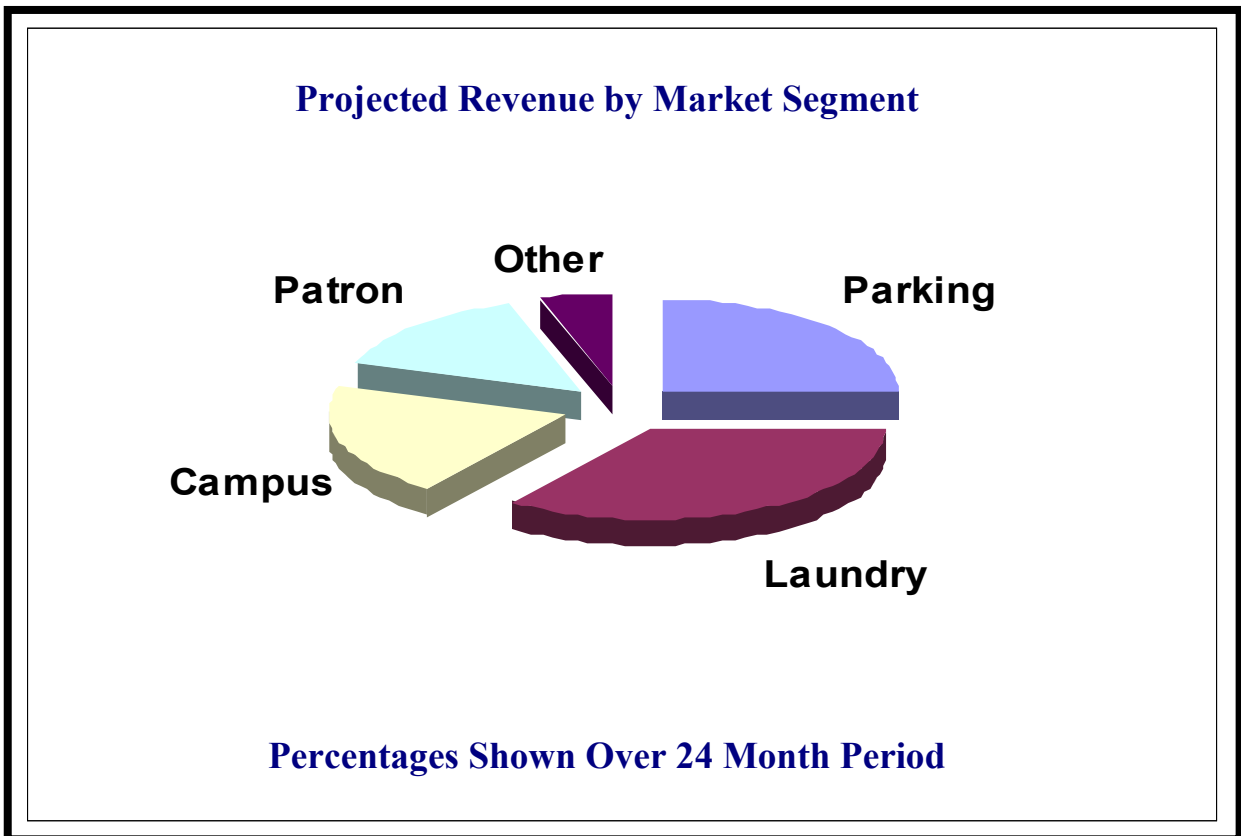
SmartCentric is aggressively attacking the US market after having success in Europe and has built their unattended point of sale platform around QI products. As university management looks to remove cash from their system and consolidate functions onto one card, sales of QI's contactless products should take-off.

Patron Management:

QI Systems has supplied card solutions to the Patron Management industry (amusement and theme parks, entertainment venues and arcades) for years but on a very small scale. The company now has contactless products that are of great interest to the industry. We anticipate increased revenue in this segment.

Other:

QI will continue to sell a wide variety of card solutions in both the contact and contactless format. The sales of off-the-shelf products such as our water distribution payment and newspaper vending systems will be supplemented by the sales of custom design solutions provided to a wide variety of clientele.



Projections are shown as estimates to illustrate the company's anticipated growth only and as such are subject to change without notice and may be impacted by many factors not all of which are within the control of QI Systems Inc. Do not rely on this representation for investment purposes.



QiWave™ Contactless Reader

**For Parking, Vending, Laundry, Copying and
Other Unattended Point of Sale Applications**



Operator Benefits

- **Reduced Cash Handling Cost**
- **Increased Purchases (15-20%)**
- **Reduced Machine Service and Repairs**
- **Cash Float Created in Purse Model**
- **Lower Incremental Operating Cost**
- **Reduced Lost “No Cash” Sales**

End User Benefits

- **Always Have Funds for Purchase**
- **Faster Transaction**
- **Increased Convenience**
- **No Need to Carry Cash or Coins**
- **More Secure Than Mag Stripe Cards**
- **Easy to Revalue for Additional Purchases**

Matters discussed in this newsletter may contain “forward-looking statements,” and can be identified as such because the context of the statement will include words such as “expects,” “anticipates,” or words of similar import. Statements describing the Company’s future plans, objectives or goals are also forward-looking statements, and are subject to certain risks and uncertainties, including the financial performance of the Company and market valuations of its stock, which could cause actual results to differ materially from those currently anticipated. Consider these factors carefully in evaluating any forward-looking statements. Forward-looking statements made herein are only made as of the date of this newsletter and the Company undertakes no obligation to publicly update such forward-looking statements.



QI Systems Inc. • Providing Contact & Contactless Smart Card Solutions

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