U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-QSB

(Mark One)

x **Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended: March 31, 2007**

¨ **Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______ to ______.**

Commission File No: 0-30717

e-SMART TECHNOLOGIES, INC.

(Name of small business in its charter)

Nevada	**88-0409261**
(State or other jurisdiction of incorporation)	**(IRS Employer Id. No.)**

526 West 26th Street, Suite 710, New York, NY 10001

(Address of Principal Office including Zip Code)

Issuer s telephone Number: (212) 727-3790

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date:

Common Stock, $.001 par value, **273,409,285 shares** at March 31, 2007.

Transitional Small Business Disclosure Format (Check one): Yes ¨ No x

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No x

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

FORM 10-QSB - QUARTER ENDED MARCH 31, 2007

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The unaudited condensed consolidated balance sheet of the Registrant at March 31, 2007, the audited balance sheet at December 31, 2006, and the unaudited condensed consolidated statements of operations, shareholders equity (deficiency), and cash flows for the three months ended March 31, 2007 and March 31, 2006 follow. The unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the periods presented.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	[Unaudited] March 31, 2007	*[Audited]* December 31, 2006
Assets		
Current assets -		
Cash	$ 130,423	$ 49,845
Prepaid expenses	9,369	7,558
Total current assets	139,792	57,403
Equipment, net	38,577	41,446
License of smart card technology, net of amortization	91,252	92,860
Officers advances		11,549
Receivable from IVI Smart Technologies, Inc., a related party	106,362	
Lease deposit	78,865	79,713
Total assets	$ 454,848	$ 282,971
Liabilities and Shareholders Equity (Deficiency)		
Current liabilities -		
Current portion of notes payable	$ 509,927	$ 509,927
Accounts payable	1,533,156	1,286,904
Accrued officer s compensation	606,785	544,285
Accrued expenses	120,127	76,660
Total current liabilities	2,769,995	2,417,776
Note Payable long-term	2,647,371	1,946,394
Total liabilities	5,417,366	4,364,170
Shareholders Equity (Deficiency) -		
Preferred Stock, $0.001 par value, 10 million shares authorized; -0- issued and outstanding		
Common shares, $0.001 par, 490 million shares authorized; 273,409,285 and 242,540,441 shares issued and outstanding in 2007 and 2006, respectively	273,409	242,540
Additional paid in capital	72,587,448	70,954,225
Deficit accumulated during development stage	(77,823,375)	(75,277,964)
Total shareholders equity (deficiency)	(4,962,518)	(4,081,199)
Total liabilities and shareholders equity (deficiency)	$ 454,848	$ 282,971

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

[Unaudited]

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	January 1, 2001 (inception of development period) to March 31, 2007
Revenue	$	$	$
Operating expenses:			
Research and development	159,000	152,475	15,309,309
Selling, general and administrative	2,332,786	817,515	62,100,624
Interest expense	52,975	46,008	403,992
Total operating expenses	2,544,761	1,015,998	77,813,925
Loss before provision for taxes	(2,544,761)	(1,015,998)	(77,813,925)
Provision for income taxes	650	1,040	9,450
Net Loss	$ (2,545,411)	$ (1,017,038)	$ (77,823,375)
Net loss per share	$ (0.01)	$ (0.01)	$ (0.44)
Weighted average number of common shares outstanding	265,560,824	200,000,000	175,063,566

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF

SHAREHOLDERS EQUITY (DEFICIENCY)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
[Audited]					
Balance January 1, 2006	200,000,000	$ 200,000	$ 63,777,497	$ (67,507,910)	$ (3,530,413)
Issuance of shares in relation to related party borrowings	20,990,441	20,990	4,150,278		4,171,268
Issuance of shares for services	21,550,000	21,550	3,026,450		3,048,000
Net loss				(7,770,054)	(7,770,054)
Balance, December 31, 2006	242,540,441	242,540	70,954,225	(75,277,964)	(4,081,199)
[Unaudited]					
Balance, January 1, 2007	242,540,441	242,540	70,954,225	(75,277,964)	(4,081,199)
Issuance of shares for services	30,868,844	30,869	1,633,223		1,664,092
Net loss				(2,545,411)	(2,545,411)
Balance, March 31, 2007	273,409,285	$ 273,409	$ 72,587,448	$ (77,823,375)	$ (4,962,518)

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited]

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	January 1, 2001 (inception of (development) period to March 31, 2007
Cash flows from Operating Activities -			
Net loss	$ (2,545,411)	$ (1,017,038)	$ (77,823,375)
Adjustments to reconcile net loss to net cash used in operating activities:			
Issuance of common stock and common stock options for services	1,664,092		60,660,592
Depreciation and amortization	5,502	3,511	82,938
Bad debt expense			312,505
Changes in Assets and Liabilities -			
(Increase) decrease in prepaid expenses	(1,811)	150	(9,369)
Decrease in officers advances	11,549	16,151	
Increase in accounts payable	246,252	156,284	1,533,156
Increase in accrued expenses	105,967	70,637	999,152
Net Cash Used in Operating Activities	(513,860)	(770,305)	(14,244,401)
Cash Flows from Investing Activities -			
Acquisition of equipment	(1,025)	(5,709)	(84,167)
Purchase of technology licenses			(128,600)
Advances to Biosensor, LLC			(312,505)
Advances to IVI Smart Technologies, Inc., a related party	(106,362)		(106,362)
(Addition) reduction of lease deposit	848	(3,711)	(78,865)
Net Cash Used in Investing Activities	(106,539)	(9,420)	(710,499)
Cash Flows from Financing Activities -			
Advances from Intermarket Ventures, Inc., a related party	700,977	750,324	7,664,232
Proceeds from other borrowings, net			47,500
Proceeds from issuances of common stock			7,373,591
Net Cash Provided by Financing Activities	700,977	750,324	15,085,323
Net Increase (decrease) in Cash	80,578	(29,401)	130,423
Cash at Beginning of Period	49,845	164,584	
Cash at End of Period	$ 130,423	$ 135,183	$ 130,423
Supplemental non-cash financing activities -			
Issuance of common stock for services	$ 1,644,092	$	$ 4,994,592

See notes to condensed consolidated financial statements.

e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation

The Company has been in the development stage since the commencement of its operations on January 1, 2001. The accompanying unaudited consolidated financial statements include the accounts of the Registrant and those of its wholly-owned subsidiaries, e-Smart Korea, Inc. and e-Smart Systems, Inc., and have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month periods ended March 31, 2007 and 2006, are not necessarily indicative of the results that may be expected for the respective years ended December 31, 2007 and 2006.

The unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and related footnotes included in the Registrant s Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, supplemented by the notes included herein.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain prior year amounts disclosed in the accompanying financial statements and notes thereto have been reclassified to conform to the current period s presentation.

Note 2 Letter of Comment

From time to time the Staff of the Securities and Exchange Commission s Division of Corporate Finance may examine the periodic reports of a Registrant for compliance and form and forward to the Registrant comments regarding the Registrant s prior filings (a Letter of Comment). The Company seeks to respond to all Letters of Comment received addressing any and all issues raised, including the filing of amended quarterly and annual reports as appropriate.

Note 3 Related Party Transactions

The Company is the owner of three technology licenses each of which grants the Company exclusivity to the technology covered in a particular territory. The three territories covered are the People s Republic of China, the remainder of Asia and the United States of America. The licenses, which have a term of twenty years commencing January 1, 2001, were granted to the Company by IVI Smart Technologies, Inc. (IVI).

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In addition, at March 31, 2007 and December 31, 2006, the Company was indebted to Intermarket in the amount of $3,097,371 and $2,396,394, respectively, plus accrued interest. These obligations are unsecured and bear interest between 5 to 6%. Of the above amounts, $450,000 was due on demand, and the remaining balance, $2,647,371 and $1,946,394 at March 31, 2007 and 2006, respectively, were due on December 31, 2008.

Intermarket, together with its two principal stockholders (the Company s President and Chief Executive Officer Mary A. Grace and its Chief Technology Officer Tamio Saito), continue to own a substantial percentage of the common stock of the Company and will continue to have the ability to materially influence the direction of the Company, its efforts in raising the additional capital critical to its success, and the strategies employed in commercialization of the licensed technology. In addition, the Planned Reorganization will include the receipt by IVI of Preferred Series A shares which possess 70% voting control of the Company in exchange for loans received from Intermarket and licenses granted by IVI.

Note 4 Going Concern

The Registrant s condensed consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As shown in the accompanying financial statements, the Registrant had negative working capital at March 31, 2007, of $2,630,203. In addition, the Registrant has incurred an accumulated deficit of $(77,823,375) through March 31, 2007. The Registrant is dependent upon the efforts of its management to raise proceeds from continued debt or equity placements to sustain the research and development and ultimate commercialization of their respective interests in the Super Smart Card technology. The Registrant s ability to continue to receive the necessary level of funding support through the efforts of its management cannot be guaranteed. The condensed consolidated financial statements do not include any adjustments that might be necessary if the Registrant is unable to continue as a going concern.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION
Plan of Operation

Since the inception of our development period on January 1, 2001, and continuing through March 31, 2007, our primary source of funds have been private placements of our equity securities to accredited investors and loans to the Company. We expect that this dependence will continue until the Company finalizes broader funding or our first system starts to generate sufficient cash flow to cover our operating costs.

As of the date of this Report, we expect this dependence to continue until the third or fourth quarter of 2007. There can be no assurance that we will continue to be able to rely on these sources of funds.

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Over the next 12 months we expect to continue our marketing and research and development efforts and to implement our first system, demonstrating the viability of our Super Smart Card and BVS2 based products and related technologies.

Our ability to maintain what we believe to be the state-of-the-art quality of our Super Smart Card and BVS2 system and related technologies is dependent upon our ability to continue to improve our products functionality and durability, and to reduce their cost of manufacture. In addition, we are constantly trying to find and develop new products that enhance the functionality of our BVS2 platform. This research and development is expected to continue throughout 2007 and well into 2008. Accordingly, the Company expects to continue to be dependent upon funds from its affiliates and from existing accredited investors, subject to the same risks enumerated in the preceding paragraph.

We are constantly acquiring software and equipment in connection with our research and development activities. Our planned 2007 budget is approximately $3,000,000 for such acquisitions, but could change depending upon our rate of accomplishment in the anticipated sales of one or more systems. Should such sales occur, we will also require an operations and testing center near those customers offices as a condition of contract.

During 2007 in the United States, we intend to fill a number of key management, marketing and technology positions commensurate wi