

**LML REPORTS RESULTS FOR THE FOURTH QUARTER AND THE  
FISCAL YEAR ENDED MARCH 31, 2005**

VANCOUVER, BC, June 14, 2005 – LML PAYMENT SYSTEMS INC. (the “Corporation”) (Nasdaq: LMLP) reports results for the fiscal year and fourth quarter ended March 31, 2005. Revenue for fiscal 2005 was approximately \$6.7 million compared to approximately \$8.7 million for the previous year. Revenue for the fourth quarter fiscal 2005 was approximately \$1.5 million compared to approximately \$2.7 million for the fourth quarter fiscal 2004.

Cost of operations was approximately \$5.3 million or approximately 79.1% of revenue for fiscal 2005 compared to approximately \$6.5 million or approximately 74.7% of revenue for the previous year. Cost of operations for the fourth quarter fiscal 2005 was approximately \$1.1 million, or approximately 73.3% of revenue, compared to approximately \$1.5 million, or approximately 55.6% of revenue, for the fourth quarter fiscal 2004.

Sales, general and administrative expenses (“SG&A”) for fiscal 2005 was approximately \$4.0 million compared to approximately \$2.6 million for the previous year, an increase of approximately \$1.4 million. The increase in SG&A was primarily attributable to an increase in stock-based compensation expense, a non-cash item, of approximately \$1.4 million from fiscal 2004. The increase in SG&A was also partially attributable to increases in professional fees, including auditing and accounting fees, of approximately \$410,000 associated with the Corporation’s continuing compliance with the Sarbanes-Oxley Act of 2002. SG&A for the fourth quarter fiscal 2005 was approximately \$993,000 compared to approximately \$611,000 for the fourth quarter fiscal 2004.

Net loss for fiscal 2005 was approximately (\$4.2 million) or approximately (\$0.21) per share compared to a net loss of approximately (\$1.7 million) or approximately (\$0.09) per share for the previous year. We had a net loss of approximately (\$984,000), or approximately (\$0.05) per share, for the fourth quarter fiscal 2005 compared to net income of approximately \$82,000 for the fourth quarter fiscal 2004.

We had an increase of approximately \$500,000 in working capital from approximately \$5.6 million as of March 31, 2004 to approximately \$6.1 million as of March 31, 2005. Cash flows used in operating activities of continuing operations increased by approximately \$246,000, from approximately \$532,000 for fiscal 2004 to approximately \$778,000 for fiscal 2005. The increase in cash used in operating activities of continuing operations was offset by cash provided by financing activities of continuing operations of approximately \$1.8 million. Our cash and cash equivalents position increased by approximately \$1.1 million, from approximately \$5.0 million as of March 31, 2004 to approximately \$6.1 million as of March 31, 2005.

Commenting on the Corporation’s year end results, Chief Accounting Officer, Richard R. Schulz said, “The decrease in total revenue of approximately \$2 million from the previous year was primarily a result of our ceasing to provide check authorization and recovery services to 7-Eleven, formerly our largest customer, and to a lesser extent, lower licensing revenue from our intellectual property which can be variable from period to period. Revenue from our secondary check collection business increased approximately \$500,000 or approximately 23% from the previous year.”

**About LML Payment Systems Inc. ([www.lmlpayment.com](http://www.lmlpayment.com))**

The Corporation, through its subsidiary LML Payment Systems Corp., is a financial payment processor providing check processing solutions including electronic check authorization, electronic check conversion (ECC) and primary and secondary check collection including electronic check re-presentment (RCK) to national, regional and local retailers. We also provide selective routing of debit, credit and EBT transactions to third party processors and banks for authorization and settlement. The Corporation's intellectual property estate, owned by subsidiary LML Patent Corp, includes U.S. Patent No. 6,354,491, No. 6,283,366, No. 6,164,528, and No. 5,484,988 all of which relate to electronic check processing methods and systems.

Statements contained in this news release which are not historical facts are forward-looking statements, subject to uncertainties and risks. For a discussion of the risks associated with the Corporation's business, please see the documents filed by the Corporation with the SEC.

-30-

**CONTACTS:**

Patrick H. Gaines  
President and CEO  
(604) 689-4440

Investor Relations  
(800) 888-2260

**LML PAYMENT SYSTEMS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In U.S. Dollars)

March 31

	2005 \$	2004 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	6,061,821	4,981,343
Short term investments	-	183,561
Restricted cash (Note 4(a))	250,000	300,000
Accounts receivable, less allowances of \$31,155 and \$109,916, respectively	508,625	784,617
Prepaid expenses	497,413	463,487
Total current assets	7,317,859	6,713,008
CAPITAL ASSETS (Notes 6 and 8)	508,981	1,673,985
PATENTS (Note 7)	1,202,188	1,317,141
OTHER ASSETS	41,055	55,103
Total assets	9,070,083	9,759,237
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	620,006	482,224
Accrued liabilities	292,292	331,043
Current portion of long-term debt (Note 8)	48,323	37,434
Current portion of deferred revenue	243,667	225,729
Total current liabilities	1,204,288	1,076,430
LONG TERM DEBT (Note 8)	23,469	56,150
Total liabilities	1,227,757	1,132,580
COMMITMENTS AND CONTINGENCIES (Note 13)		
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (Note 9)</b>		
Class A, preferred stock, \$1.00 CDN par value, 150,000,000 shares authorized, issuable in series, none issued or outstanding		
Class B, preferred stock, \$1.00 CDN par value, 150,000,000 shares authorized, issuable in series, none issued or outstanding		
Common shares, no par value, 100,000,000 shares authorized, 20,145,594 and 19,659,851 issued and outstanding, respectively	32,476,693	30,656,471
CONTRIBUTED SURPLUS (Note 3(a))	1,631,471	85,918
DEFICIT	(26,265,838)	(22,115,732)
Total shareholders' equity	7,842,326	8,626,657
Total liabilities and shareholders' equity	9,070,083	9,759,237

**LML PAYMENT SYSTEMS INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In U.S. Dollars, except share data)

	Years ended March 31,		
	2005 \$	2004 \$	2003 \$
REVENUE	6,658,103	8,740,230	8,560,092
<b>COSTS AND EXPENSES</b>			
Cost of operations	5,339,080	6,465,747	6,628,085
Sales, general and administrative expenses (includes stock-based compensation expense of \$1,485,475 (2004-\$85,918; 2003-\$Nil))	4,049,430	2,574,874	2,520,125
Amortization and depreciation	1,415,712	2,061,781	2,373,166
Other expenses (income)	3,681	(22,147)	35,785
<b>LOSS FROM CONTINUING OPERATIONS BEFORE INTEREST INCOME AND INCOME TAXES</b>	<u>(4,149,800)</u>	<u>(2,340,025)</u>	<u>(2,997,069)</u>
Interest income, net	81,730	40,604	53,202
<b>LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<u>(4,068,070)</u>	<u>(2,299,421)</u>	<u>(2,943,867)</u>
Income taxes (Note 12)	82,036	16,800	19,595
<b>LOSS FROM CONTINUING OPERATIONS</b>	<u>(4,150,106)</u>	<u>(2,316,221)</u>	<u>(2,963,462)</u>
Discontinued operations (Note 5)	<u>-</u>	<u>588,109</u>	<u>(84,623)</u>
<b>NET LOSS</b>	<u>(4,150,106)</u>	<u>(1,728,112)</u>	<u>(3,048,085)</u>
<b>LOSS PER SHARE, basic and diluted</b>			
Loss from continuing operations	<u>(0.21)</u>	<u>(0.12)</u>	<u>(0.15)</u>
Discontinued operations	<u>-</u>	<u>0.03</u>	<u>(0.01)</u>
Net loss	<u>(0.21)</u>	<u>(0.09)</u>	<u>(0.16)</u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING, basic and diluted (Note 9(c))</b>	<u>20,012,286</u>	<u>19,605,948</u>	<u>19,495,334</u>

**LML PAYMENT SYSTEMS INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In U.S. Dollars)

	Years ended March 31,		
	2005	2004	2003
	\$	\$	\$
<b>OPERATING ACTIVITIES:</b>			
Loss from continuing operations	(4,150,106)	(2,316,221)	(2,963,462)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities			
Provisions for losses on accounts receivable	24,034	36,369	-
Amortization and depreciation	1,415,712	2,061,781	2,373,166
Stock-based compensation	1,485,475	85,918	-
Stock-based compensation – future income taxes	60,078	-	-
Other	(33,669)	45,107	-
Changes in operating assets and liabilities			
Restricted cash	50,000	-	(50,000)
Accounts receivable	271,980	(309,624)	(247,807)
Prepaid expenses	(33,926)	61,689	53,225
Accounts payable and accrued liabilities	100,832	(107,037)	(487,289)
Other assets	14,048	205,820	28,040
Deferred revenue	17,938	(295,548)	366,339
Net cash used in operating activities of continuing operations	<u>(777,604)</u>	<u>(531,746)</u>	<u>(927,788)</u>
<b>INVESTING ACTIVITIES:</b>			
Short term investments	183,561	(183,561)	-
Purchase of Check Technologies, net of cash acquired	-	-	(50,000)
Proceeds from disposal of capital assets	12,606	-	-
Capital asset expenditures	(104,836)	(136,059)	(268,866)
Patents	(31,679)	(7,306)	(11,161)
Net cash provided by (used in) investing activities of continuing operations	<u>59,652</u>	<u>(326,926)</u>	<u>(330,027)</u>
<b>FINANCING ACTIVITIES:</b>			
Payments on capital leases	(34,028)	(107,826)	(269,108)
Payments on long-term borrowing	(10,399)	-	-
Proceeds from long-term borrowing	22,635	-	-
Proceeds from exercise of stock options	1,820,222	305,910	566,825
Net cash provided by financing activities of continuing operations	<u>1,798,430</u>	<u>198,084</u>	<u>297,717</u>
Net cash provided by (used in) continuing operations	<u>1,080,478</u>	<u>(660,588)</u>	<u>(960,098)</u>
Net cash provided by (used in) discontinued operations (Note 5)	<u>-</u>	<u>2,158,241</u>	<u>(138,516)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,080,478</b>	<b>1,497,653</b>	<b>(1,098,614)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>4,981,343</u></b>	<b><u>3,483,690</u></b>	<b><u>4,582,304</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>6,061,821</u></b>	<b><u>4,981,343</u></b>	<b><u>3,483,690</u></b>
<b>Supplemental disclosure of cash flow information:</b>			
Interest paid	8,346	4,111	22,903
Taxes paid	<u>21,958</u>	<u>16,800</u>	<u>19,595</u>