



**LML SOLIDIFIES CHECK PROCESSING SOLUTIONS
FOR
GROCERS SUPPLY CO.**

VANCOUVER, BC, May 11, 2006 – LML PAYMENT SYSTEMS INC. (the “Corporation”) (NASDAQ: LMLP) is pleased to announce that The Grocers Supply Co. Inc. and their retailer clients operating 268 locations in Texas and Louisiana, have chosen to renew a multi-year agreement with subsidiary LML Payment Systems Corp. and will continue to leverage LML’s electronic check verification as part of a comprehensive, fully-customized risk management program. LML also provides a variety of Check Recovery service plans to Grocers Supply retailers that reflect the specific service elements their small independents and large regional chains desire.

The Grocers Supply Co., Inc. was founded in 1923 and supplied the local corner store grocers with manufacturers’ products at competitive wholesale prices. Today, Grocers Supply services more than 650 grocery stores, 1,200 convenience stores and 200 schools in a 350 mile radius of Houston. Their fleet consists of over 200 tractors, over 700 trailers and more than 2,000 employees.

Under the new agreement with LML, Grocers Supply retailers will receive a comprehensive array of check transaction processing and risk management services including:

- Enhanced Check Verification of checks at the point of sale with multiple identity link-up capabilities
- Enhanced Payroll Check Cashing services featuring our latest innovation, CheckAlert, which enables a retailer to stop fraudulent check cashers immediately for their own stores and other Grocers Supply retailers as well
- Fully customized business-to-business (B2B) transaction processing

“We’ve been impressed with LML’s efforts to address the diverse and sometimes unique service needs of our retailers. This is consistent with our own approach in providing the best service at the best price. LML has made it clear to us that they value our business and are committed to a long-term relationship built on a foundation of reliable service and responsiveness to our needs,” said John Laboda, VP, CIO, Management Information Services for Grocers Supply.

Commenting on the agreement, Steve Craig, VP, Client Business Development at LML said: “Grocers Supply holds a well-respected position in the supermarket industry, especially in the area of payment transaction processing. To have successfully competed against much larger companies in our industry, and be selected to continue providing these services to such a diverse client base, is a testament to the overall value proposition our services and our people deliver. We enjoy working with their retailers who’ve been very receptive to our focus on developing sustainable, long-lasting relationships. By engaging in more collaborative relationships with our Clients, we’ve identified a number of product and service initiatives that we’re excited to rollout not only to Grocers Supply but to all of our Clients. We recognize that much of our value to our Clients is only as good as their customers’ last transaction experience. With that firmly in mind, our strategy will continue to be centered on these growth drivers:

- Client Focused – understanding their payments needs and developing solutions that meet them
- Revenue Driven – delivering transaction solutions that drive value for both parties in the relationship
- Collaborative Culture – creating ways to exchange innovative ideas, explore new opportunities, and embracing positive change.”

-more-

About LML Payment Systems Inc.

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
------------------	--	--------------------------------------