

**LML REPORTS RESULTS FOR THE SECOND QUARTER OF FISCAL 2007***Increased Revenue of 41%*

VANCOUVER, BC, November 8, 2006 – LML PAYMENT SYSTEMS INC. (the “Corporation”) (Nasdaq: LMLP) reports results for its second quarter ended September 30, 2006.

Total revenue was approximately \$1.7 million for the second quarter ended September 30, 2006, compared to approximately \$1.2 million for the second quarter ended September 30, 2005, an increase of approximately 41.2%.

Cost of operations for the second quarter was approximately \$1.2 million compared to approximately \$1.1 million for the second quarter ended September 30, 2005, an increase of approximately 9.1%. Sales, general and administrative expenses for the second quarter were approximately \$881,000, compared to approximately \$1.7 million for the second quarter ended September 30, 2005, a decrease of approximately 48.2%.

There was a net loss of approximately (\$419,000) or approximately (\$0.02) per share for the quarter compared to a net loss of approximately (\$2.0 million) or approximately (\$0.10) per share for the quarter ended September 30, 2005.

Total revenue was approximately \$3.4 million for the six months ended September 30, 2006, compared to approximately \$2.7 million for the six months ended September 30, 2005, an increase of approximately 25.9%.

Cost of operations for the six months ended September 30, 2006 was approximately \$2.5 million compared to approximately \$2.3 million for the six months ended September 30, 2005, an increase of approximately 8.7%. Sales, general and administrative expenses were approximately \$1.6 million for the six months ended September 30, 2006 compared to approximately \$2.9 million for the six months ended September 30, 2005, a decrease of approximately 44.8%.

There was a net loss of approximately (\$235,000) or approximately (\$0.01) per share for the six months ended September 30, 2006 compared to a net loss of approximately (\$3.0 million) or approximately (\$0.15) per share for the six months ended September 30, 2005.

Conference Call

Management will host a conference call today at 2:00pm Pacific Time (5:00pm Eastern Time) to discuss these results. To participate in the conference call, please dial in 5-10 minutes before the start of the call and follow the operator’s instruction. If you are calling from the United States or Canada, please dial 888-850-5066. International callers please dial 206-315-8587. Please enter Participant Conference Entry Code 96540 (followed by the # key) when prompted.

If you are unable to join the call, a telephone replay will be available through November 22, 2006 by dialing 800-207-7077 from within the U.S. or Canada, or 314-255-1301 if calling internationally. Please reference PIN number 4989 when prompted.

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About LML Payment Systems Inc. (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-presentation (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.

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LML PAYMENT SYSTEMS INC.
CONSOLIDATED BALANCE SHEETS
(In U.S. Dollars, except as noted below)
(Unaudited)

	September 30, 2006 \$	March 31, 2006 \$
ASSETS		
Current Assets		
Cash and cash equivalents	11,066,437	3,691,632
Restricted cash	250,000	250,000
Accounts receivable, less allowances of \$46,886 and \$46,145, respectively	498,416	436,475
Prepaid expenses	342,779	374,887
Total Current Assets	<u>12,157,632</u>	<u>4,752,994</u>
Capital Assets, net	156,438	201,036
Patents, net	1,013,355	1,093,392
Other Assets	263,590	30,102
TOTAL ASSETS	<u>13,591,015</u>	<u>6,077,524</u>
LIABILITIES		
Current Liabilities		
Accounts payable	618,757	1,104,034
Accrued liabilities	164,991	165,083
Accrued compensation	185,660	173,444
Current portion of long-term debt	2,460	22,458
Current portion of deferred revenue	1,503,717	260,121
Total Current Liabilities	<u>2,475,585</u>	<u>1,725,140</u>
Long-term debt	4,654	-
Deferred revenue	6,492,653	10,985
Total Liabilities	<u>8,972,892</u>	<u>1,736,125</u>
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Capital Stock		
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, 20,207,094 and 20,194,094 shares issued and outstanding, respectively	32,774,368	32,710,018
Contributed surplus	2,991,817	2,544,312
Deficit	<u>(31,148,062)</u>	<u>(30,912,931)</u>
Total Shareholders' Equity	<u>4,618,123</u>	<u>4,341,399</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>13,591,015</u>	<u>6,077,524</u>

LML PAYMENT SYSTEMS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(In U.S. Dollars, except share data)
(Unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	2006 \$	2005 \$	2006 \$	2005 \$
REVENUE	1,650,673	1,158,488	3,446,221	2,718,040
COSTS AND EXPENSES				
Cost of operations	1,219,476	1,114,829	2,484,542	2,250,125
Sales, general and administrative expenses (includes stock-based compensation expense of \$301,664 for three months ended September 30, 2006 (three months ended September 30, 2005 - \$504,625) and \$425,859 for six months ended September 30, 2006 (six months ended September 30, 2005 - \$661,494))	880,581	1,695,576	1,609,558	2,906,174
Amortization and depreciation	79,319	110,413	159,131	436,078
LOSS BEFORE OTHER (EXPENSES) INCOME AND INCOME TAXES	(528,703)	(1,762,330)	(807,010)	(2,874,337)
Other (expenses) income, net	(3,235)	(228,990)	381,084	(228,584)
Interest income, net	117,085	36,521	220,841	73,986
LOSS BEFORE INCOME TAXES	(414,853)	(1,954,799)	(205,085)	(3,028,935)
Income taxes	4,200	9,623	30,046	13,823
NET LOSS	(419,053)	(1,964,422)	(235,131)	(3,042,758)
DEFICIT, beginning of period	(30,729,009)	(27,344,174)	(30,912,931)	(26,265,838)
DEFICIT, end of period	(31,148,062)	(29,308,596)	(31,148,062)	(29,308,596)
LOSS PER SHARE, basic and diluted	(0.02)	(0.10)	(0.01)	(0.15)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	20,207,094	20,146,464	20,205,733	20,146,031
Diluted	20,207,094	20,146,464	20,205,733	20,146,031

LML PAYMENT SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. Dollars)
(Unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	2006	2005	2006	2005
Operating Activities:				
Net Loss	(419,053)	(1,964,422)	(235,131)	(3,042,758)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities				
Provision for losses on accounts receivable	-	14,989	24,464	14,989
Amortization and depreciation	79,319	110,413	159,131	436,078
Stock-based compensation	301,664	504,625	425,859	661,494
Stock-based compensation – future income taxes	-	5,423	21,646	5,423
Changes in operating assets and liabilities				
Accounts receivable	(144,287)	119,837	(86,405)	22,569
Prepaid expenses	15,191	31,246	32,108	192,370
Other assets	-	10,952	-	10,952
Accounts payable and accrued liabilities	(21,147)	323,776	(473,153)	585,707
Deferred revenue	(290,617)	40,279	7,725,264	(996)
Net cash (used in) provided by operating activities	<u>(478,930)</u>	<u>(802,882)</u>	<u>7,593,783</u>	<u>(1,114,172)</u>
Investing Activities:				
Other assets	(133,488)	-	(233,488)	-
Capital asset expenditures	(18,417)	(56,142)	(25,464)	(73,827)
Patents	(487)	-	(1,252)	(211)
Net cash (used in) investing activities	<u>(152,392)</u>	<u>(56,142)</u>	<u>(260,204)</u>	<u>(74,038)</u>
Financing Activities:				
Payments on capital leases	(11,114)	(9,670)	(20,351)	(19,035)
Payments on long-term borrowing	-	(2,533)	(2,773)	(5,095)
Proceeds from exercise of stock options	-	42,325	64,350	42,325
Net cash (used in) provided by financing activities	<u>(11,114)</u>	<u>30,122</u>	<u>41,226</u>	<u>18,195</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(642,436)</u>	<u>(828,902)</u>	<u>7,374,805</u>	<u>(1,170,015)</u>
Cash and cash equivalents, beginning of period	<u>11,708,873</u>	<u>5,720,708</u>	<u>3,691,632</u>	<u>6,061,821</u>
Cash and cash equivalents, end of period	<u><u>11,066,437</u></u>	<u><u>4,891,806</u></u>	<u><u>11,066,437</u></u>	<u><u>4,891,806</u></u>

-30-

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