

LML PAYMENT SYSTEMS INC.
Code of Ethics

Purpose and Application

LML Payment Systems Inc., including its direct and indirect subsidiaries (collectively the “Corporation”), is committed to the highest standards of ethical conduct in our relationships with our clients, suppliers, shareholders, government officials, employees and others. The Corporation places the highest value on the principles of honesty and integrity in all of its business affairs – our reputation is earned by our conduct.

This Code of Ethics sets out the ethical principles and standards of conduct that govern the Corporation and which promote:

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the Corporation and in other public communications made by the Corporation;
- c. The avoidance of conflicts of interests, including disclosure to an appropriate person or persons identified in this Code of Ethics of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
- d. Compliance with all applicable governmental laws, rules and regulations;
- e. The prompt internal reporting of code violations to an appropriate person or persons identified in this Code of Ethics;
- f. Accountability for adherence to this Code of Ethics; and
- g. A culture of honesty and accountability.

All directors, officers and employees of the Corporation (each a “Person”) are responsible for complying with all applicable laws and regulations and for knowing and complying with this Code of Ethics and other policies of the Corporation. In addition, certain provisions of this Code of Ethics shall apply specifically to each of the directors and officers of the Corporation, including, but not limited to, the Corporation’s Chief Executive Officer (“CEO”), Chief Financial Officer, Executive Vice Presidents, Corporate Secretary, Chief Accounting Officer or Controller, and all persons performing similar functions (each a “Principal Person”). This Code of Ethics does not include all of the policies of the Corporation and is intended to supplement Corporation’s Insider Trading Policy.

Ethical Principles

Fair Dealing

Each Person shall act at all times in good faith, responsibly, with honesty and integrity, and with due care, competence and diligence, without misrepresenting material facts or allowing such Person's independent judgment to be subordinated.

No Person shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of facts, or any other unfair dealing.

Each Person shall at all times proactively engage in and promote honest and ethical behavior as a responsible partner among peers in the Person's work environment, and shall not tolerate any form of harassment, whether based on race, color, religion, gender, national origin, age, disability, veteran status, pregnancy, or sexual orientation.

Conflicts of Interest

Each Person shall avoid at all times actual or apparent conflicts of interest between personal and professional relationships. A conflict of interest occurs when an individual's private interest is different from the interests of the Corporation as a whole or gives the appearance of impropriety. Conflict situations include:

- When a director, officer or employee, or a member of his or her family, will benefit personally from something the director, officer or employee does or fails to do that is not in the best interests of the Corporation;
- When a director, officer or employee takes actions or has interests that may make it difficult to perform his or her work for the Corporation objectively and effectively; and
- When a director, officer or employee, or a member of his or her family, receives personal benefits from someone other than the Corporation as a result of his or her position in the Corporation.

Employees are expected to make or participate in business decisions and actions in the course of their employment with the Corporation based on the Corporation's best interests as a whole and not based on personal relationships or benefits. Conflicts of interest can compromise employees' business ethics. Employees are expected to apply sound judgment to avoid conflicts of interest that could negatively affect the Corporation or its business.

In addition, the members of our Board of Directors are expected to disclose to their fellow directors any personal interest they may have in a transaction approved by the Board of Directors and to abstain from participation in any decision in which there is a conflict between their personal interests and the Corporation's interests.

No Person or any member of their immediate family shall at any time enter into employment positions, consulting arrangements, ownership interests, or other activity that may create any actual or apparent conflict of interest between their personal

interests and either (a) the interests of the Corporation, or (b) their ability to perform their duties and responsibilities for the Corporation.

No Person or any member of their immediate family shall solicit or accept any personal benefit from any outside concern from which the Corporation secures goods or services, which is a customer of the Corporation, or which is a competitor of the Corporation, or which is a regulatory agency having jurisdiction over the Corporation, except only loans from financial institutions on the same terms available generally and entertainment appropriate to the business relationship, extended in the ordinary course of business, and not intended to influence the actions of the Person or the Corporation.

No Person or any member of their immediate family shall enter into any contract with the Corporation or any of its affiliates relating to buying, leasing, or selling property or any similar transaction.

Each Person shall comply at all times with all conflict of interest policies adopted by the Corporation from time to time.

Each Person shall immediately disclose to the Corporate Compliance Officer of the Corporation any material transaction or relationship that reasonably could be expected to give rise to any conflict of interest, whether real or perceived.

Company Information and Confidentiality

Any information disclosed by each Person in performance of their duties shall be full, fair, complete, accurate, objective, relevant, timely, understandable, and not misleading. Each Person shall share at all times important and relevant knowledge (a) with persons to whom such Person reports, and (b) as is appropriate with persons reporting to such Person.

Each Person shall take reasonable measures to protect at all times the confidentiality of non-public information about the Corporation and its customers acquired or created in the course of his or her work and to prevent the unauthorized disclosure of such information unless authorized by the Corporation or otherwise required by applicable law or regulation or legal or regulatory process. No confidential information acquired in the course of work shall be used by any Person for any personal advantage, whether real or perceived. All Persons shall comply with all confidentiality policies adopted by the Corporation from time to time and with all confidentiality provisions in agreements to which they or the Corporation are parties.

Each Person shall document and report all business and financial transactions in accordance with the Corporation's internal control procedures. No Person shall create misleading records or falsify or improperly destroy the Corporation documents.

Compliance with Laws, Rules and Regulations (Including Insider Trading Laws)

Each Person shall comply at all times with all applicable federal, state and local governmental laws, rules and regulations, as well as the rules and regulations of other private and public regulatory agencies applicable to the Corporation, including but not limited to regulations promulgated by U.S. government agencies ("U.S. Laws") and Canadian government agencies ("Canadian Laws" and, together with the U.S. Laws, the

“Laws”). In the event that a Person is ever unsure of any Laws, such Person shall consult with the Corporate Compliance Officer of the Corporation prior to taking any action.

Each Person and every member of his or her immediate family shall not at any time buy or sell any security of the Corporation while aware of any material, non-public information relating to the Corporation or the security. Each Person and all members of his or her immediate family shall refrain from any trading in any Corporation security during black-out periods and shall comply with all Corporation policies and requirements promulgated by the U.S. Securities and Exchange Commission (the “SEC”) relating to the trading of Corporation securities during non-black-out periods. All Persons shall comply with all Corporation securities trading policies adopted by the Corporation from time to time, including but not limited to the Corporation Insider Trading Policy, as it may be amended or replaced from time to time. In addition, all Persons shall comply with the Corporation’s mandatory pre-clearance procedures, as may be amended or replaced from time to time.

All Persons shall cooperate fully with the people responsible for preparing reports filed with the SEC and the Canadian Securities Administrators and all other materials that are made available to the investing public to make sure those people are aware in a timely manner of all information that might have to be disclosed in those reports or other materials or that might affect the way in which information is disclosed in them.

Intellectual Property

The Corporation’s intellectual property estate, owned by subsidiary LML Patent Corp, includes U.S. Patent No. 6,547,129, 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. In addition, the Corporation’s assets also include other intellectual property in the form of registered trademarks, service marks, copyrighted material and confidential proprietary information such as computer software and source code, trade secrets, client lists, sales data, strategic development papers and documents and business plans. The development, use and protection of these assets forms an integral part of the Corporation’s continued development and future success and, as such, it is the duty of each Person to protect and preserve the confidentiality of all the Corporation’s intellectual property and proprietary information. Such information must not be discussed in the presence of unauthorized persons and must not be transmitted in any form to unauthorized persons. Any Person intending to send any aspect of the Corporation’s intellectual property outside of the Corporation by any means of transmission, must first obtain approval to do so from the CEO.

Any confidential information related to proposed and/or pending transactions with other companies or confidential information regarding other companies may be considered by them to be their intellectual property and is therefore subject to the same confidentiality guidelines outlined above.

Corporate Opportunities

Directors, officers and employees owe a duty to the Corporation to advance its legitimate interests when the opportunity to do so arises. Therefore, no Person shall:

- take for himself or herself personally any opportunity of which such Person becomes aware, or to which such Person obtains access, through the use of corporate property, information or position;
- make it possible for someone other than the Corporation to take advantage of an opportunity in any of the Corporation's areas of business of which such Person becomes aware in the course of such Person's activities on behalf of the Corporation, unless the Corporation has expressly decided not to attempt to take advantage of the opportunity;
- otherwise use corporate property, information, or position for personal gain; or
- compete with the Corporation generally or with regard to specific transactions or opportunities.

Improper Use of Corporate Funds or Assets

Each Person shall achieve at all times responsible use of and control over all assets and resources employed or entrusted to such Person.

Each Person shall safeguard against theft, loss or misuse any and all property of the Corporation in the custody or possession of such Person.

The following uses of corporate funds or assets are prohibited:

- Direct or indirect payments, gifts, contributions or offers, or promises of anything of value in the nature of bribes, gratuities, payoffs or kickbacks to domestic or foreign governments, government agencies, business organizations or individuals, or any other effort to obtain favors, including but not limited to inducements to procure orders for the sales of the Corporation's goods or services. The giving of lawful customer discounts and allowances in the ordinary course of business are not prohibited by this Code of Ethics provided such discounts and allowances are properly approved and documented.
- Gifts or gratuities in excess of \$50 per individual recipient are prohibited without the express consent of a Person's immediate supervisor (or in the case of a Principal Person, the approval of a majority of the Board of Directors).
- Commissions, fees or similar payments which are not reasonably related in value to the services rendered or commissions, fees, or similar payments made in exchange for the services rendered which are illegal, improper or in any manner violate this Code of Ethics.
- Direct or indirect contributions of money, property or resources to the campaign of a candidate for office in the federal government or in any U.S. or Canadian political party, other than as permitted by law. Since the laws of various states and foreign countries vary as to the legality of corporate political contributions, all requests for such contributions shall

be referred to the Corporate Compliance Officer of the Corporation. It is legal and appropriate for individual Persons to make political contributions with such Person's personal funds and on such Person's own behalf; however, such contributions shall not be reimbursed directly or indirectly by the Corporation.

- Use of assets, funds or resources of the Corporation by Persons or members of their family, which is personal, or not in the furtherance of the business of the Corporation, or payment by the Corporation of personal expenses of Persons or members of their family, without the express consent of such Person's immediate supervisor (or in the case of a Principal Person, the approval of a majority of the Board of Directors).

The use of brokers, consultants, distributors, and agents to assist or counsel in the procurement of contracts and the payment of reasonable fees for their services are within the bounds of ordinary business practice and are not contrary to this Code of Ethics. However, such brokers, consultants, distributors and agents must perform a bona fide function and actually render bona fide services for the Corporation. Such individuals are not to be directly or indirectly related to or subject to the control of a customer, prospective customer, or its managing agents or employees.

Compliance and Enforcement

Each Person shall be held accountable to full compliance with this Code of Ethics. In the event that any Person is determined to have violated this Code of Ethics, such Person shall be subject to all disciplinary action available, including but not limited to immediate termination of employment by the Corporation for cause and possible legal prosecution.

Any Person, upon receipt of any information of a possible violation of this Code of Ethics (whether by such Person or any other Person), shall immediately report the same following the procedure set forth in this paragraph. Possible violations may be reported orally or in writing and may be reported anonymously. Failure to report a violation can lead to disciplinary action against the Person who failed to report the violation, which may be as severe as the disciplinary action against the Person who committed the violation. Normally, a possible violation of this Code of Ethics by a Person other than a Principal Person should be reported to the supervisor of the Person who commits the violation. That supervisor shall inform the Corporate Compliance Officer and the CEO of such report. However, such Person may choose in his or her sole discretion to report any possible violation of this Code of Ethics directly to the Corporate Compliance Officer and the CEO. All reports of a possible violation of this Code of Ethics by a Principal Person should be reported directly to the Chairman of the Audit Committee. If a Person believes that in a particular situation it would not be appropriate to report a possible violation to the Corporate Compliance Officer, the CEO or Chairman of the Audit Committee, as the case may be, then such Person may report the possible violation to any other officer or director of the Corporation to whom such Person believes it would be appropriate to report the possible violation.

The identity of the Person who reports a possible violation of this Code of Ethics by another Person will be kept confidential, except to the extent that the reporting Person consents to be identified or the identification of such reporting Person is required by law.

The Corporation shall not allow retaliation for reports of possible violations made in good faith.

If doubt exists as to the scope or applicability of this Code of Ethics in any particular future instance, the matter shall be reviewed in advance with the manager or supervisor who has the overall responsibility for the operation in which the question arises, or if the request comes from a Principal Person, the matter shall be reviewed in advance with the Chairman of the Audit Committee. Any manager or supervisor receiving such a request shall refer the matter in writing to an immediate supervisor or the Corporate Compliance Officer of the Corporation. The Person making the request shall be advised what action, if any, is appropriate under the circumstances.

Each Principal Person shall execute this Code of Ethics annually at or prior to the annual meeting of shareholders of the Corporation.

Financial, Accounting and Auditing Records

All Principal Persons of the Corporation have a special responsibility to protect and preserve the interests of the Corporation's shareholders, clients, employees and other corporate stakeholders and to promote a culture within the entire Corporation that ensures full, true, timely and complete reporting of the Corporation's financial results and condition. In recognition of this fact, all Principal Persons as well as all members of the Accounting Department will:

- Display and promote the highest standards of honesty, integrity and ethical conduct, act in good faith with due care, competence and diligence and employ their independent judgment in the performance of their professional duties;
- Ensure full, fair, complete, accurate, objective, timely, and understandable disclosure of the Corporation's financial and operating condition to shareholders, regulatory bodies, employees and the general public and in reports and documents that the Corporation files with, or submits to, the SEC and other regulators, without knowingly misrepresenting material facts in the making of those disclosures;
- Avoid taking any direct or indirect action to fraudulently influence, coerce, manipulate or mislead the Corporation's independent public auditors for the purpose of rendering the financial statements of the Corporation misleading;
- Avoid and prohibit the existence of all actual or potential conflicts between what is in the best interest of the Corporation and what is in their own personal interest, as well as eliminate the appearance of any such conflicts;
- Prohibit loans by the Corporation to any executive officer or director of the Corporation;

- Protect confidential Corporation information from unauthorized disclosure and ensure that such information is used only for legitimate business purposes;
- Safeguard the Corporation's assets from use in illegal or unethical activities;
- Ensure that all business transactions are properly authorized and recorded in a timely and accurate manner on the Corporation's official books and records in accordance with U.S. and/or Canadian Generally Accepted Accounting Principles (GAAP) and established internal controls, policies and procedures;
- Follow all established internal controls, policies and procedures in the retention and disposal of the Corporation's records;
- Maintain compliance with all applicable federal, state and local laws and applicable rules and regulations issued by appropriate private and public regulatory agencies including, but not limited to, the Sarbanes-Oxley Act of 2002; all existing and future securities legislation and the corporate governance requirements of Nasdaq Rules;
- Report to the Chairman of the Audit Committee any information regarding (i) significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data, or (ii) any fraud, whether or not material, that involves management or other Persons who have a significant role in the Corporation's financial reporting, disclosures or internal controls.

Change in or Waiver of the Code of Ethics

Any waiver of any provision of this Code of Ethics must be approved:

- With regard to any Principal Person, by the Board of Directors, or if a significant number of its members will be personally affected by the waiver, by a committee of the Board of Directors consisting entirely of directors who will not be personally affected by the waiver; and
- With regard to any employee who is not a Principal Person, by the CEO of the Corporation or any other person designated by the CEO to waive such provisions, with a report thereof provided to the Board of Directors at their next regularly scheduled meeting.

No waiver of any provision of this Code of Ethics with respect to a Principal Person will be effective until that waiver has been reported to the person responsible for the preparation and filing of the Corporation's reports on Form 8-K (or any successor to that form) in sufficient detail to enable that person to prepare a report on Form 8-K containing any required disclosure with regard to the waiver. The Corporation will promptly disclose on Form 8-K, by means of the filing of such form and dissemination on the Corporation

webpage at www.lmlpayment.com or by other electronic means as required by the SEC, any change in or waiver of this Code of Ethics.

Any change in or waiver of provisions of this Code of Ethics will be reported in filings with the SEC and otherwise reported to the Corporation' shareholders to the full extent required by the rules of the SEC and by any applicable rules of any securities exchange or securities quotation system on which the Corporation' securities are listed or quoted.

Compliance

Each Person shall acknowledge and certify such Person's ongoing compliance with this Code of Ethics by signing the attached certificate of compliance and returning it to such Person's manager or designated human resources professional. This Code of Ethics will be published and made available to all employees and the public. It is the Corporation's intention that this Code of Ethics be its written code of ethics under Section 406 of the Sarbanes-Oxley Act of 2002.

Personal Commitment to the Corporation's Code of Ethics

I acknowledge that I have received and read the Corporation's Code of Ethics and understand my obligations as an employee, officer, or director to comply with the Code of Ethics.

I understand that my agreement to comply with the Code of Ethics does not constitute a contract of employment.

Please sign here: _____ Date: _____

Please print your name: _____

This signed and completed form must be returned to your manager or designated human resources professional.