

LML Payment Systems Inc.
Amended and Restated Audit Committee Charter
(adopted by the Board of Directors on June 21, 2010)

I. Purpose of Audit Committee of LML Payment Systems Inc. (the “Corporation”)

The primary functions of the Audit Committee (the “Committee”) of the Board of Directors of the Corporation (the “Board”) are to assist the Board in fulfilling its oversight responsibilities with respect to:

- (i) the Corporation’s systems of internal controls regarding finance, accounting, legal compliance and ethical behavior;
- (ii) the Corporation’s auditing, accounting and financial reporting processes generally;
- (iii) the Corporation’s financial statements and other financial information provided by the Corporation to its stockholders, the public and others;
- (iv) the Corporation’s compliance with legal and regulatory requirements;
- (v) the performance of the Corporation’s Corporate Audit Department; and
- (vi) the appointment, and evaluation of the qualifications and independence, of the Corporation’s independent auditors.

Consistent with these functions, the Committee will encourage continuous improvement of, and foster adherence to, the Corporation’s policies, procedures and practices at all levels. Although the Committee has the powers and responsibilities set forth in this Audit Committee Charter (this “Charter”), the role of the Committee is oversight. The members of the Committee are not full-time employees of the Corporation and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to conduct audits or to determine that the Corporation’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of the Corporation’s management and the independent auditors. The Committee shall be entitled to rely on the expertise, skills and knowledge of management, the Corporate Audit Department, and the Corporation’s independent accountants and the integrity and accuracy of information provided to the Committee by such persons.

II. Organization

A. Composition:

The Committee shall be comprised of three or more members of the Board (the number of which shall be fixed from time to time by resolution adopted by the Board), each of whom shall satisfy the independence and financial literacy requirements of The Nasdaq Stock Market,

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Inc. (“Nasdaq”) and the Securities and Exchange Commission (the “SEC”). At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the member's financial sophistication, as set forth in Rule 5605(c)(2)(A) of the Nasdaq Marketplace Rules, and, unless the Board shall otherwise determine, shall also be an “Audit Committee Financial Expert”, as defined by SEC regulations. Each member shall be free from any relationship that, in the opinion of the Board, would interfere with his or her exercise of independent judgment. The Board must determine that each member of the Committee: (i) qualifies as an “independent director” under Rule 5605(a)(2) of the Nasdaq Marketplace Rules, unless the Board determines that an exemption to such qualification is available under Nasdaq Rule 5605(c)(2)(B), (ii) meets the “independence” requirements under Section 10A of the Securities Exchange Act of 1934 (the “Exchange Act”) and (iii) satisfies the other requirements of Rule 5605(c)(2) of the Nasdaq Marketplace Rules.

B. Appointment of Members and Chairperson:

The members of the Committee shall be appointed or re-appointed by the Board on an annual basis. Members of the Committee may be removed at any time by action of the Board. Each member of the Committee shall continue to be a member thereof until such member's successor is appointed, unless such member shall resign or be removed by the Board or such member shall cease to be a director of the Corporation. Notwithstanding the foregoing, if a member ceases to be “independent”, such person shall immediately resign as a Committee member. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors as a result of the vacancy or the Committee no longer has a member who is an “audit committee financial expert” as a result of the vacancy. The Board, or in the event of its failure to do so, the members of the Committee, must appoint a chairperson from the members of the Committee (the “Chairperson”). The Committee shall also appoint a Secretary who need not be a director. All requests for information from the Corporation or the independent accountants shall be made through the Chairperson.

III. **Meetings**

A. Meetings:

The Committee shall meet four times per year on a quarterly basis, or more frequently as circumstances require. The Committee shall require have the authority to require members of management, the Corporate Audit Department, the independent auditors and others to attend meetings, to respond to inquiries and to provide pertinent information, as necessary. As part of its job to foster open communications, the Committee shall meet in separate executive sessions during each of its four regularly scheduled meetings with management, the head of the Corporate

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Audit Department and the Corporation's independent auditors to discuss any matters that the Committee (or any of these groups) believes should be discussed privately.

The Chairperson of the Committee shall call and preside over meetings and shall report to the Board regularly regarding the Committee's activities and actions, including at the first Board meeting following any Committee meeting. If the Chairperson of the Committee is not present at any meeting of the Committee, an acting Chairperson for the meeting shall be chosen by majority vote of the Committee from among the members present. In the case of a deadlock on any matter or vote, the Chairperson shall refer the matter to the Board.

B. Procedures governing Meetings:

The operation of the Committee is subject to the provisions of the Corporation's Bylaws (as in effect from time to time), including with respect to notice of meetings, quorum requirements, action without a meeting and waiver of notice of meetings. The Committee may determine such other procedural rules for meeting and conducting its business, except as otherwise provided in the Bylaws or required by applicable law. A majority of the members shall represent a quorum of the Committee, and, if a quorum is present, any action approved by at least a majority of the members present shall represent the valid action of the Committee. The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The Committee may form and delegate authority to subcommittees when appropriate.

IV. Responsibilities and Duties

The Committee shall be responsible for the appointment, compensation, retention and oversight of the work of any accounting firm engaged for the purpose of preparing and issuing an audit report or performing other audit, review or attestation services for the Corporation (including resolution of any disagreements between management and the independent auditors regarding financial reporting). Such accounting firms shall report directly to the Committee. The Committee shall consult with management but shall not delegate these responsibilities.

To fulfill its responsibilities and duties, the Committee shall:

A. With respect to the independent auditors:

1. Be directly responsible for the appointment, compensation and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing its audit report or related work.

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2. Have the sole authority to review in advance, and grant any appropriate pre-approvals of, (i) all auditing services to be provided by the independent auditors and (ii) all non-audit services to be provided by the independent auditors as permitted by Section 10A of the Exchange Act, and in connection therewith to approve all fees and other terms of engagement. The Committee shall also review and approve disclosures required to be included in the periodic reports filed by the Corporation under Section 13(a) of the Exchange Act with respect to non-audit services.

3. Review the performance of the Corporation's independent auditors on at least an annual basis.

4. On an annual basis, review and discuss with the independent auditors all relationships the independent auditors have with the Corporation in order to evaluate the independent auditors' continued independence. The Committee: (i) shall ensure that the independent auditors submit to the Committee on an annual basis a written statement (consistent with Independent Standards Board Standards No. 1) delineating all relationships and services that may impact the objectivity and independence of the independent auditors; (ii) shall discuss with the independent auditors any disclosed relationship or services that may impact the objectivity and independence of the independent auditors; and (iii) shall satisfy itself as to the independent auditors' independence.

5. At least annually, obtain and review an annual report from the independent auditors describing (i) the independent auditors' internal quality control procedures and (ii) any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues.

6. Confirm that the lead audit partner, or the lead audit partner responsible for reviewing the audit, for the Corporation's independent auditors has not performed audit services for the Corporation for each of the five previous fiscal years. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditors on a regular basis.

7. Review all reports required to be submitted by the independent auditors to the Committee under Section 10A of the Exchange Act.

8. Review, based upon the recommendation of the independent auditors and the Corporate Audit Department, the scope and plan of the work to be done by the independent auditors for each fiscal year.

B. With respect to financial statements:

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9. Review and discuss with management, the Corporate Audit Department, and the independent auditors the Corporation's quarterly financial statements (including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the independent auditors' review of the quarterly financial statements) prior to submission to stockholders, any governmental body, any stock exchange or the public.

10. Review and discuss with management, the Corporate Audit Department, and the independent auditors the Corporation's annual audited financial statements (including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations").

11. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards Nos. 61, 89, and 90 as amended, relating to the conduct of the audit.

12. Recommend to the Board, if appropriate, that the Corporation's annual audited financial statements be included in the Corporation's annual report on Form 10-K for filing with the SEC.

13. Prepare the report required by the SEC to be included in the Corporation's annual proxy statement and any other Committee reports required by applicable securities laws or stock exchange listing requirements or rules.

C. Periodic and Annual Reviews:

14. Periodically review separately with each of management, the independent auditors and the Corporate Audit Department (i) any significant disagreement between management and the independent auditors or the Corporate Audit Department in connection with the preparation of the financial statements, (ii) any difficulties encountered during the course of the audit (including any restrictions on the scope of work or access to required information), and (iii) management's response to each.

15. Periodically discuss with the independent auditors, without management being present, (i) their judgments about the quality, appropriateness, and acceptability of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, and (ii) the completeness and accuracy of the Corporation's financial statements.

16. Consider and approve, if appropriate, significant changes to the Corporation's accounting principles and financial disclosure practices as suggested by the independent auditors, management or the Corporate Audit Department. Review with the independent auditors, management, and the Corporate Audit Department, at appropriate intervals, the extent to which

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any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.

17. Review with management, the independent auditors, the Corporate Audit Department, and the Corporation's counsel, as appropriate, any legal, regulatory, or compliance matters that could have a significant impact on the Corporation's financial statements, including significant changes in accounting standards or rules as promulgated by the Financial Accounting Standards Board, the SEC or other regulatory authorities with relevant jurisdiction.

18. Obtain and review an annual report from management relating to the accounting principles used in preparation of the Corporation's financial statements (including those policies for which management is required to exercise discretion or judgments regarding the implementation thereof).

D. Discussions with Management:

19. Review and discuss with management the Corporation's earnings press releases (including the use of "pro forma" or "adjusted" non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies.

20. Review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Corporation with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses.

21. Inquire about the application of the Corporation's accounting policies and its consistency from period to period, and the compatibility of these accounting policies with generally accepted accounting principles, and (where appropriate) the Corporation's provisions for future occurrences which may have a material impact on the financial statements of the Corporation.

22. Review and discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures (including management's risk assessment and risk management policies).

23. Review and discuss with management the program that management has established to monitor compliance with (and review management's monitoring of the Corporation's compliance with) the Code of Business Conduct and Ethics.

24. Review and discuss with management all disclosures made by the Corporation concerning any material changes in the financial condition or operations of the Corporation.

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25. Obtain explanations from management for unusual variances in the Corporation's annual financial statements from year to year, and review annually the summary of deficiencies identified by Management and the independent auditors.

E. With respect to the internal audit function and internal controls:

26. Review, based upon the recommendation of the independent auditors and the head of the Corporate Audit Department, the scope and plan of the work to be done by the Corporate Audit Department.

27. Review and approve the appointment and replacement of the head of the Corporate Audit Department, and review on an annual basis the performance of the Corporate Audit Department.

28. In consultation with the independent auditors and the Corporate Audit Department, (a) review the adequacy of the Corporation's internal control structure and system, and the procedures designed to insure compliance with laws and regulations, and (b) discuss the responsibilities, budget and staffing needs of the Corporate Audit Department.

29. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, as set forth in Annex A attached to this Charter.

30. Review the internal control report prepared by management, including Management's assessment of the effectiveness of the Corporation's internal control over financial reporting, as and when required by Section 404 of the Sarbanes-Oxley Act of 2002.

31. Review with management and the independent auditors any reports or disclosure submitted by management to the Committee as contemplated by the Certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

F. Other:

32. Review and approve all related-party transactions.

33. Establish, review and update periodically a Code of Business Conduct and Ethics for Directors, Officers and employees of the Corporation; and review and approve (i) any change or waiver in the Code of Business Conduct and Ethics, and (ii) any disclosure made on Form 8-K regarding such change or waiver.

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34. The Committee shall be required to pre-approve the hiring of any employee or former employee of the independent auditors who was a member of the Corporation's audit engagement team within the preceding two fiscal years. The Committee shall not approve the hiring of any individual for a financial reporting oversight role if such person is or was an employee of the independent auditor and was a member of the Corporation's audit engagement team within the preceding two fiscal years unless: (A) (i) such individual is to be employed for a limited period of time due to an emergency or unusual situation and (ii) the Committee determines that the hiring of such individual is in the best interests of the Corporation's shareholders; or (B) such individual becomes employed by the Corporation as a result of a business combination and the Committee was made aware of such individual's prior relationship with the Corporation as a member of its audit engagement team.

35. Review any management decision to seek a second opinion from independent auditors other than the Corporation's regular independent auditors with respect to any significant accounting issue.

36. Review with management and the independent auditors the sufficiency and quality of the Corporate Audit Department staff and other financial and accounting personnel of the Corporation.

37. Review and reassess the adequacy of this Charter annually and recommend to the Board any changes the Committee deems appropriate.

38. The Committee shall conduct an annual performance evaluation of itself.

39. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law as the Committee or the Board deems necessary or appropriate."

V. Resources

The Committee shall have the authority to retain, at the expense of the Corporation, such independent legal, accounting and other consultants and advisors as it shall deem necessary to carry out its duties, without Board or management approval, and to conduct investigations that it believes, in its sole discretion, are necessary to carry out its responsibilities. The Committee shall have full access to the books, records and facilities of the Corporation in carrying out its responsibilities. The Committee members will be provided with continuing education opportunities in financial reporting and other areas relevant to the Committee.

The Corporation shall provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of: (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; (ii) compensation to any

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advisors engaged by the Committee as provided above; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

VI. Disclosure of Charter

This Charter will be made available on the Corporation's Web site at "www.lmlpayment.com."

ANNEX A
PROCEDURES FOR THE SUBMISSION OF
COMPLAINTS AND CONCERNS REGARDING
ACCOUNTING, INTERNAL ACCOUNTING CONTROLS OR
AUDITING MATTERS

1. LML Payment Systems Inc. (the “Corporation”) has designated its Audit Committee of its Board of Directors (the “Committee”) to be responsible for administering these procedures for the receipt, retention, and treatment of complaints received by the Corporation or the Committee directly regarding accounting, internal accounting controls, or auditing matters.
2. Any employee of the Corporation may on a confidential and anonymous basis submit concerns regarding questionable accounting controls or auditing matters to the Committee by setting forth such concerns in a letter addressed directly to the Committee with a legend on the envelope such as “Confidential” or “To be opened by Committee only”. If an employee would like to discuss the matter directly with a member of the Committee, the employee should include a return telephone number in his or her submission to the Committee at which he or she can be contacted. All submissions by letter to the Committee can be sent to:

LML Payment Systems Inc.
c/o Audit Committee
Attn: Chairperson
1680 – 1140 West Pender Street
Vancouver, BC V6E 4G1

3. Any complaints received by the Corporation that are submitted as set forth herein will be forwarded directly to the Committee and will be treated as confidential if so indicated.
4. At each meeting of the Committee, or any special meetings called by the Chairperson of the Committee, the members of the Committee will review and consider any complaints or concerns submitted by employees as set forth herein and take any action it deems necessary in order to respond thereto.
5. All complaints and concerns submitted as set forth herein will be retained by the Committee for a period of seven (7) years.