

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

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

The primary purpose of the Compensation Committee (the “Committee”) of the Board of Directors of the Corporation (the “Board”) is to help the Board discharge its responsibilities with respect to: (i) the compensation of the Corporation’s Chief Executive Officer (“CEO”) and other executive officers; (ii) the administration of the Corporation’s executive compensation and benefits programs; (iii) the production of an annual report on executive compensation for inclusion in the Corporation’s proxy statement; and (iv) overseeing the Corporation’s management of risk in the Committee’s areas of responsibility as further provided in this Compensation Committee Charter (this “Charter”). For this purpose, compensation shall include:

- annual base salary and bonuses;
- annual incentive opportunity;
- stock option and/or other equity stock award or participation plans;
- profit-sharing plans;
- long-term incentive opportunity;
- the terms of employment agreements, severance arrangements, change in control agreements and other similar agreements, in each case as appropriate;
- any special or supplemental benefits;
- pension rights; and
- any other payments that are deemed compensation under applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) and The Nasdaq Stock Market, Inc. (“Nasdaq”).

The basic responsibility of the members of the Committee is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Corporation and its shareholders. In discharging that responsibility, the Committee shall be entitled to rely on the honesty and integrity of the Corporation’s senior executives and its outside advisors and auditors, to the extent it deems necessary or appropriate.

II. Organization

A. Composition:

The Committee shall consist of three or more directors (the number of which shall be fixed from time to time by resolution adopted by the Board), each of whom has been determined by the Board to: (i) meet the independence requirements under the listing standards of Nasdaq (provided that one director who does not meet the Nasdaq independence criteria may serve on the Committee pursuant to the “exceptional and limited circumstances” exception as provided under the rules of Nasdaq); (ii) qualify as a “non-employee director” (“Non-Employee Director”) within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and

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regulations promulgated thereunder; and (iii) meet the “outside director” requirements of Section 162(m) of the Internal Revenue Code of 1986.

If at any time the Committee includes a member who is not a Non-Employee Director, then either a subcommittee comprised entirely of individuals who are Non-Employee Directors or the Board shall ratify any grants made to any individual who is subject to liability under Section 16 of the Exchange Act; provided that any such grants shall not be contingent on such ratification.

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. 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.

III. Meetings

A. Meetings:

The Committee shall meet at least three times per year, or more frequently as circumstances require. The Committee shall have the authority to request any officer, director or employee of the Corporation, or any other persons whose advice and counsel are sought by the Committee, such as members of the Corporation’s management or the Corporation’s outside advisors and consultants, to meet with the Committee or any of its advisors, to respond to inquiries and to provide pertinent information as necessary.

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.

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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. Authority and Responsibilities

To fulfill its responsibilities, the Committee shall:

A. With respect to Compensation of Executive Officers:

1. Review and approve the Corporation's compensation strategy to ensure it is appropriate to continue to attract, retain and motivate senior management and other key employees.

2. On an annual basis, review and approve corporate goals and objectives relevant to the compensation of the Corporation's CEO, evaluate the CEO's performance in light of those goals and objectives and, as a committee determine and approve the CEO's compensation level based on this evaluation. In evaluating, determining and approving the long-term incentive component of CEO compensation, the Committee will also consider, among such other factors as it may deem relevant, the Corporation's performance, shareholder returns, the value of similar incentive awards to chief executive officers at comparable companies, the value of similar awards given to other executive officers of the Corporation and the awards given to the CEO in past years. The CEO shall not be present during voting or deliberations relating to the CEO's compensation.

3. On an annual basis, review and approve the compensation of all other executive officers of the Corporation. The Committee shall seek to ensure that senior executives are compensated effectively and in a manner consistent with the Corporation's articulated compensation strategy, internal considerations, competitive factors and applicable regulatory requirements.

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B. With respect to Compensation of Directors:

4. Periodically review the compensation paid to Non-Employee Directors and make recommendations to the Board for any adjustments, taking into consideration the level of compensation paid to directors of comparable companies and the specific duties of each director.

5. No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.

C. With respect to Compensation Policies, Plans and Programs:

6. Review and approve at least annually the corporate goals and objectives of the Corporation's executive compensation plans, incentive-compensation and equity-based plans and other general compensation plans (the "Corporation Plans"), and amend, or recommend that the Board amend, these goals and objectives if the Committee deems it appropriate.

7. Review at least annually the Corporation Plans in light of the Corporation's goals and objectives with respect to such plans, and, if the Committee deems it appropriate, recommend to the Board the adoption of new, or the amendment of existing, Corporation Plans.

8. Serve as the "Committee" established to administer the Corporation Plans, where applicable, and perform the duties of the Committee under those plans. With respect to each such plan, the Committee shall have responsibility for:

- a. setting performance targets under all annual bonus and long-term incentive compensation plans as appropriate and committing to writing any and all performance targets for all executive officers who may be "covered employees" under applicable laws and regulations;
 - b. determining that any and all performance targets used for any performance-based equity compensation plans have been met before payment of any executive bonus or compensation under any such plans;
 - c. certifying that any and all performance targets used for any performance-based equity compensation plans have been met before payment of any executive bonus or compensation under any such plan(s); and
 - d. granting any awards under any performance-based annual bonus, long-term incentive compensation and equity compensation plans to executive officers, including stock options and other equity rights (e.g., restricted stock, stock purchase rights).
9. Establish and periodically review policies concerning perquisite benefits.

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10. Determine and approve the Corporation's policy with respect to change of control or "parachute" payments.

11. Review and make recommendations to the Board with respect to executive officer and director indemnification and insurance matters.

D. With respect to Executive Compensation Disclosure and Annual Reporting:

12. Review the Corporation's compensation disclosures in its annual proxy statement and its Annual Report on Form 10-K filed with the SEC. Review and discuss with management the Corporation's Compensation Discussion and Analysis ("CDA"). Recommend to the Board whether such compensation disclosures and CDA should be disclosed in the Corporation's Annual Report on Form 10-K or annual proxy statement filed with the SEC, as applicable.

13. Prepare any report required by applicable rules and regulations or listing standards, including the report required by the SEC to be included in the Corporation's annual proxy statement, or, if the Corporation does not file a proxy statement, in the Corporation's Annual Report filed on Form 10-K with the SEC.

E. Other Committee Authority:

14. Discuss with management (a) policies with respect to the assessment and management of risks arising from the Corporation's compensation policies and practices and management's assessment of their adequacy and effectiveness; (b) the Corporation's material risk exposures in these areas and the steps taken to manage such exposures; and (c) the Corporation's risk tolerance in these areas and its relationship to the Corporation's strategy.

15. Review managerial succession plans and, in connection therewith, review, at least annually, with the Board the then current succession plans for each of the Corporation's senior executives (including the succession plan covering the retirement and/or unexpected unavailability of the Corporation's CEO).

16. Review and reassess the adequacy of this Charter annually and recommend to the Board any changes deemed appropriate by the Committee.

17. Review its own performance annually.

18. Report regularly to the Board.

19. 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.

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Nothing in this Charter shall preclude the Board from discussing CEO or non-CEO compensation generally or any other subject. The foregoing responsibilities and duties set forth in this Charter should serve as a guide only, with the express understanding that the Committee may carry out additional responsibilities and duties and adopt additional policies and procedures as may be necessary in light of any changing business, legislative, regulatory, legal or other conditions.

V. Resources

The Committee shall have the sole authority to (i) retain or terminate (at the Corporation's expense) its own legal counsel and other advisors and experts that the Committee believes, in its sole discretion, are needed to carry out its duties and responsibilities, including, without limitation, the retention of a compensation consultant to assist the Committee in evaluating director and executive officer compensation; and (ii) conduct investigations that it believes, in its sole discretion, are necessary to carry out its responsibilities. The Committee shall ensure that any compensation consultant retained by the Committee is independent of the Company. The Committee shall have full access to the books, records and facilities of the Corporation in carrying out its responsibilities.

The Committee shall have the sole authority to determine the terms of engagement and the extent of funding necessary for payment of compensation to any counsel, advisor, consultant or other professional retained to advise the Committee and 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."