



LML PAYMENT SYSTEMS®
your partner in payments

LML Payment Systems Corporate Presentation

March 31, 2009
Patrick Gaines, CEO





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This presentation contains certain forward-looking statements. Statements containing expressions such as "may," "will," "project," "might," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "potential," "continue" or "pursue," or the negative or other variations thereof or comparable terminology used in LML's presentation and in its reports filed with the Securities and Exchange Commission are intended to identify forward-looking statements. These forward-looking statements, which are included in accordance with the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, may involve known and unknown risks, uncertainties and other factors that may cause LML's actual results and performance in future periods to be materially different from any future results or performance suggested by the forward-looking statements in this presentation. Other forward looking statements in this presentation include that our intellectual property is defensible, that our merchant base is growing, that our technology can support significant increases in volume without capital expenditures, and all aspects of our growth strategy. Although LML believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that actual results will not differ materially from these expectations. From time to time, these risks, uncertainties and other factors are discussed in the Company's filings with the Securities and Exchange Commission. Such factors include, without limitation, the following: the timely development and market acceptance of new products and technologies; our ability to secure financing on terms acceptable to us; our ability to control operating expenses; increased competition in the internet payments, collections, and payment software businesses; a decline in the public usage of checks and other traditional payment methods; loss of any significant customer; loss or retirement of key executives; successful challenge of our intellectual property; our inability to execute on our growth plans; and a decline in the general economy. Viewers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this presentation, and should review the risk factors in our periodic reports filed on Edgar. LML does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.



Company Profile

- **Publicly-Traded on NASDAQ (“LMLP”)**
 - Market capitalization of ~\$20 million
 - Profitable business model with recurring transaction-based revenue
 - FY 2009 (March) revenue of \$12.4 million USD with anticipated continued strong growth rate of approximately 15% (ending March 2010)
 - FY09 net cash position of \$6.1 million
 - Headquartered in Vancouver, BC with operations in Victoria, BC, and Wichita, KS

- **Leader in Financial Payment Processing Solutions**
 - Recently repositioned and expanded our business focus from a Check Processor to a Payment Technology Platform Provider
 - Provide comprehensive payment processing solutions for e-commerce and traditional businesses
 - Developed intellectual property for Payment Processing Technology that is captured in well-defined, defensible patent estate
 - Capitalizing on **two secular growth trends**: the increase in e-commerce ;and the continued adoption of electronic forms of payment



Business Segments



Transaction Payment Processing
(TPP)



Check Processing/
Software Licensing
(CP/SL)

Intellectual Property
Licensing (IPL)

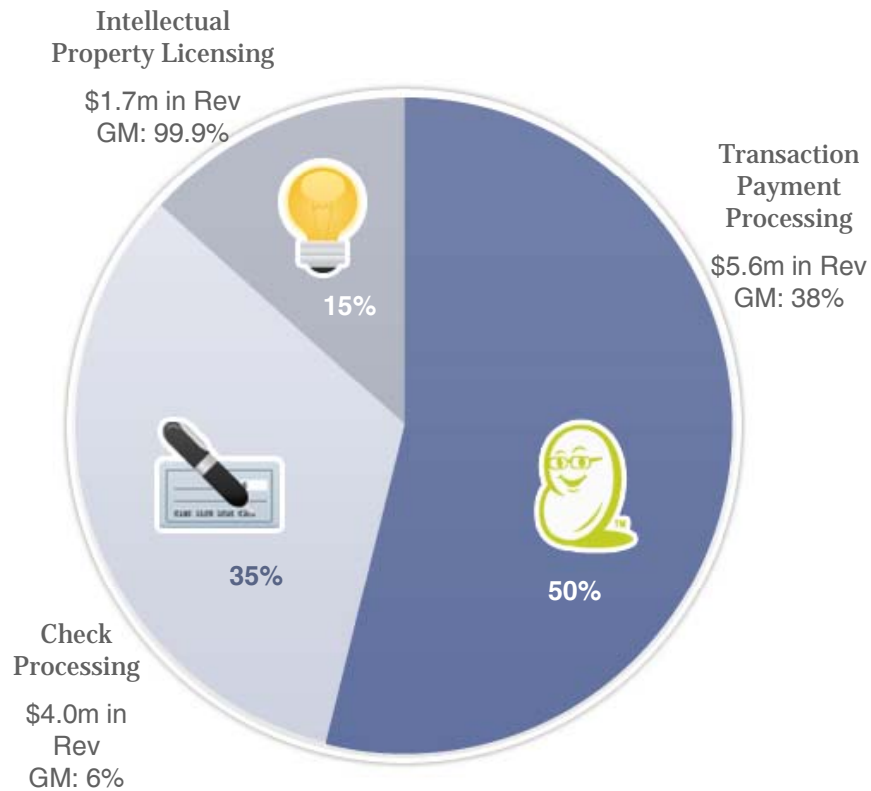




Revenue by Segment

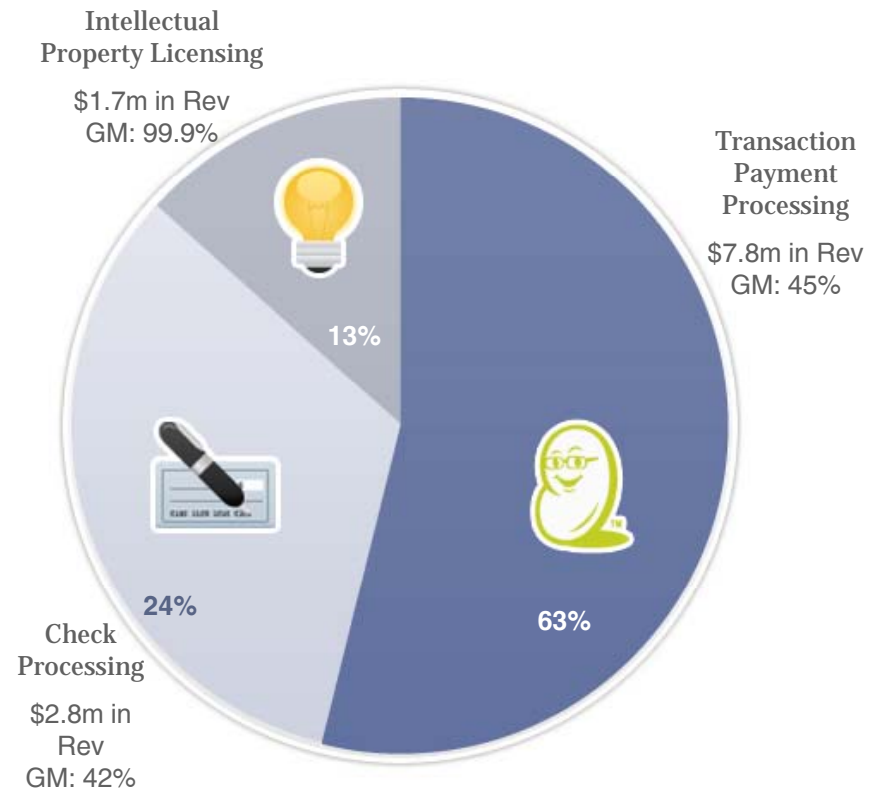
Fiscal Year End March 2008

\$11.3 Million



Fiscal Year End March 2009

\$12.4 Million





TPP Segment

Subsidiary Beanstream Internet Commerce

Acquired June 2007

Expanded Service Offering and Market Opportunity

- A leading provider of Internet payment processing solutions in Canada.
- Canadian e-commerce market value of \$10 Billion with a CAGR of 25-35%.
- U.S. e-commerce market value of \$150 Billion with a CAGR of 28%.

Compelling value proposition to online and traditional merchants

- Enabler of e-commerce for web based merchants. Particularly to small/medium size businesses.
- Provide safe, secure payment processing.
- For traditional businesses using the Internet we provide new payment types in a safe and secure fashion.

Highly scalable operations

- Currently process 2 million transactions per month.

Strong Partner Network

- Relationships with key financial institutions and technology partners drive merchant acquisition.
- Over 400 channel partners: referrals or commission.
 - Over 8,000 merchant customers and growing.
 - Canadian focus, with potential expansion into the U.S. and other markets
- Operate online-mart on behalf of TD Bank merchant services.
- Integrated directly into Equifax platform and directly into each copy of Sage's Simply Accounting software.





Beanstream Products & Services

Customer Attraction and Revenue Diversification

Payment Gateway Services

Integrate with merchant website to facilitate the transfer of payment information for credit card or debit card from merchant to acquiring banks.



Acquiring Business

Providing merchant accounts to businesses for Visa and Mastercard card acceptance.

Electronic Funds Transfer & Automated Clearing House

Processing payments via electronic check to suppliers and businesses.



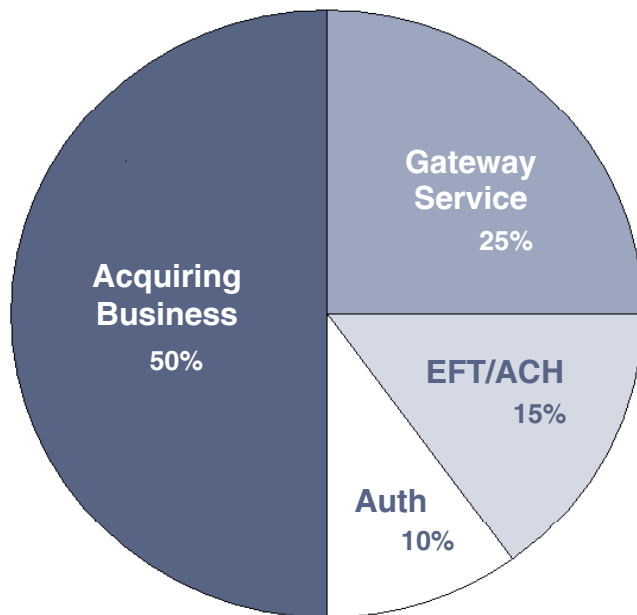
Authentication & Risk Management Services

Validate the identity of card holders initiating transactions. Through partnership with Equifax.
Address verification
Velocity controls
Card verification

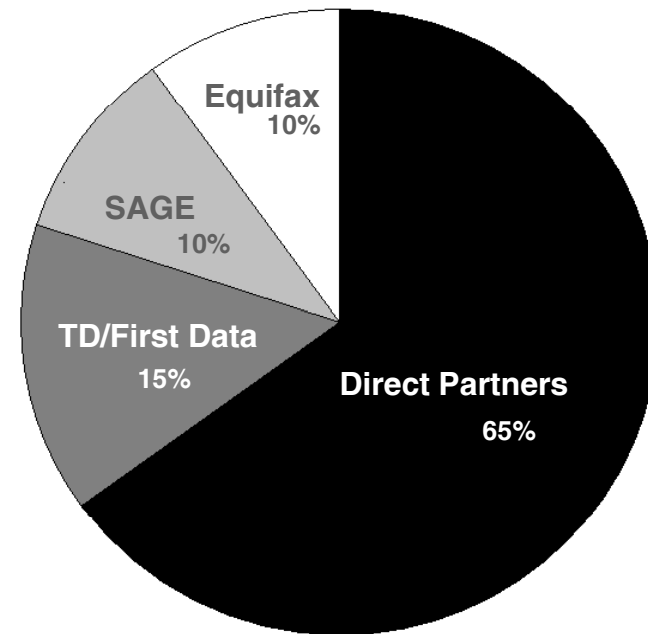


Beanstream Revenue Mix

Revenue by Product

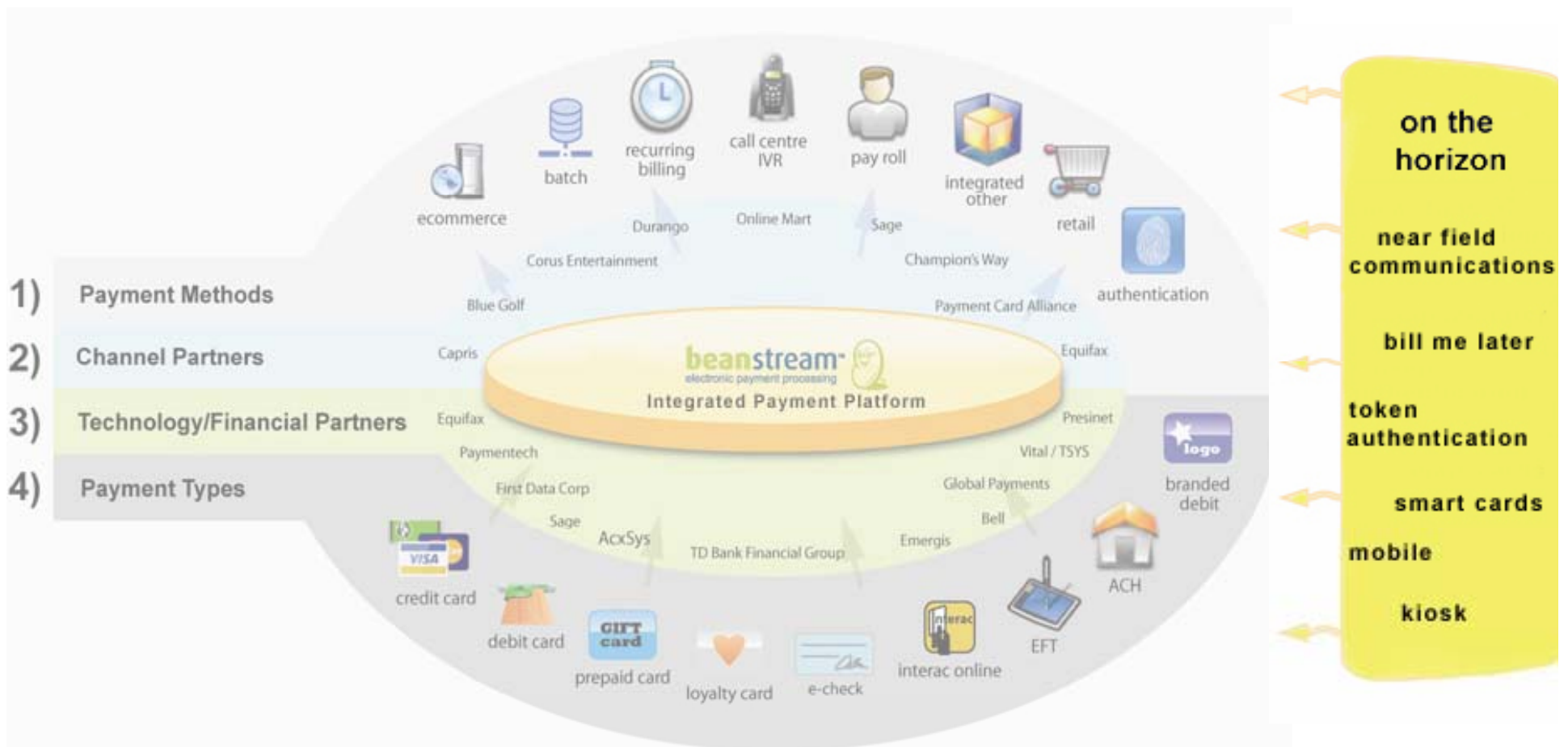


Revenue by Partner





Payment Platform Provider's Strategy Map



- Leverage LML banking relationships and office locations for U.S. expansion
- Develop online vertical applications to broaden market reach
- Revenue growth via existing and new strategic partnerships
- Increase penetration of Canadian merchants selling globally





Check Processing Segment

U.S. Subsidiary LML Payment Systems Corp.

Impact of Payment Trends

- Credit and debit and other forms of electronic payments are replacing checks as consumers preferred method of payment.
- Number of paper checks written declined from 42.5 Billion in 2000 to 30.6 Billion in 2006.
- Number of electronic checks increased eight-fold over the same period to 5.2 Billion



checks to electronic transactions

Repositioned Check Processing Operations

- Discontinued unprofitable and declining services
- Migrated profitable service offerings and consolidated our data centers
- Short term effect to revenue decline of \$1.2 Million, but reduced costs by \$1.8 Million annually.

Service Offerings Include

- Electronic check processing
- Electronic check recovery
- Traditional check recovery



Intellectual Property Segment

U.S. Subsidiary LML Patent Corp.

- **Maintain and Develop IP Portfolio for Payment Systems**

- 4 key U.S. patents for “electronification” of paper checks for point of sale, internet and lock box presentment

Patent 988

Electronic Retail Checkwriting
Point-of-Sale System

Patent 528

Internet Checking Transactions

Patent 491

Electronic Check Processing

Patent 366

Corporate Checks and
Electronic Fund Transfers (EFT)

- **Successful History of Claims Enforcement**

- Partnered with Kirkland & Ellis and McKool Smith. Two marquee firms in patent litigation
- Settled three cases in 2006 for \$16M
- Revenue in form of one-time, up-front fee and/or recurring royalty payment based on transaction volume

- **Current Licensees:**





Intellectual Property Segment

U.S. Subsidiary LML Patent Corp.

- **Received 5th Patent in April 2008**
 - Specifically describes electronic checks at the lock box and over the web (bill payment)
 - Expanded claims from 20 to over 100

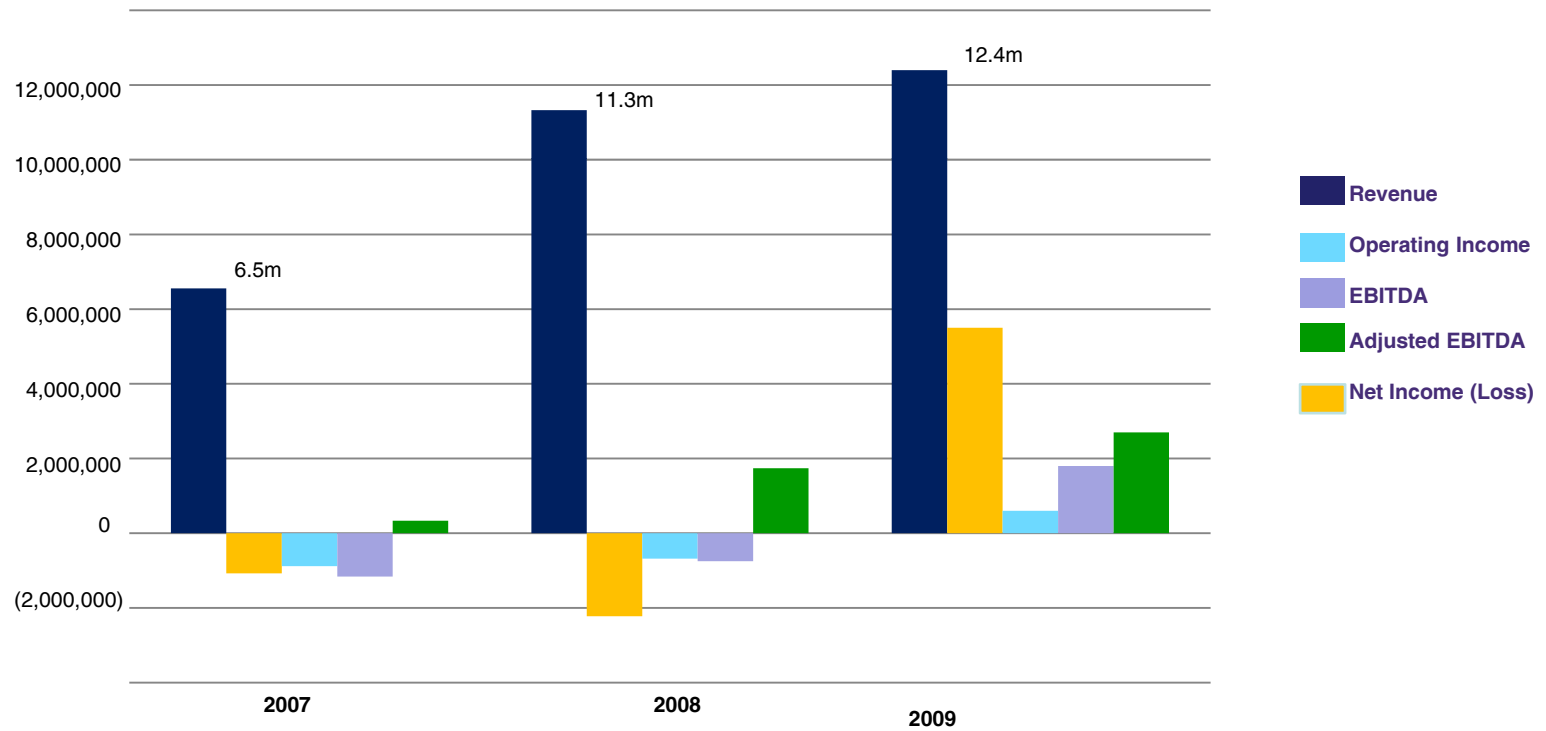


- **Continue to Monetize Patent Portfolio**
 - November 2008 - initiated legal action against 19 defendants. Mostly banks and financial institutions
 - Lock box and web transactions totaled 2.6 and 1.7 billion respectively in 2007 and continue to expand
 - Expect successful licenses to be based on transaction volume either running royalty or fully paid up



Financial Information

Fiscal Year End 2007 - 2009





Business and Financial Model Highlights

Business Model Highlights

Large, Growing Market Opportunity

- ecommerce
- Traditional Payment Processing

Compelling Value Proposition:

- Safe enablement for web merchants
- Cost savings and convenience for traditional businesses

Competitive Advantages

- Partner relationships
- Intellectual property

Profitable Financial Model

- Recurring transactions

Experienced Management Team

- Sound business principals
- Well defined plan for growth
- Dedicated and financially committed
- Active Board of Directors

Financial Model Highlights

Transaction Volume Model

- Revenues based on millions of transactions each month.

Recurring Revenue Streams

- Recognized monthly with most customers.

High Margin Licensing

- One time fees are pure profit.

Diversity of Customer Base

- Over 8,000 merchants, and growing.

Minimal Capital Expenditures

- Maintenance capex of less than \$500,000 annually.