

NOTICE EXPLAINING INSTRUMENT OF RELIEF

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)(RECEIVERS AND MANAGERS APPOINTED)

On 29 September 2016, the Australian Securities and Investments Commission (“ASIC”), on my application, issued instrument 16-0959 (“the Instrument”) under subsections 111AT(1) and 601QA(1) of the *Corporations Act 2001* (“the Act”) granting LM Investment Management Limited (in liquidation) (receivers and managers appointed) (“LMIM”), in its capacity as responsible entity (“RE”) of the LM First Mortgage Income Fund (receiver appointed) (“FMIF”) an exemption from compliance with its obligations under:

1. the disclosing entity provisions in Part 2M.3 of the Act in relation to a financial year or half year of the FMIF;
2. section 601HG of the Act in relation to a financial year of the FMIF.

(“Financial Reporting and Audit Obligations”)

The exemption applies during the period ending on 16 March 2018. A copy of the Instrument is available on the website www.lmfimf.com. The purpose of this Notice is to explain the effect of the Instrument, as required by paragraph 6(a) of the Instrument.

The disclosing entity provisions in Part 2M.3 of the Act require LMIM as RE of the FMIF to:-

1. prepare a financial report for the FMIF for each financial year, and each half-year;
2. prepare a directors’ report for the FMIF for each financial year and each half-year;
3. have the financial reports audited, and obtain an auditor’s report;
4. provide the financial reports, the directors reports, and the auditors reports to members and lodge the reports with ASIC.

There are significant costs associated with having the annual and half-year financial reports of the FMIF audited on an ongoing basis, and I applied for ASIC to grant relief in order to minimise that cost to the FMIF.

Section 601HG of the Act requires LMIM as RE of the FMIF to have its compliance plan audited.

LMIM as RE of the FMIF is exempt from its obligation to comply with the Financial Reporting and Audit Obligations during the period from the date of the Instrument to 16 March 2018 so long as it complies with the conditions of the relief granted by the Instrument.

The conditions of the relief are satisfied if I:

1. publish in a prominent place on the website www.lmfimf.com a copy of the Instrument, accompanied by a notice explaining the relief granted by the Instrument;
2. prepare and make available to members within three months after the end of each “relevant period” of six months, starting on 1 January 2016, a report for the relevant period which includes certain specified information about:

- (a) the progress and status of the winding up of the FMIF;
 - (b) the financial position of the FMIF as at the last day of the relevant period;
 - (c) financial information about receipts for the FMIF during the period;
 - (d) information about the value of the FMIF's property and the estimated return to members of the FMIF;
3. maintain adequate arrangements to answer within a reasonable period of time and without charge to the member, any reasonable questions asked by members of the FMIF about the winding up of the FMIF.

LMIM as RE of the FMIF must comply with each of the Financial Reporting and Audit Obligations for which the exemption was granted, by 16 March 2018 (the end of the deferral period).

Compliance with these conditions will ensure that investors are kept informed of the progress and status of the winding up and the financial position of the FMIF. My intention is to report to investors quarterly, and each second report will therefore contain the information required by paragraph 6(b) of the Instrument.

If any member of the FMIF has any questions about the effect of the Instrument, please contact Dermot O'Brien or Andrew Lane of this office on +61 7 3237 5999.



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David Whyte, Court-Appointed Receiver

Dated 30 September 2016