



Legal Advisor costs	760,637
Loan recovery costs	229,373
	4,211,638

9.2 The Liquidators of LMIM's (FTI) indemnity claim against the Fund

As advised in my last report to investors, the orders handed down following the hearing of FTI's application for directions and orders in relation to their ongoing role and extent of their powers and responsibilities to undertake certain duties on behalf of the FMIF set out, amongst other things, the process for me to adjudicate on LMIM's indemnity claim against the property of the FMIF in respect to any expense or liability of, or claim against, LMIM in acting as Responsible Entity of the FMIF.

In this regard, FTI submitted two indemnity claims for \$241,453.54 and \$375,499.78 against the assets of the Fund.

The first claim of \$241,453.54 relates to legal costs incurred in relation to the appeal of the decision appointing me as receiver to wind up the Fund. This has been rejected; however, I have advised FTI that I will make a final decision in this regard once Justice Jackson has handed down his decision in respect of FTI's remuneration claim as it includes work carried out by them in relation to the appeal proceedings and that may assist in my final determination of the claim.

In respect of the second claim, I have accepted \$93,449.85, rejected \$169,243.26 and deferred \$5,473.59 pending the judgement to be handed down in relation to FTI's remuneration application. The balance of FTI's claim has been withdrawn.

FTI have a period of 28 days to make an application to Court should they wish to object to my decision.

10. Receiver's Remuneration and Expenses

There have been four applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 31 October 2015.

A copy of all documentation in relation to my applications can be found on the website www.lmfimif.com.

In addition to the remuneration previously approved by the Court, I calculate that, on a time basis, I have incurred further remuneration of \$1,116,767 plus outlays of \$26,147.51 plus GST from 1 November 2015 to 31 March 2016 plus work undertaken in respect of the controllerships for the retirement village assets of \$37,685 plus outlays of \$92.37 plus GST as detailed in the table below and attached summaries.

	Remuneration (GST exclusive)	Outlays (GST)
LM First Mortgage Income Fund (Receivers & Managers Appointed) (Receiver Appointed)	1,116,767.00	26,147.51
OVST Pty Ltd (In Liquidation) (Controllers Appointed)	5,108.50	0.62
Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)	5,618.00	45.21
Bridgewater Lake Estate Ltd (In Liquidation) (Controllers Appointed)	17,830.00	1.89
Redland Bay Leisure Life Ltd (In Liquidation) (Controllers Appointed)	6,041.00	44.65
Redland Bay Leisure Life Development Ltd (In Liquidation) (Controllers Appointed)	734.50	-
Cameo Estates Lifestyle Villages (Launceston) Pty Ltd (Receivers & Managers Appointed) (Controllers Appointed)	2,353.00	-
Total	1,154,452.00	26,239.88

The key matters addressed during the period, were:

- Work undertaken in relation to the litigation matters detailed at Sections 2 and 4 of this report which include, among other things:
 - Progressing a claim against a quantity surveyor;
 - Providing assistance to the Liquidator of Bellpac regarding the \$8M bond claim and progressing these matters;
 - Progressing the claim against the MPF and others;
 - Attending to discovery in the MPF proceedings;
 - Progressing claims against guarantors.
- Liaising with various parties in relation to the DB Receiver's retirement;
- Reviewing and progressing potential claims against the former auditors, LMIM and related parties regarding the financial statements and compliance plan audits following public examinations held, including quantifying the loss suffered by the Fund and finalising and serving the further amended statement of claim;
- Review of potential claims against former valuers of property securities for negligence and breach of contract;
- Finalising settlement of Western Union's set off claim;
- Dealing with FTI's court application in relation to remuneration sought against the FMIF in their capacity as liquidators of the responsible entity, including meetings and correspondence with our

- solicitors and counsel, correspondence with FTI's solicitors and undertaking investigations into payments made to LMIM and LMA;
- Adjudicating on FTI's claims for indemnity against the assets of the Fund for expenses and costs incurred in their capacity as liquidators of the responsible entity;
 - Preparing an application to ASIC for relief from the requirements of a half year review and annual audit of the financial reports and compliance plan;
 - Undertaking the investor management function for approximately 4,500 investors including answering queries on the winding up of the Fund and maintaining the investment database, including any change in details or transfer of units;
 - Finalising outstanding trading matters from the sale of five retirement villages;
 - Preparation of unit price calculation as at 31 March 2016;
 - Preparation of the update report to Investors in April 2016.

The fees for the five months ended 31 March 2016 average approximately \$230,000 per month compared to the previous six months total of \$2,248,416 at an average of approximately \$375,000 per month.

As I have now completed a significant portion of my investigations in relation to the claim against the auditors and discovery in the MPF proceedings is almost complete, I expect my fees incurred in the coming periods will continue to reduce.

I anticipate that my next application to Court for the approval of my remuneration will be made in May/June 2016 covering the period 1 November 2015 to 30 April 2016. A copy of my application in this respect will be posted to the website www.lmfimf.com and investors will be notified when this application has been lodged.

11. Queries

Should unit holders wish to advise of any changes in details or require further information, please contact BDO as follows:

BDO
GPO Box 457
Brisbane QLD 4001
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227
Email: enquiries@lmfmif.com

Yours faithfully



David Whyte
Receiver



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016
LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed)

Employee	Base Salary	Totals		Assets		Creditors		Task Area		Awards			
		hrs	\$	hrs	\$	hrs	\$	hrs	\$				
Matthew Joiner	560	0.3	168.00	54.0	30,240.00	0.3	168.00	169.3	94,808.00	27.5	15,400.00	31.5	17,640.00
David Whyte	560	323.0	180,888.00			40.7	22,792.00			287.3	160,888.00		
Clark Jarrold	560	287.3	160,888.00					25.4	12,573.00	412.1	203,989.50		16,186.50
Eric Leeuwendal	495	604.9	299,425.50	83.5	41,332.50	51.2	25,344.00			50.7	24,843.00		
Craig Jenkins	490	50.7	24,843.00							5.0	2,450.00		
Kim Colyer	490	5.0	2,450.00							2.4	1,164.00		
Craig Jenkins	485	2.4	1,164.00										
John Somerville	440	261.3	114,972.00	8.0	3,520.00	44.5	19,580.00	99.2	43,648.00	56.6	24,904.00	53.0	23,320.00
Julie Pagcu	375	28.2	10,575.00							28.2	10,575.00		
Murray Daniel	365	2.4	876.00							2.4	876.00		
Julie Pagcu	360	227.1	81,756.00	30.6	11,016.00	28.7	10,332.00	92.6	33,336.00	36.5	13,140.00	38.7	13,932.00
Ashleigh Simpson-Wade	360	43.1	15,516.00	1.5	540.00					39.0	14,040.00		
Chris Demeyere	360	0.3	108.00										
Ashleigh Simpson-Wade	350	37.2	13,020.00							36.6	12,810.00		
Nicola Kennedy	280	345.9	96,852.00			4.1	1,148.00	322.3	90,244.00	13.8	3,864.00	5.7	1,596.00
Dermot O'Brien	195	180.4	35,178.00			26.5	5,167.50			10.2	1,989.00	143.7	28,021.50
Samantha Brown	195	20.4	3,978.00			0.1	19.50			20.3	3,958.50		
Sarah Cunningham	195	10.1	1,969.50									10.1	1,969.50
Julia Mayne	195	242.2	47,229.00			164.9	32,155.50	22.1	4,309.50	43.2	8,424.00	12.0	2,340.00
Aubrey Meek	190	3.4	646.00			3.4	646.00						
Luke Wallen	190	44.2	8,398.00							44.2	8,398.00		
Michael Yu	190	0.5	95.00							0.5	95.00		
Dale Ludwig	185	1.7	314.50									1.7	314.50
Ashley Richardson	155	1.0	155.00									1.0	155.00
Nicole Jackson	155	14.4	2,232.00									8.2	1,271.00
Peter Hill	145	37.5	5,437.50			3.2	496.00	3.0	465.00	37.5	5,437.50		
Sarah Matthews	140	0.3	42.00	0.3	42.00							41.0	5,330.00
Brooke Streidl	130	41.8	5,434.00							0.8	104.00	3.8	437.00
Emma Sheehy	115	3.8	437.00									21.6	1,728.00
Mofra Hattingh	80	21.6	1,728.00										
TOTALS	2,842.4	1,116,767.00	177.8	86,480.50	167.6	17,848.00	703.9	279,443.50	1,116,767.00	1,116,767.00	1,116,767.00	1,116,767.00	1,116,767.00

TOTAL INC GST	111,676.70
TOTAL INC GST	1,228,443.70
AVERAGE HOURLY RATE	48.7
AVERAGE HOURLY RATE	49.3



Disbursements for the period 1 November 2015 to 31 March 2016

LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed)

Expense Type	Amount (\$ Ex GST)
Postage	14,675.45
General	9,713.22
Courier	311.15
Search Fee	540.51
Printing	587.10
Taxi fares	110.98
Photocopy	209.10
TOTAL	26,147.51
GST	2,614.75
TOTAL INC GST	28,762.26



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016
Bridgewater Lake Estate Pty Limited (In Liquidation) (Controllers Appointed)

Employee	Position	Rate	Totals		Assets		Creditors		Task Area		Appropriation	
			hrs	\$	hrs	\$	hrs	\$	hrs	\$		
Leisa Rafter	Partner	620	1.8	1,116.00	1.8	1,116.00			0.3	168.00	1.1	616.00
David Whyte	Partner	560	1.4	784.00					2.7	1,188.00	0.6	264.00
John Somerville	Senior Manager	440	3.3	1,452.00					0.7	252.00	0.3	108.00
Murray Daniel	Supervisor	360	1.0	360.00							0.7	245.00
Ashleigh Simpson-Wade	Supervisor	350	13.2	4,620.00	12.5	4,375.00						
Samuel Alexander	Supervisor	350	10.9	3,815.00	10.9	3,815.00						
Nicola Kennedy	Senior Accountant II	280	9.1	2,548.00					8.4	2,352.00	0.7	196.00
Sarah Cunningham	Team Assistant	195	0.8	156.00							0.8	156.00
Dermot O'Brien	Accountant II	195	0.5	97.50	0.5	97.50						
Julia Mayne	Accountant II	195	8.1	1,579.50			0.4	78.00			1.7	331.50
Brad Gallant	Consultant II	170	2.3	391.00	2.3	391.00						
Joanna Lane	Consultant II	170	3.9	663.00	3.9	663.00						
Nerissa Greer	Secretary	140	0.5	70.00							0.5	70.00
Sarah Matthews	Team Assistant	140	0.7	98.00							0.7	98.00
Molra Hattingh	Team Assistant	80	1.0	80.00	0.1	8.00					0.9	72.00
TOTALS			58.5	17,830.00	32.0	19,465.50	0.4	78.00	8.1	1,170.00	6.9	2,176.50
			GST	1,783.00								
TOTAL INC GST				19,613.00								
AVERAGE HOURLY RATE				405	37	19						



Disbursements for the period 1 November 2015 to 31 March 2016

Bridgewater Lake Estate Pty Limited (In Liquidation) (Controllers Appointed)

Expense Type	Amount (\$ ex GST)
Postage	1.72
TOTAL	1.72
GST	0.17
TOTAL INC GST	1.89



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016
Cameo Estates Lifestyle Villages (Launceston) Pty Ltd (In Liquidation) (Controllers Appointed)

Employee	Position	Rate	Totals		Task Area		
			hrs	\$	hrs	\$	
David Whyte	Partner	560	0.4	224.00		0.4	224.00
John Somerville	Senior Manager	440	0.8	352.00	0.1	44.00	308.00
Murray Daniel	Supervisor	360	0.8	288.00	0.7	252.00	36.00
Nicola Kennedy	Senior Accountant II	280	4.0	1,120.00	3.6	1,008.00	112.00
Damien Hicks	Senior Accountant II	225	0.3	67.50			67.50
Julia Mayne	Accountant II	195	1.0	195.00	0.6	117.00	78.00
Sarah Cunningham	Team Assistant	195	0.3	58.50			58.50
Moira Hattingh	Team Assistant	80	0.6	48.00			48.00
TOTALS			8.2	2,353.00	5.0	1,421.00	932.00
			GST	235.30			
			TOTAL INC GST	2,588.30			
			AVERAGE HOURLY RATE	287	284		



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016
OVST Pty Ltd (In Liquidation) (Controllers Appointed)

Controller	Rate	Rate / hrs	Totals		Assets		Creditors		Trade Deb		Administration			
			hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$		
David Whyte	560	1.2	672.00						0.1	56.00		1.1	616.00	
John Somerville	440	1.7	748.00			44.00	0.1		0.5	220.00		1.1	484.00	
Murray Daniel	360	1.1	396.00						0.7	252.00		0.4	144.00	
Nicola Kennedy	280	7.9	2,212.00						7.5	2,100.00		0.4	112.00	
Julia Mayne	195	2.8	546.00						1.3	253.50		1.5	292.50	
Sarah Cunningham	195	0.1	19.50									0.1	19.50	
Michael Yu	190	2.5	475.00									2.5	475.00	
Moira Hattingh	80	0.5	40.00		0.1	8.00						0.4	32.00	
TOTALS		17.8	5,108.50		0.1	8.00	0.1	0.1	10.1	4,081.50		7.7	7,619.00	
			TOTALS											
			GST											
			TOTAL INC GST											
			5,619.35											
			AVERAGE HOURLY RATE											
			287											
			80											
			440											
			289											



Disbursements for the period 1 November 2015 to 31 March 2016

OVST Pty Ltd (In Liquidation) (Controllers Appointed)

Expense Type	Amount (\$ ex GST)
Postage	0.56
TOTAL	0.56
GST	0.06
TOTAL INC GST	0.62



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016
Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)

Employee	Position	Totals		Assets		Employees		Trades		Administration		
		Rate	hrs	\$	hrs	\$	hrs	\$	hrs	\$		
David Whyte	Partner	560	0.9	504.00					0.2	112.00	0.7	392.00
John Somerville	Senior Manager	440	2.2	968.00	0.1	44.00			0.8	352.00	1.3	572.00
Murray Daniel	Supervisor	360	0.8	288.00					0.7	252.00	0.1	36.00
Nicola Kennedy	Senior Accountant II	280	11.8	3,304.00					11.1	3,108.00	0.7	196.00
Damien Hicks	Senior Accountant II	225	0.2	45.00							0.2	45.00
Damien Hicks	Senior Accountant II	220	0.5	110.00							0.5	110.00
Sarah Cunningham	Team Assistant	195	0.4	78.00							0.4	78.00
Julia Mayne	Accountant II	195	1.4	273.00					0.7	136.50	0.7	136.50
Michael Yu	Accountant I	190	3.8									
Moira Hattingh	Team Assistant	80	0.6	48.00							0.6	48.00
TOTALS			22.6	5,618.00	0.1	44.00			13.5	1,060.50		
			GST	561.80								
			TOTAL INC GST	6,179.80								
			AVERAGE HOURLY RATE	249		410						



Disbursements for the period 1 November 2015 to 31 March 2016

Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)

Expense Type	Amount (\$ ex GST)
Search Fee	44.65
Postage	0.56
TOTAL	45.21
GST	4.52
TOTAL INC GST	49.73



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016
Redland Bay Leisure Life Development Pty Ltd (In Liquidation) (Controllers Appointed)

Employee	Position	Rate	Totals		Trade On		Task Area	
			hrs	\$	hrs	\$	hrs	\$
Murray Daniel	Supervisor	360	0.8	288.00	0.7	252.00	0.1	36.00
Nicola Kennedy	Senior Accountant II	280	0.8	224.00	0.8	224.00		
Julia Mayne	Accountant II	195	1.1	214.50	0.7	136.50	0.4	78.00
Moira Hattingh	Team Assistant	80	0.1	8.00			0.1	8.00
TOTALS			2.8	734.50	2.2	612.50	0.6	127.00
			GST	73.45				
			TOTAL INC GST	807.95				
			AVERAGE HOURLY RATE	262	278			



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016
Redland Bay Leisure Life Pty Ltd (In Liquidation) (Controllers Appointed)

Employee	Position	Totals		Assets		Trade Or		Administration		
		Rate	hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	560	0.2	112.00			0.2	112.00		
John Somerville	Senior Manager	440	1.4	616.00	0.1	44.00	0.6	264.00	0.7	308.00
Murray Daniel	Supervisor	360	0.8	288.00			0.7	252.00	0.1	36.00
Jacqueline Silva	Manager	330	0.7	231.00	0.7	231.00				
Nicola Kennedy	Senior Accountant II	280	10.7	2,996.00			10.2	2,856.00	0.5	140.00
Damien Hicks	Senior Accountant II	225	0.3	67.50					0.3	67.50
Sarah Cunningham	Team Assistant	195	0.5	97.50					0.5	97.50
Julia Mayne	Accountant II	195	2.8	546.00	0.1	19.50	1.5	292.50	1.2	234.00
Michael Yu	Accountant I	190	5.3	1,007.00	0.4	76.00			4.9	931.00
Moira Hattingh	Team Assistant	80	1.0	80.00	0.1	8.00			0.9	72.00
TOTALS			23.7	6,041.00	1.4	378.50	13.2	3,776.50	9.1	1,861.50
			GST	604.10						
			TOTAL INC GST	6,645.10						
			AVERAGE HOURLY RATE	255	270	246				



Disbursements for the period 1 November 2015 to 31 March 2016

Redland Bay Leisure Life Pty Ltd (In Liquidation) (Controllers Appointed)

Expense Type	Amount (\$ Inc GST)
Search Fee	44.65
TOTAL	44.65
GST	4.47
TOTAL INC GST	49.12

TO THE INVESTOR AS ADDRESSED

29 July 2016

**LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
ARSN 089 343 288 ('the Fund' or 'FMIF')**

1. Executive Summary

I refer to my appointment as the Receiver of the Fund's assets and the person responsible for ensuring the winding up of the Fund in accordance with the terms of its constitution by Order of the Supreme Court of Queensland on 8 August 2013.

I now provide my fourteenth update to investors, which provides details of the progress made in the winding up of the Fund since my last report to investors dated 29 April 2016. This report should be read in conjunction with my previous reports, which are available on the website www.lmfimf.com.

A summary of the key issues covered in this report is as follows:

- There is one property asset plus two residential units remaining to be sold that are estimated to realise approximately \$2.85M. Further details are provided at Section 3 below;
- Cash at bank as at 30 June 2016 was \$76.77 million;
- The estimated return to investors is currently 14 to 15 cents per unit as detailed at Section 8.1 below and before taking into account future costs and recoveries from legal proceedings on foot;
- I will not be in a position to make distributions to investors until the claims by Korda Mentha as trustee of the LM Managed Performance Fund (MPF Trustee) and other litigation matters involving a potential claim against the Fund have been resolved and the Receivers and Managers of the Fund (DB Receivers) appointed by the secured creditor have retired. Further details in relation to the status of the retirement of the DB Receivers are provided in Section 2.2 below;
- I have filed an application to strike out the claim (or parts thereof) by the MPF against LM Investment Management Limited (Receivers and Managers Appointed)(In Liquidation) (LMIM) in so far as it relates to the assets of the Fund, of which I am now also a defendant. The Court has reserved its decision. Further details are provided in Section 2.1 below;
- A mediation took place on 12 July 2016 in relation to a claim against the directors, LMIM and MPF for \$15.5M plus interest. The mediation has been adjourned to 3 August 2016 to enable the parties to finalise settlement negotiations. See Sections 2.3 and 4.2.1 below;

- A further amended statement of claim against the former auditors was filed and served on 14 April 2016. The former auditors have filed an application seeking to strike out parts of the claim. Further details are provided in Section 4.1 below;
- The defendants of the Bellpac Liquidator's \$8M Bonds litigation have now made application for special leave to the High Court of Australia after their appeal to the Federal Court failed. Further details in relation to the \$8M Bonds are provided in Section 4.2.2 below;
- Proceeds of \$2,408,903 plus costs and interest of \$417,393 have been recovered for the benefit of investors from a successful claim against a quantity surveyor. Further details are provided in Section 4.4.1 below;
- The management accounts for the year ending 30 June 2016 are being prepared and will be available on the website www.lmfimif.com by 30 September 2016;
- I am still awaiting the outcome of an application submitted to the Australian Securities and Investments Commission (ASIC) for relief from the financial reporting obligations in Part 2M.3 and Chapter 5C of the *Corporations Act 2001 (Cth)*. Further details are provided in Section 7 below;
- The Court is still to hand down judgement in relation to the remuneration claimed by the liquidators of LMIM (FTI) against the assets of the Fund. Further details in relation to FTI's remuneration claim and indemnity claim are provided in Section 9 below.

2. Position of the Secured Creditor, the potential claim by KordaMentha, the trustee of the LM Managed Performance Fund ('MPF') and claims filed against the Fund

2.1 Proceedings by the Trustee of the MPF against LMIM and the Fund

Orders were made on 15 April 2016 requiring the Trustee to file 3rd further amended statements of claim (FASOC's), by 19 April 2016 which has been complied with.

On 26 April 2016, my solicitors filed and served against the MPF, strike-out applications in relation to a number of paragraphs within the claims. At the hearing on 31 May 2016, the decision was reserved and has not been handed down at this stage.

2.2 Position of the Secured Creditor

As previously advised, the MPF Trustee has confirmed that it has concluded its investigations in relation to a number of matters and that it is unlikely that it will pursue many of the other possible claims against the Fund. In addition, the MPF Trustee has confirmed that it no longer considers it likely that its claims will exhaust the Fund's assets.

The matter precluding the retirement of the DB Receivers is the provision of a release by the MPF Trustee.

Further information requested by the MPF Trustee on litigation matters involving the FMIF has been provided to the MPF Trustee. I understand that the MPF Trustee is still considering this further information and its position in regard to the release requested by the DB receivers. I

continue to liaise with the DB receivers about their ongoing role and the possibility of their retirement.

2.3 Proceedings against the MPF, LMIM and the Directors of LMIM

As advised in previous reports to investors, on 17 December 2014, I filed a statement of claim in the Supreme Court of Queensland, against a number of parties including the MPF Trustee, in respect of the loss suffered by the FMIF as a result of the amount paid to MPF in the Bellpac litigation matter. The claim is for \$15.5M plus interest.

Discovery in the proceedings has now been completed and a mediation took place on 12 July 2016. The mediation has been adjourned to 3 August 2016 to enable the parties to finalise settlement negotiations. See Section 4.2.1 below for further details.

3. Realisation of Assets

A summary of the remaining real property assets is provided below:

- Two units in a strata titled unit resort situated in North Queensland are to be sold. Prior to the DB Receivers' appointment, title references for certain units in the complex were incorrectly disclosed in marketing material and, as a result, units were sold with incorrect titles. Documents have been lodged at land titles office for the title references to be amended. The units will be marketed for sale once the correct titles have been reissued.
- 11 out of 80 lots of a residential land subdivision in central Queensland remain to be sold. A boundary realignment is currently being undertaken on the remaining lots. A fresh marketing campaign will commence thereafter.

4. Other Potential Recoveries/Legal Actions

I provide an update in relation to investigations undertaken to date, legal proceedings on foot and further work to be done, as follows:

4.1 Claim Against the Former Auditors

A further amended statement of claim (FASOC) was filed by me in the Supreme Court of Queensland and served on the former auditors of the Fund on 14 April 2016.

Considerable further work has been undertaken in quantifying the loss suffered by the Fund as a result of the auditors failing to identify and report on the material deficiencies in the Fund's financial accounts and LMIM's compliance with the Compliance Plan. The calculation of the loss is almost finalised and as previously advised, will be in excess of \$100M. I remain hopeful of achieving a substantial recovery from this matter for the benefit of investors.

The auditors' solicitors lodged and served on me a strike-out application and supporting affidavit on 27 April 2016 in relation to the amended parts of the claim. The hearing of the strike out application was adjourned by consent to a date to be fixed by agreement or upon 7 days' notice by any party in the absence of agreement.

On 30 May 2016, I filed an application to place the proceedings on the Courts commercial list for expediency and to seek orders as to the proposed timetable for the conduct of the parties in the litigation. This application has also been adjourned to a date to be fixed however; I am required to file a 2nd FASOC by today in which I will address the issues raised by the defendants.

4.2 Bellpac Proceedings

4.2.1 Proceedings against LMIM, MPF and Certain Directors

As noted above, discovery in the proceedings has been completed and a mediation to settle the matter was held on 12 July 2016. The mediation has been adjourned to 3 August 2016 to enable the parties to finalise settlement negotiations.

I will provide an update in relation to the outcome of the settlement negotiations in my next report to investors.

4.2.2 Other Bellpac litigation

a. Wollongong Coal Ltd (WCL) - Convertible Bonds

As advised in my last report, the defendants appealed the decision of the Court which acknowledged that Bellpac (under the control of a liquidator) is the true owner of the \$8 million convertible bonds. The appeal was won by the Liquidators. However, on 12 July 2016, the defendants made application for special leave to the High Court of Australia to appeal the decision of the Federal Court.

In January 2016, the Bellpac Liquidator applied for the conversion of the bonds to shares. Under the terms of the Bonds, WCL is required to issue the shares within 7 days after the end of January 2016 (Due Date) which it failed to do. Instead WCL issued part of the shares in early February 2016 and the balance of the shares after resolution of its members, in May 2016.

As WCL did not issue the shares as required under the terms of the Bonds, the Bellpac Liquidator brought proceedings against WCL seeking orders requiring WCL to perform its obligation to redeem the Bonds by

- Redeeming all of the Bonds which were not converted by the Due Date; and
- Pay to the Liquidator \$8M or such other amount being the nominal principal value of the unconverted Bonds (those issued in May 2016), plus interest.

WCL has now made application for security for costs against the Liquidator.

b. Proceedings against Bellpac Receivers, LMIM, PTAL and others ("the Parties")

The ongoing proceedings by the third mortgagee against PTAL alleging a sale of the former Bellpac property at Bellambi NSW (sold to Gujarat NRE Minerals Limited in 2011) at undervalue, after a number of interlocutory applications including an application seeking to re-join LMIM, has been discontinued. Costs have been awarded against the plaintiffs and the previous security for costs of \$150,000 lodged by way of bank guarantee by the plaintiffs, will be held by the Court pending resolution of the approved or agreed quantum of PTAL's costs. A cost order for \$11,000 was also awarded in favour of FMIF in respect of the plaintiffs discontinued application to re-join LMIM in the proceedings. The plaintiffs have failed to pay the \$11,000 and a statutory demand has been issued by me against the plaintiffs, which has now expired.

As advised in my last report, the discontinuance of the claim against LMIM and the Bellpac Receivers entitles the Fund and the Bellpac Receivers to seek the reimbursement of costs incurred in defending this matter. The costs of the Fund had been assessed and the Court confirmed the costs payable, however, the plaintiffs filed a notice of objection. At the conference at the Court, a settlement of the objections was agreed and the plaintiffs are now liable to pay FMIF \$55,000 by 31 August 2016. The Bellpac Receivers have had their costs assessed and an estimate confirmed by the Court. The plaintiffs have also objected to these costs and the Court has set a date in early September 2016 to hear the objection.

If the plaintiffs fail to pay the costs in favour of FMIF, I propose to file an application to wind up the plaintiffs.

4.3 Other Potential Claims against LMIM and related Parties

4.3.1 LM Administration Pty Ltd (In Liquidation)('LMA')/Director related claims

As advised in my previous reports, my investigations into the following matters as they relate to the financial statements and compliance plan audits were included in the public examinations held in 2015:-

- Management Service Agreements with LMA;
- Changes to Constitution; and
- Fund Valuation Policy.

These matters and certain transactions involving these matters have been included in the claim against the auditors (see section 4.1).

4.3.2 Distribution to Class B Unit Holders

As advised in my previous reports, investigations have been undertaken via the public examinations conducted in 2015 and subsequent thereto in relation to redemptions and distributions paid to the Class B unit holders (the feeder funds) when the Fund had suspended redemptions and distributions to other classes of members. These matters have been included in my claim against the auditors (see section 4.1). Investigations have yet to be concluded in relation to the issue of the increase in the Class B members' interest in the Fund as a consequence of these transactions.

4.3.3 External Valuations

I continue to finalise my investigations into whether the valuations relied on in advancing loans was too high and if there was negligence by the valuer which contributed to the losses, however, I have not at this stage identified any claims that would be commercial to pursue.

In relation to my investigations to date, some of the issues identified which limits my ability to successfully pursue further action against valuers include:

- An assignment of the valuation was not obtained and, therefore, the Fund was unable to rely on the valuation
- There is no signed valuation on the Fund's loan files
- No funds were advanced in reliance on the valuation
- A valuation was not relied upon by LMIM in advancing a loan

- The valuer entity has been deregistered and it is not considered commercially worthwhile to pursue

4.3.4 Claim by ASIC against the directors

As advised in my previous reports, ASIC commenced civil penalty proceedings in the Federal Court of Australia in November 2014 against Peter Drake, Francene Mulder, Eghard Van Der Hoven, Simon Tickner and Lisa Darcy. ASIC alleges Mr Drake used his position to gain an advantage for himself and the former directors breached their duties for failing to act with the proper degree of care and diligence regarding transactions involving the MPF.

The matter is set down for trial for four weeks from 29 August 2016 to 23 September 2016 with the next directions hearing scheduled for 8 August 2016.

Further details can be found on the ASIC website www.asic.gov.au under media releases.

4.4 Other actions against Borrowers and guarantors

4.4.1 Claim against a quantity surveyor in the amount of \$2.4 million plus interest

As advised in my previous report, judgement was handed down on 24 March 2016 in my favour where the Fund was awarded \$2.39M plus costs in relation to a claim against a quantity surveyor.

Proceeds of \$2,408,903.58 inclusive of interest plus costs and interest of \$417,393.89 were received by the Fund from the defendant on 24 May 2016.

4.4.2 Various claims against guarantors

I continue to review the remaining loan book to ascertain if there are any further claims against guarantors capable of commercial recoveries. Current ongoing matters that are being prosecuted will not result in material recoveries to investors although will more than cover the costs of the proceedings.

5. Western Union

As advised in my previous reports, Western Union held funds on account of the FMIF at the date of FTI's appointment, which represented investor capital distributions returned due to incorrect account details held.

Western Union sought to set off funds held in the FMIF account against liabilities of other LM related entities, however a confidential commercial settlement has been negotiated. The amount of the claim is approximately \$93,000 (subject to exchange rate fluctuations). The terms of the draft settlement deed are still being finalised noting Western Union are seeking a broad warranty and a full release of all claims that the Fund may have which, based on the limited information I have to hand, I am not able to provide. I am hopeful that a commercial resolution can be finalised shortly.

6. Management Accounts

The management accounts for the year ending 30 June 2016 are being prepared and will be available on the website www.lmfimif.com by 30 September 2016.

7. Application for Relief from Financial Reporting Obligations

As advised in my previous reports, an application has been submitted to the Australian Securities and Investments Commission (ASIC) for exemption, or alternatively, deferral of the financial reporting obligations imposed on the Fund by Part 2M.3 and section 601HG of the *Corporations Act 2001 (Cth)* for a period of 24 months from the due date for the next financial reporting obligation. The application has been made pursuant to the Orders made by Justice Jackson dated 17 December 2015.

The relief is sought on the basis that:

- (i) The Fund is in wind up mode;
- (ii) there would be unreasonable costs imposed on the members of the Fund if audited accounts were prepared;
- (iii) there are no members or third parties that are reliant on audited accounts or would be prejudiced by not receiving audited financial reports;
- (iv) financial information and information on the status of the winding up of the Fund has been and will continue to be disclosed to members in a timely manner; and
- (v) the interests of members will be adequately protected by the requirement under the Fund's Constitution for the final accounts to be audited upon completion of the winding up.

ASIC have advised that a decision in relation to my application will be provided shortly.

8. Investor Information

8.1 Estimated Return to Investors

Based on the professional valuations for the properties charged to the Fund, I provide an estimated return to Investors of between 14 cents and 15 cents per unit as at 30 June 2016, calculated as follows:

Cash at Bank	76,770,017	76,770,017
Estimated selling prices of properties to be sold	2,850,000	3,050,000
Estimated Assets Position	79,620,017	79,820,017
Selling costs (estimated 2.5% of sale price)	(71,250)	(76,250)
Other unsecured creditors	(6,349,448)	(1,620,383)

FTI Fees & legal expenses advised (subject to approval)- refer to Section 9.1 for further details - maximum amount shown	(4,211,638)	(4,211,638)
Receivers and Managers' Fees (DB Receivers)	(111,648)	(111,648)
Receivers and Managers' Legal fees (DB Receivers)	(36,576)	(36,576)
Receiver's fees & outlays (BDO) (including controllerships)	(1,862,683)	(1,862,683)
Receiver's legal fees (BDO)	(195,185)	(195,185)
Total Liabilities	(12,838,428)	(8,114,363)
Estimated net amount available to investors as at 30 June 2016	66,781,589	71,705,654
Total investor units	478,274,000	478,274,000
Estimated return in the dollar	14 cents	15 cents

In my last report to investors I calculated that the estimated return to investors would be between 13.6 and 14.6 cents in the dollar. The estimated return as at 30 June 2016 has been revised upwards slightly primarily due to the recoveries from the quantity surveyor outlined earlier in this report. Please note that the estimate and prior estimates do not take into account future operating costs and future Receiver's fees or any legal recoveries against borrowers, valuers or other third parties.

In calculating the estimated return to investors, I have also not provided any allowance for the claim filed by the MPF Trustee as the prospects of a successful claim against the Fund is unknown, however, as detailed earlier in this report, I am hopeful that all claims relating to the MPF matters will be settled at the adjourned mediation held on 3 August 2016.

As advised in my previous reports, I have identified a discrepancy between the units recorded in the investor register and the units recorded in the audited and management accounts for the 2012 financial year. Investigations indicate that the discrepancy relates to the Fund's migration to a new investor management database in 2010 whereby the units of investors who subscribed in a foreign currency were incorrectly recorded in the foreign currency equivalent amount, and not in the Australian dollar equivalent amount in accordance with the Fund's Product Disclosure Statement and Constitution. I am taking steps to rectify this issue with an IT consultant and a further update will be provided in due course.

8.2 Updated Estimated Unit Price

The unit price will be updated twice a year as at 30 June and 31 December. In this regard, I provide below an updated unit price as at 30 June 2016 of 14 cents, which is based on the mid-point of the high and low estimated selling prices of the secured assets as at 30 June 2016.

	\$000's
Total Value of Fund Assets as at 30 June 2016 (net of land tax and rates)	79,720
Less Creditors and Other Payables	(10,476)
Total Net Value of Fund Assets	69,244
Total Number of Units	478,274
Unit Price	14 cents

I *attach* a copy of a letter confirming the unit price as at 30 June 2016, which may be forwarded to Centrelink to assist with the review of investors' pensions.

Please note that the estimated unit price as at 30 June 2016 has been revised downwards by 1 cent from the 31 December 2015 estimate. This is because this estimate and prior estimates do not take into account future operating costs and future Receiver's fees as noted above. However, the estimate also excludes any legal recoveries against borrowers, valuers or other third parties, which would improve the overall return to investors.

8.3 Distributions to Investors

A resolution of all MPF matters that I have outlined earlier in this report and, which I hope will be achieved at the adjourned mediation on 3 August 2016, will result in the secured creditor releasing its charge over the Fund and the retirement of the DB Receivers.

Once the DB Receivers have retired and funds released to me, I will be required to retain certain funds to meet the liabilities of the Fund, including contingent claims that may arise from the Bellpac litigation.

I am also required to seek the directions of the Court before proceeding with the next distribution.

I will update investors as to the expected timing of a distribution as these matters become clearer; however, I am hopeful to be in a position to commence distributions towards the end of 2016.

Please note that the distribution to Investors will take place after paying secured creditors, costs, land tax, rates, Receivers fees and the unsecured creditors who rank ahead of Investors' interests.

8.4 Ongoing Reporting to Investors

Reports will be distributed to investors in accordance with the preferred method of correspondence recorded for each investor in the Fund's database. In order to assist in reducing distribution costs, it would be appreciated if investors could nominate an email address as their preferred method to receive correspondence. Investors may update their details as outlined in Section 8.5 below. For



those investors that do not have an email address, correspondence will continue to be sent to you via post.

My next report to investors will be issued by 31 October 2016.

8.5 Investors Queries

For any changes to investors details, please review the Useful Forms/Procedures tab on the website www.lmfmf.com which includes information regarding the following procedures:

- Change of Contact Address/Bank Account Details
- Change of Contact Address/Bank Accounts Details of a Deceased Estate
- Change of Trustee of Self-Managed Super Fund
- Transfer of Unit Holding from a Super Fund/ Trustee Company to Personal Name(s)
- Transfer of Unit Holding from a Deceased Estate to a Sole Survivor
- Transfer from a Deceased Estate to a Beneficiary of an Estate

It is a requirement that advisors or other third parties acting on behalf of Unit Holders are doing so pursuant to a relevant Authority/Power of Attorney. Please ensure that a relevant Authority/Power of Attorney accompanies the abovementioned documents as necessary (if an Authority/Power of Attorney has not previously been provided).

It is preferable that all communications are sent via email to enquiries@lmfmif.com with original documents to be mailed as required to:

BDO
GPO Box 457
Brisbane QLD 4001
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227

9 LM Investment Management Ltd (“LMIM”)

9.1 Liquidators of LMIM’s (FTI Consulting) application for remuneration approval

As advised in my 13th report to investors, FTI filed a Further Amended Originating Application on 16 December 2015 for the determination of their remuneration claimed as liquidators of LMIM in the amount of \$3,098,251.83 for the period from the date of their appointment to 30 September 2015 from assets of the Fund.

At this stage, judgement is yet to be handed down by the Court.

I will provide a further update on the outcome of the Court’s decision in my next report to investors. Please note that all material filed with the Court in relation to FTI’s remuneration claim is available on the websites www.lmfmf.com and www.lminvestmentadministration.com. A copy of the judgement and court order will be uploaded to the websites when handed down.

FTI have not submitted further details of their outstanding remuneration and costs up to 30 June 2016 and have advised that they are awaiting the outcome of the judgement noted above.

9.2 The Liquidators of LMIM's (FTI) indemnity claim against the Fund

As advised in my 13th report to investors, FTI has submitted two indemnity claims for \$241,453.54 and \$375,499.78 against the assets of the Fund.

The first claim of \$241,453.54 relates to legal costs incurred in relation to the appeal of the decision appointing me as receiver to wind up the Fund. This claim has been rejected in full pending the judgement to be handed down in relation to FTI's remuneration application.

In respect of the second claim, I accepted \$84,954.41 (\$93,449.85 less GST of \$8,495.44) (Accepted Claim), rejected \$169,243.26 and deferred \$5,473.59 pending the judgement to be handed down in relation to FTI's remuneration application. The balance of FTI's claim has been withdrawn.

FTI immediately sought payment of the Accepted Claim of \$84,954.41, however, due to questions about the propriety and reasonableness of a number of payments which LMIM caused the Fund to make to LMA for 'loan management fees' during the period March to July 2013 (which have been brought to the attention of the Court in relation to FTI's remuneration application), I advised that payment of the accepted claim would not be made until judgement was handed down. There is also an amount of \$779,266 which LMIM has owed the Fund since 2014 relating to the reimbursement of the operating costs of LMA paid by the Fund.

As a result of the non-payment of the Accepted Claim, FTI made an application to Court. To avoid the unnecessary costs of arguing over a relatively small sum in comparison to the overall remuneration claimed by FTI, I attended to payment of \$84,954.41.

FTI have also made an application to Court objecting to my decision to reject their indemnity claim noted above (Indemnity Application). It has been proposed that the Indemnity Application be deferred until judgement is handed down in relation to FTI's remuneration application.

10. Receiver's Remuneration and Expenses

There have been five applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 30 April 2016.

The application for the approval of my remuneration for the period 1 November 2015 to 30 April 2016 was heard on 28 June 2016. The Court ordered that my remuneration for this period be fixed in the amount of \$1,405,155.40 (inclusive of GST) in relation to my role as the person responsible for ensuring the FMIF is wound up in accordance with its constitution and \$36,510.65 in relation to the controllerships for the retirement village assets.

A copy of all documentation in relation to my applications can be found on the website www.lmfmf.com.

In addition to the remuneration previously approved by the Court, I calculate that, on a time basis, I have incurred further remuneration of \$366,988 plus outlays of \$6,726 plus GST from 1 May 2016 to 30



June 2016 plus work undertaken in respect of the controllerships for the retirement village assets of \$6,854 plus GST as detailed in the table below and attached summaries.

	Remuneration (GST exclusive) \$	Outlays (GST exclusive) \$
LM First Mortgage Income Fund (Receivers & Managers Appointed) (Receiver Appointed)	366,988	6,726
OVST Pty Ltd (In Liquidation) (Controllers Appointed)	528	-
Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)	1,920	-
Bridgewater Lake Estate Ltd (In Liquidation) (Controllers Appointed)	2,475	-
Redland Bay Leisure Life Ltd (In Liquidation) (Controllers Appointed)	1,511	-
Redland Bay Leisure Life Development Ltd (In Liquidation) (Controllers Appointed)	152	-
Cameo Estates Lifestyle Villages (Launceston) Pty Ltd (Receivers & Managers Appointed) (Controllers Appointed)	268	-
Total	373,842	6,726

The key matters addressed during the period, were:

- Work undertaken in relation to the litigation matters detailed at Sections 2 and 4 of this report which include, among other things:
 - Progressing the claim against the former auditors regarding the financial statements and compliance plan audits following public examinations held, including quantifying the loss suffered by the Fund;
 - Recovery of the judgement debt awarded in my favour against a quantity surveyor;
 - Providing assistance to the Liquidator of Bellpac regarding the \$8M bond claim and progressing these matters;
 - Progressing the claim against the MPF and others;
 - Attending to discovery in the MPF proceedings;
 - Preparation for and attending to mediation in the MPF proceedings;

- Review of potential claims against former valuers of property securities for negligence and breach of contract;
- Progressing claims against guarantors.
- Liaising with various parties in relation to the DB Receiver's retirement;
- Finalising settlement of Western Union's set off claim;
- Dealing with FTI in relation to remuneration sought against the FMIF in their capacity as liquidators of the responsible entity, including meetings and correspondence with our solicitors and counsel, correspondence with FTI's solicitors;
- Dealing with FTI in relation to their claims for indemnity against the assets of the Fund for expenses and costs incurred in their capacity as liquidators of the responsible entity;
- Maintaining the management accounts of the Fund;
- Undertaking the investor management function for approximately 4,500 investors including answering queries on the winding up of the Fund and maintaining the investment database, including any change in details or transfer of units;
- Investigations into the migration of the Composer investor management database to the AX investor management database and liaising with an IT consultant in relation to resolving issues with investors that acquired units in foreign currencies;
- Preparing of affidavit and supporting material for an application to Court for approval of the receiver's remuneration for the period 1 November 2015 to 30 April 2016;
- Finalising outstanding trading matters from the sale of five retirement villages, including tax compliance issues;
- Preparation of unit price calculation as at 30 June 2016.

The fees for the three months from April to June 2016 average approximately \$170,000 per month compared to the three months from January to March 2016 of approximately \$267,000 per month.

I expect my fees incurred in the coming periods will continue to reduce as the various outstanding matters are resolved.

I anticipate that my next application to Court for the approval of my remuneration will be made in November/December 2016 covering the period 1 May 2016 to 31 October 2016. A copy of my application in this respect will be posted to the website www.lmfmf.com and investors will be notified when this application has been lodged.



11. Queries

Should unit holders wish to advise of any changes in details or require further information, please contact BDO as follows:

BDO

GPO Box 457

Brisbane QLD 4001

Phone: +61 7 3237 5999

Fax: +61 7 3221 9227

Email: enquiries@lmmfif.com

Yours faithfully

A handwritten signature in black ink, appearing to be 'David Whyte', written over a horizontal line.

David Whyte
Receiver



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 30 June 2016
LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED)
(RECEIVER APPOINTED)

EMPLOYEE	Totals		Assets		Creditors		Bank A/c		Investments		Assigned Assets	
	hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
Clark Jarrod	560	28,616.00	51.1	28,616.00	17.1	9,576.00	16.4	9,184.00	3.0	1,680.00	29.1	16,296.00
David Whyte	560	43,064.00	11.3	6,328.00	70.8	35,046.00	5.0	2,475.00	50.2	24,849.00	31.9	15,790.50
Eric Leeuwendal	495	131,620.50	108.0	53,460.00	19.8	8,712.00	18.6	8,184.00			33.2	14,608.00
Craig Jenkins	490	3,381.00	6.9	3,381.00	0.6	216.00						
John Somerville	440	32,384.00	2.0	880.00	34.0	9,520.00	69.6	19,488.00	0.1	28.00	9.8	2,744.00
Julie Pagcu	375	7,800.00	20.8	7,800.00	47.0	10,375.00	20.9	4,075.50	4.7	916.50	3.1	697.50
Murray Daniel	360	216.00	0.6	216.00	78.6	15,327.00	0.2	39.00			29.6	5,772.00
Nicola Kennedy	280	31,780.00	113.5	31,780.00	41.2	7,828.00					4.0	780.00
Aubrey Meek	225	11,272.50	50.1	11,272.50	10.4	1,612.00	5.0	800.00			3.7	703.00
Dermot O'Brien	195	26,208.00	0.6	117.00							6.1	976.00
Sarah Cunningham	195	819.00	4.2	819.00							11.0	880.00
Aubrey Meek	190	8,531.00	44.9	8,531.00								
Dale Ludwig	185	74.00	0.4	74.00								
Ryan Whyte	160	7,456.00	46.6	7,456.00								
Jinyang Li	155	1,612.00	10.4	1,612.00								
Brooke Streidl	130	1,274.00	9.8	1,274.00								
Moira Hattingh	80	880.00	8.0	880.00								
TOTALS	6917	326,980.00	710.4	101,550.00	185.0	104,092.00	131.7	66,480.50	55.0	24,673.50	99.4	149,864.00
AVERAGE	87.7	470,880.00	9.0	127,375.00	23.1	131,262.50	16.3	83,968.80	7.5	484,880.00	12.6	184,832.00

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 May 2016 to 30 June 2016
LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED)

Expense Type	Amount	Agency (€'000)
General	1,330.00	
Photocopy	10.50	
Printing	109.50	
Postage	5,231.15	
Search Fee	44.65	



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 30 June 2016
PINEVALE VILLAS MORAYFIELD PTY LTD

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	Trade On	Administration
			hrs	\$	hrs	\$
David Whyte	Partner	560	0.1	56.00	0.1	56.00
John Somerville	Senior Manager	440	1.1	484.00	0.3	132.00
Jacqueline Silva	Manager	330	0.4	132.00	0.4	132.00
Nicola Kennedy	Senior Accountant II	280	2.8	784.00	2.7	756.00
Damien Hicks	Senior Accountant II	220	2.0	440.00	2.0	440.00
Moira Hattingh	Team Assistant	80	0.3	24.00	0.3	24.00
TOTALS			6.7	1,920.00	5.5	1,516.00
			GST	192.00		
			TOTAL INC GST	2,112.00		
AVERAGE HOURLY RATE			287		276	

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 30 June 2016
OVST PTY LTD

Employee	Position	Rate	Totals		Trade On		Task Area	
			hrs	\$	hrs	\$	hrs	\$
John Somerville	Senior Manager	440	0.7	308.00				
Nicola Kennedy	Senior Accountant II	280	0.7	196.00	0.7	196.00		0.7
Maira Hattingh	Team Assistant	80	0.3	24.00				0.3
TOTALS			1.7	528.00	0.7	196.00		1.0
			GST	52.80				
			TOTAL INC GST	580.80				
			AVERAGE HOURLY RATE	311		280		32

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 30 June 2016
REDLAND BAY LEISURE LIFE PTY LTD

Employee	Position	Rate	Totals		Trade Oh		Task Area	
			hrs	\$	hrs	\$	hrs	\$
John Somerville	Senior Manager	440	0.8	352.00	0.1	44.00	0.7	308.00
Nicola Kennedy	Senior Accountant II	280	2.1	588.00	2.0	560.00	0.1	28.00
Damien Hicks	Senior Accountant II	220	2.4	528.00			2.4	528.00
Sarah Cunningham	Team Assistant	195	0.1	19.50			0.1	19.50
Maira Hattingh	Team Assistant	80	0.3	24.00			0.3	24.00
TOTALS			5.7	1,511.50	2.1	604.00	3.6	967.50
			GST	151.15				
			TOTAL INC GST	1,662.65				
			AVERAGE HOURLY RATE	265				

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 30 June 2016
REDLAND BAY LEISURE LIFE DEVELOPMENT PTY LTD

Employee	Position	Rate	Totals		Trade On		Task Area	
			hrs	\$	hrs	\$	hrs	\$
John Somerville	Senior Manager	440	0.2	88.00				
Nicola Kennedy	Senior Accountant II	280	0.2	56.00	0.1	28.00		
Moira Hattingh	Team Assistant	80	0.1	8.00				
TOTALS			0.5	152.00	0.1	28.00	0.4	88.00
			GST	157.20				
			TOTAL INC GST	167.20				
			AVERAGE HOURLY RATE	304		280		310

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 30 June 2016
BRIDGEWATER LAKE ESTATE PTY LTD

Employee	Position	Rate	Totals		Assets		Trade Dir		Admins Conting	
			hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	560	0.4	224.00	0.3	168.00	0.1	56.00		
John Somerville	Senior Manager	440	1.5	660.00	0.5	220.00	0.1	44.00	0.9	396.00
Nicola Kennedy	Senior Accountant II	280	5.5	1,540.00	3.5	980.00	1.9	532.00	0.1	28.00
Sarah Cunningham	Team Assistant	195	0.1	19.50					0.1	19.50
Maira Hattingh	Team Assistant	80	0.4	32.00					0.4	32.00
TOTALS			7.9	2,475.50	4.3	1,368.00	2.1	632.00	1.5	473.50
			TOTAL INC GST		2,475.50					
			TOTAL INC GST		2,723.05					
			AVERAGE HOURLY RATE		313					

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 30 June 2016
CAMEO ESTATES LIFESTYLE VILLAGES (LAUNCESTON) PTY LTD

Employee	Position	Rate	hrs	Totals		Trade On		Administration	
				\$	hrs	hrs	\$	hrs	\$
John Somerville	Senior Manager	440	0.3	132.00				0.3	132.00
Nicola Kennedy	Senior Accountant II	280	0.4	112.00		0.4	112.00		
Maira Hattingh	Team Assistant	80	0.3	24.00				0.3	24.00
TOTALS			1.0	268.00		0.4	112.00	0.6	156.00
				268.80					
				294.80					
AVERAGE HOURLY RATE				268					

Note: All amounts exclude GST unless otherwise noted



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29 July 2016

TO WHOM IT MAY CONCERN

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED) ARSN 089 343 288 ('the Fund' or 'FMIF')

I refer to my appointment as the Receiver of the Fund's assets and the person responsible for ensuring the winding up of the Fund in accordance with the terms of its constitution by Order of the Supreme Court of Queensland on 8 August 2013.

I provide an update on the estimated unit price of the fund as at 30 June 2016, calculated as follows:

	\$000's
Total Value of Fund Assets as at 30 June 2016 (net of land tax and rates)	79,720
Less Creditors and Other Payables	(10,476)
Total Net Value of Fund Assets	69,244
Total Number of Units	478,274
Unit Price	14 cents

Should you have any queries in respect of the above, please contact Dermot O'Brien of my office on (07) 3237 5864.

Yours faithfully,

David Whyte
Receiver



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TO THE INVESTOR AS ADDRESSED

30 September 2016

**LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
ARSN 089 343 288 ('the Fund' or 'FMIF')**

I refer to my appointment as the Receiver of the Fund's assets and the person responsible for ensuring the winding up of the Fund in accordance with the terms of its constitution by Order of the Supreme Court of Queensland on 8 August 2013.

I now provide my fifteenth update report to investors. This report is prepared in accordance with the Exemption granted by the Australian Securities and Investments Commission (ASIC Exemption) in relation to financial reporting obligations of the Fund. In this regard, the ASIC Exemption requires a report to be made available to investors for each period of six months starting on 1 January 2016, which includes the following information:

- (i) Information about the progress and status of the winding up of the Fund, including details of:
 - A. The actions taken during the period;
 - B. The actions required to complete the winding up;
 - C. The actions proposed to be taken in the next 12 months; and
 - D. The expected time to complete the winding up.
- (ii) The financial position of the Fund as at the last day of the relevant period (based on available information);
- (iii) Financial information about receipts (and payments) of the Fund during the period; and
- (iv) The following information at the end of the period:
 - A. The value of the Fund's property; and
 - B. The potential return to investors.

This report covers, inter alia, the period 1 January 2016 to 30 June 2016 (the period).

1. Progress and Status of the Winding Up

1.1 Position of the Secured Creditor, the potential claim by KordaMentha, the trustee of the LM Managed Performance Fund ('MPF') and claims filed against the Fund

1.1.1 Proceedings by the Trustee of the MPF against LMIM and the Fund

The MPF Trustee served statements of claim on 8 September 2015 and further amended statements of claim on 14 October 2015.

I have raised various issues with deficiencies in the MPF Trustee's claim during the period.

The MPF Trustee filed third further amended statements of claim on 19 April 2016, following an order of the Court.

On 26 April 2016, my solicitors filed and served strike-out applications in relation to a number of paragraphs within the MPF Trustee's claims.

At a hearing on 31 May 2016, the decision was reserved.

On 19 August 2016 Justice Applegarth delivered judgement on the applications. A key issue which was subject to argument on the hearing of the applications was whether the indemnity claim against the assets of the Fund should be struck out. His Honour declined to strike out the indemnity claim after concluding that the MPF Trustee's pleaded indemnity claim is "at least arguable". His Honour noted that the plaintiff in each proceeding has agreed to effect certain other amendments to the pleading and to provide certain further particulars. The parties have been requested to attempt to agree a form of order, and an appropriate order as to costs of the application and, thereafter, to list the proceedings for further review.

1.1.2 Position of the Secured Creditor

The MPF Trustee has confirmed that it has concluded its investigations in relation to a number of matters and that it is unlikely that it will pursue many of the other possible claims against the Fund. In addition, the MPF Trustee has confirmed that it no longer considers it likely that its claims will exhaust the Fund's assets.

The matter precluding the retirement of the DB Receivers is the provision of a release by the MPF Trustee.

The MPF Trustee has been provided with further information to assist with considering its position in relation to the release requested by the DB Receivers.

I continue to liaise with the DB Receivers about their ongoing role and the possibility of their retirement.

1.1.3 Proceedings against the MPF, LMIM and the Directors of LMIM

As advised in previous reports to investors, on 17 December 2014, I filed a statement of claim in the Supreme Court of Queensland, against a number of parties including the MPF Trustee, in respect of the loss suffered by the FMIF as a result of an amount paid to MPF in the Bellpac litigation matter. The claim is for \$15.5M plus interest.

Discovery in the proceedings was undertaken during the period and a mediation took place on 12 July 2016. The mediation was adjourned to enable the parties to further discuss a potential settlement of the litigation. Settlement discussions are on-going and include discussions to resolve those matters referred to at sections 1.1.1 and 1.1.2 above.

The proceedings are next listed for a review before his Honour Justice Jackson on 13 October 2016.

1.2 Realisation of Assets

Provided in the table below is a summary of assets realised during the period.

Location	Description of Asset
VIC	Bridgewater Lake Estate - the supported living community settled on 31 July 2015 with gross realisations of \$7.5 million.
WA	Kingopen - the two remaining development sites settled on 27 July 2015 and 30 July 2015 with gross realisations of \$1.567 million.
WA	Kingopen - gross realisations of \$530,000 from the sale of a guarantor's property was received on 2 February 2016.
QLD	Brambleton - gross realisations of \$185,000 for the sale of two remaining units in a 90 strata titled hotel were received during the period.
QLD	Tall Trees Tanah Merah - a second mortgage held by the Fund over two supported living communities was realised on 9 October 2015 with gross realisations of \$7.5 million.
QLD	St Crispins - the settlement of 26 units and management rights was effected on 18 April 2016 with gross realisations of \$3.052 million. A further 2 units remain to be sold.
QLD, NSW, TAS	Redland Bay Leisure Life, Carrington Management, OVST and Cameo Lifestyle Estates - the balance of the deferred settlement proceeds from the sale of the four retirement villages of \$16 million was received in March 2016. The assets originally settled on 23 April 2015.

A summary of the remaining real property assets is provided below:

- Two units in a strata titled unit resort situated in North Queensland are to be sold. Documents have been lodged at the land titles office to correct the title references for the units. The units will be marketed for sale once the correct titles have been reissued.
- 11 out of 80 lots of a residential land subdivision in central Queensland remain to be sold. A boundary realignment is currently being undertaken on the remaining lots. A fresh marketing campaign will commence thereafter.

1.3 Legal Actions/Potential Recoveries

1.3.1 Claim against the former auditors

A public examination (PE) of the former auditors and certain directors and former directors (Directors) of LM Investment Management Limited (In Liquidation) was conducted over a period of 9 days in June 2015 and a further 9 days in October 2015.

Following the PEs, a further amended statement of claim was filed by me in the Supreme Court of Queensland and served on the former auditors of the Fund on 14 April 2016.

The former auditors' solicitors lodged and served on me a strike-out application and supporting affidavit on 27 April 2016 seeking to strike-out certain parts of the statement of claim. The hearing of the strike out application was adjourned to a date to be fixed by consent to enable appropriate directions to be made for the parties to exchange and file any further affidavit material and written submissions in advance of the hearing of the strike out application

On 30 May 2016, I filed an application to place the proceedings on the Court's commercial list. This application was also adjourned to a date to be fixed.

On 2 August 2016, I filed a second further amended statement of claim. Pursuant to the timetable ordered by the Court, the defendants had until 27 September 2016 to file and serve any submissions and affidavits in support of their strike out application (this has now been received and is being considered) and I have until 8 November 2016 to file and serve any submissions and affidavits in response.

The hearing of the strike out application and the commercial list application is set down for 15 December 2016.

As advised in previous reports to investors, considerable work has been undertaken in quantifying the loss suffered by the Fund as a result of the auditors failing to identify and report on the material deficiencies in the Fund's financial accounts and LMIM's compliance with the Compliance Plan. The calculation of the loss is almost finalised and as previously advised, will be in excess of \$100M. I remain hopeful of achieving a substantial recovery from this matter for the benefit of investors within the next 12 months.

1.3.2 Bellpac Proceedings

In addition to the claim filed and served against the MPF Trustee in relation to a loss suffered by the Fund from litigation pertaining to the Bellpac loan noted at 1.1.3 above, there are two further matters relating to Bellpac that have been progressed during the period, as detailed below.

a. **Wollongong Coal Ltd (WCL) - Convertible Bonds**

During the period, the Liquidators of Bellpac were successful in the recovery of \$2 million in convertible bonds from WCL.

There is a further \$8 million in convertible bonds in WCL which was the subject of a successful application to the Federal Court acknowledging that Bellpac (under the control of its liquidators) is the true owner.

The defendants appealed the decision, which was unsuccessful, however, on 12 July 2016, the defendants made application for special leave to the High Court of Australia to appeal the decision of the Federal Court. The parties have made submissions and filed an appeal book with the Court. The decision on the application for special leave is pending and is expected to be decided in October 2016.

In January 2016, the Bellpac Liquidator applied for the conversion of the bonds to shares. Under the terms of the Bonds, WCL is required to issue the shares within 7 days after the end of January 2016 (Due Date) which it failed to do. Instead WCL issued part of the shares in early February 2016 and the balance of the shares after resolution of its members, in May 2016.

As WCL did not issue the shares as required under the terms of the Bonds, the Bellpac Liquidator brought proceedings against WCL seeking orders requiring WCL to perform its obligation to redeem the Bonds by

- Redeeming all of the Bonds which were not converted by the Due Date; and
- Pay to the Liquidator \$8M or such other amount being the nominal principal value of the unconverted Bonds (those issued in May 2016), plus interest.

WCL has now made application for security for costs against the Liquidator.

b. **Proceedings against Bellpac Receivers, LMIM, PTAL and others ('the Parties')**

The proceedings by the third mortgagee against PTAL alleging a sale of the former Bellpac property at Bellambi NSW (sold to Gujarat NRE Minerals Limited in 2011) at undervalue, after a number of interlocutory applications including an application seeking to re-join LMIM, has been discontinued. Costs have been awarded against the plaintiffs and the previous security for costs of \$150,000 lodged by way of bank guarantee by the plaintiffs, will be held by the Court pending resolution of the approved or agreed quantum of PTAL's costs. A cost order for \$11,000 was also awarded in favour of LMIM in respect of the plaintiffs discontinued application to re-join LMIM in the proceedings. The plaintiffs have failed to pay the \$11,000 and a statutory demand has been issued by me against the plaintiffs, which has now expired.

The discontinuance of the claim against LMIM and the Bellpac Receivers entitles the Fund and the Bellpac Receivers to seek the reimbursement of costs incurred in defending this matter. The costs of the Fund had been assessed and the Court confirmed the costs payable, however, the plaintiffs filed a notice of objection. At the conference at the Court, a settlement of the objections was agreed and the plaintiffs were liable to pay FMIF \$55,000 by 31 August 2016. This amount has not been paid. The Bellpac Receivers have had their costs assessed and an estimate confirmed by the Court. The plaintiffs have also objected to these costs and the Court set a date in September 2016 to hear the objection however, the plaintiffs did not appear. The Court has listed the matter for a full taxation on 20 December 2016.

As the plaintiffs have failed to pay the costs in favour of FMIF, I propose to take further steps in relation to the recovery of the costs amount from the plaintiffs.

1.3.3 Redemptions and Distributions paid to Class B Unit Holders

Investigations have been undertaken via the PE conducted in 2015 and subsequent thereto in relation to redemptions and distributions paid to the Class B unit holders (the feeder funds) when the Fund had suspended redemptions and distributions to other classes of members. These matters have been included in my claim against the auditors (see section 1.3.1).

Investigations are ongoing in relation to these issues and the increase in the Class B members' interest in the Fund as a consequence of the distribution transactions.

1.3.4 External Valuations

During the period I progressed my investigations into whether the valuations relied on in advancing loans was too high and if there was negligence by the valuer which contributed to the losses. I have not at this stage identified any claims that would be commercial to pursue.

1.3.5 Claim by ASIC against the Directors

ASIC commenced civil penalty proceedings in the Federal Court of Australia in November 2014 against Peter Drake, Francene Mulder, Eghard Van Der Hoven, Simon Tickner and Lisa Darcy. ASIC alleges Mr Drake used his position to gain an advantage for himself and the former directors breached their duties for failing to act with the proper degree of care and diligence regarding transactions involving the MPF.

A trial over four weeks from 29 August 2016 to 23 September 2016 has been held.

ASIC has discontinued its proceedings against Mr Tickner and Ms Darcy, which related to their conduct as directors signing off a loan to Maddison Estate Pty Ltd in 2011.

ASIC's proceedings against the other directors focused on both the 2011 transaction and another transaction that occurred in 2012. The proceeding related to the 2012 transaction continues against Mr Drake, Ms Mulder and Mr van der Hoven.

Further details can be found on the ASIC website www.asic.gov.au under media releases.

1.3.6 Claim against a Quantity Surveyor

Judgement was handed down on 24 March 2016 in my favour where the Fund was awarded \$2.39M plus costs in relation to a claim against a quantity surveyor.

Proceeds of \$2,408,903.58 inclusive of interest plus costs and interest of \$417,393.89 were received by the Fund from the defendant on 24 May 2016.

1.3.7 Various claim against Guarantors

During the period I progressed with a review of the remaining loan book to ascertain if there are any further claims against guarantors capable of commercial recoveries. Current ongoing matters that are being prosecuted are unlikely to result in material recoveries to investors although will more than cover the costs of the proceedings.



1.3.8 Western Union

Western Union hold funds on account of the FMIF, which represented investor capital distributions returned due to incorrect account details held.

Western Union sought to set off funds held in the FMIF account against liabilities of other LM related entities, however a confidential commercial settlement has been negotiated. The amount of the claim is approximately \$93,000 (subject to exchange rate fluctuations). While the terms of settlement have been agreed, Western Union requested that the terms be further recorded in a settlement deed. The terms of the draft settlement deed are still being finalised. I am hopeful that this matter can be finalised shortly.

1.3.9 Liquidators of LMIM (FTI Consulting)

a. Application for remuneration approval

During the period FTI filed a Further Amended Originating Application on 16 December 2015 for the determination of their remuneration claimed as liquidators of LMIM in the amount of \$3,098,251.83 for the period from the date of their appointment to 30 September 2015 from assets of the Fund.

At this stage, judgement is yet to be handed down by the Court.

Please note that all material filed with the Court in relation to FTI's remuneration claim is available on the websites www.lmfimif.com and www.lminvestmentadministration.com. A copy of the judgement and court order will be uploaded to the websites when handed down.

FTI have not submitted further details of their outstanding remuneration and costs up to 30 June 2016 and have advised that they are awaiting the outcome of the judgement noted above.

b. Indemnity claim against the Fund

During the period FTI submitted two indemnity claims for \$241,453.54 and \$375,499.78 against the assets of the Fund.

The first claim of \$241,453.54 relates to legal costs incurred in relation to the appeal of the decision appointing me as receiver to wind up the Fund. This claim has been rejected in full pending the judgement to be handed down in relation to FTI's remuneration application.

In respect of the second claim, I accepted \$84,954.41 (\$93,449.85 less GST of \$8,495.44) (Accepted Claim), rejected \$169,243.26 and deferred \$5,473.59 pending the judgement to be handed down in relation to FTI's remuneration application. The balance of FTI's claim has been withdrawn.

FTI immediately sought payment of the Accepted Claim of \$84,954.41.

To avoid the unnecessary costs of arguing over a relatively small sum in comparison to the overall remuneration claimed by FTI, I attended to payment of \$84,954.41.

FTI have also made an application to Court objecting to my decision to reject their indemnity claim noted above (Indemnity Application). No date for the hearing of the Indemnity Application has yet been fixed.



2. Financial Position of the Fund

The management accounts for the year ending 30 June 2016 are available on the website www.lmfmiif.com on the page titled 'Financial Statements & Other Key Documents'.

A summary of the financial position of the Fund as at 30 June 2016 is provided below.

	30 June 2016
ASSETS	\$
Cash and cash equivalents	75,226,396
Receivables	390,971
Loans & Receivables	5,475,536
TOTAL ASSETS	81,092,903
LIABILITIES	
Payables	7,822,479
Distributions payable	1,372,036
Total liabilities excluding net assets attributable to unitholders	9,194,515
NET ASSETS	71,898,388

Fund Assets

The total assets of the Fund as at 30 June 2016 were \$81,092,903.

The balance includes cash at bank of \$75,226,396, interest receivable on term deposits of \$390,971 and net default loans of \$5,475,536. The net default loans balance includes the two remaining real property assets noted at section 1.2 above and cash held in controllership bank accounts.

Fund Liabilities

The total liabilities of the Fund as at 30 June 2016 were \$9,194,515.

The Distributions Payable balance relates to distributions paid prior to the date of the receiver's appointment, which have not cleared or were returned unclaimed. Investigations are currently being undertaken in relation to the balance of this account.

The Payables balance primarily consists of trade creditors, custodian fees, legal fees, receiver's fees and fees and expenses claimed by FTI, which remain unpaid as at 30 June 2016.

The fees and expenses incurred to wind up the Fund, which includes the indemnity claim from LMIM (as currently advised by FTI), and in connection with the various legal matters on foot during the 2016 financial year was \$7.71 million. This is a reduction of \$1.42 million from the 2015 financial year.

I expect these fees and expenses will continue to reduce as the various outstanding matters are resolved.



Net Assets Attributable to Unit Holders

Net assets attributable to unit holders as at 30 June 2016 were \$71,898,388.

The net assets of the Fund and number of units on issue as at 30 June 2016 and 30 June 2015 is detailed in the table below.

	30 June 2016	30 June 2015
Estimated net amount of assets available to investors as at the period end (\$)	71,898,388	77,178,702
Total investor units (# of units)	478,100,386	478,537,325
Estimated net asset amount per unit available to investors as at the period end (cents in the dollar)	15	16.1

In relation to the total investor units, a discrepancy between the units recorded in the investor register and the units recorded in the audited and management accounts for the 2012 financial year has been identified. Investigations indicate that the discrepancy relates to the Fund's migration to a new financial database in 2010 whereby the units of investors who subscribed in a foreign currency were incorrectly recorded in the foreign currency equivalent amount, and not in the AUD equivalent amount in accordance with the PDS and Constitution. Further investigations are ongoing and appropriate steps will be taken to address the issue. The total investor units recorded in the management accounts for the year ending 30 June 2016 and summarised in the table above includes Class C units (units acquired in foreign currencies) recorded in the investor management database translated to the Australian dollar equivalent at the spot rate current at the balance date.

3. Receipts and Payments of the Fund

The receipts and payments of the Fund, as maintained by the DB Receivers, for the period 1 January to 30 June 2016 is summarised in the table below.

	\$
Receipts	
Interest	856,431
GST received	229,178
Loans reductions/Litigation recoveries	24,167,805
TOTAL RECEIPTS	25,253,414
Payments	
Loan draws	2,661,958
Printing and stationary	21,940
Records management and storage	5,656
IT expenses	49,969
Consultants' fees	102,581



Bank charges	27
GST paid	212,639
Legal fees	2,099,874
Receiver's fees and disbursements	2,310,894
DB Receivers' fees	194,150
DB Receivers' disbursements	5,193
TOTAL PAYMENTS	7,664,881
NET RECEIPTS	17,588,533

Receipts and payments accounts of the Fund maintained by the DB Receivers for the period 11 July 2015 to 10 July 2016 are available on the website www.lmfmf.com on the page titled 'Financial Statements & Other Key Documents'.

4. Investor Information

4.1 Estimated Return to Investors

Based on the professional valuations for the properties charged to the Fund, I provide an estimated return to Investors of between 14 cents and 15.2 cents per unit as at 31 August 2016, calculated as follows:

Cash at Bank	75,043,311	75,043,311
Other Assets	390,000	1,605,000
Estimated selling prices of properties to be sold	2,850,000	3,050,000
Estimated Assets Position	78,283,311	79,698,311
Selling costs (estimated 2.5% of sale price)	71,250	76,250
Other unsecured creditors	6,164,654	1,435,589
FTI Fees & legal expenses advised (subject to approval)- refer to Section 1.3.9 for further details - maximum amount shown	4,211,638	4,211,638
Receivers and Managers' Fees (DB Receivers)	28,214	28,214



Receiver's fees & outlays (BDO) (including controllerships)	746,824	746,824
Receiver's legal fees (BDO)	280,804	280,804
Total Liabilities	11,503,384	6,779,319
Estimated net amount available to investors as at 31 August 2016	66,779,927	72,918,992
Total investor units	478,100,386	478,100,386
Estimated return in the dollar	14 cents	15.2 cents

Please note that the estimate and prior estimates do not take into account future operating costs and future Receiver's fees or any legal recoveries against borrowers, valuers or other third parties.

In calculating the estimated return to investors, I have also not provided any allowance for the claim filed by the MPF Trustee as the prospects of a successful claim against the Fund is unknown

As advised in my previous reports (and above), I have identified a discrepancy between the units recorded in the investor register and the units recorded in the audited and management accounts for the 2012 financial year. Investigations indicate that the discrepancy relates to the Fund's migration to a new investor management database in 2010 whereby the units of investors who subscribed in a foreign currency were incorrectly recorded in the foreign currency equivalent amount, and not in the Australian dollar equivalent amount in accordance with the Fund's Product Disclosure Statement and Constitution.

4.2 Estimated Unit Price as at 30 June 2016

The estimated unit price as at 30 June 2016 provided in my fourteenth report dated 31 July 2016 has been amended upwards from 14 cents to 15 cents following the completion of the management accounts for the year ending 30 June 2016. In this regard, I provide below the revised unit price as at 30 June 2016 of 15 cents, which is based on the mid-point of the high and low estimated selling prices of the secured assets as at 30 June 2016.

Total Value of Fund Assets as at 30 June 2016 (net of land tax and rates)	80,717,517
Less Creditors and Other Payables	10,476,395
Total Net Value of Fund Assets	70,241,122
Total Number of Units	478,100,386
Unit Price	15 cents



I *attach* a copy of a letter confirming the unit price as at 30 June 2016, which may be forwarded to Centrelink to assist with the review of investors' pensions.

4.3 Distributions to Investors

Once the DB Receivers have retired and funds released to me, I will be required to retain certain funds to meet the liabilities of the Fund, including contingent claims that may arise from the auditor claim and Bellpac litigation.

I am also required to seek the directions of the Court before proceeding with the next distribution.

I will update investors as to the expected timing of a distribution as these matters become clearer; however, I am hopeful to be in a position to commence distributions in early 2017.

Please note that the distribution to Investors will take place after paying secured creditors, costs, land tax, rates, Receivers fees and the unsecured creditors who rank ahead of Investors' interests.

4.4 Ongoing Reporting to Investors

Reports will be distributed to investors in accordance with the preferred method of correspondence recorded for each investor in the Fund's database. In order to assist in reducing distribution costs, it would be appreciated if investors could nominate an email address as their preferred method to receive correspondence. Investors may update their details as outlined in Section 4.5 below. For those investors that do not have an email address, correspondence will continue to be sent to you via post.

My next report to investors will be issued by 31 December 2016.

4.5 Investors Queries

Arrangements are in place to ensure that any reasonable questions asked by members of the FMIF, about the winding up of the FMIF, will be answered within a reasonable period of time (generally seven days) and without charge to the investor.

For any changes to investors details, please review the Useful Forms/Procedures tab on the website www.lmfimf.com which includes information regarding the following procedures:

- Change of Contact Address/Bank Account Details
- Change of Contact Address/Bank Accounts Details of a Deceased Estate
- Change of Trustee of Self-Managed Super Fund
- Transfer of Unit Holding from a Super Fund/ Trustee Company to Personal Name(s)
- Transfer of Unit Holding from a Deceased Estate to a Sole Survivor
- Transfer from a Deceased Estate to a Beneficiary of an Estate

It is a requirement that advisors or other third parties acting on behalf of Unit Holders are doing so pursuant to a relevant Authority/Power of Attorney. Please ensure that a relevant Authority/Power of Attorney accompanies the abovementioned documents as necessary (if an Authority/Power of Attorney has not previously been provided).



It is preferable that all questions about the winding up, or communications are sent via email to enquiries@lmfmif.com with original documents to be mailed as required to:

BDO
GPO Box 457
Brisbane QLD 4001
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227

5. Receiver's Remuneration and Expenses

There have been five applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 30 April 2016.

The application for the approval of my remuneration for the period 1 November 2015 to 30 April 2016 was heard on 28 June 2016. The Court ordered that my remuneration for this period be fixed in the amount of \$1,405,155.40 (inclusive of GST) in relation to my role as the person responsible for ensuring the FMIF is wound up in accordance with its constitution and \$36,510.65 in relation to the controllerships for the retirement village assets.

A copy of all documentation in relation to my applications can be found on the website www.lmfmif.com.

In addition to the remuneration previously approved by the Court, I calculate that, on a time basis, I have incurred further remuneration of \$730,435.50 plus outlays of \$7,248.53 plus GST from 1 May 2016 to 31 August 2016 plus work undertaken in respect of the controllerships for the retirement village assets of \$9,138 plus GST as detailed in the table below and attached summaries.

	Remuneration (GST exclusive) \$	Outlays (GST exclusive) \$
LM First Mortgage Income Fund (Receivers & Managers Appointed) (Receiver Appointed)	730,435.50	7,248.53
OVST Pty Ltd (In Liquidation) (Controllers Appointed)	1,656.50	0.86
Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)	2,309.00	-
Bridgewater Lake Estate Ltd (In Liquidation) (Controllers Appointed)	2,657.00	-
Redland Bay Leisure Life Ltd (In Liquidation) (Controllers Appointed)	1,511.00	0.86
Redland Bay Leisure Life Development Ltd (In Liquidation) (Controllers Appointed)	406.00	-

Cameo Estates Lifestyle Villages (Launceston) Pty Ltd (Receivers & Managers Appointed) (Controllers Appointed)	598.50	-
Total	739,573.50	7,250.25

The fees for the three months from May to August 2016 average approximately \$183,000 per month compared to the four months from January to April 2016 of approximately \$243,000 per month.

I expect my fees incurred in the coming periods will continue to reduce as the various outstanding matters are resolved.

I anticipate that my next application to Court for the approval of my remuneration will be made in November/December 2016 covering the period 1 May 2016 to 31 October 2016. A copy of my application in this respect will be posted to the website www.lmfimif.com and investors will be notified when this application has been lodged.

6. Actions taken during the period

I provide below a summary of actions taken during the period from 1 January to 30 June 2016:

- Work undertaken in relation to the litigation matters detailed at Section 1.3 of this report, which include, among other things:
 - Progressing the claim against the former auditors regarding the financial statements and compliance plan audits following public examinations held, amending the claim in response to the strike out application and quantifying the loss suffered by the Fund;
 - Progressing a claim and recovery of the judgement debt awarded in my favour against a quantity surveyor;
 - Providing assistance to the Liquidator of Bellpac regarding the \$8M bond claim and progressing these matters;
 - Progressing the claim against the MPF and others;
 - Attending to discovery in the MPF proceedings;
 - Preparation for and attending to mediation in the MPF proceedings;
 - Responding to the amended claims filed by the MPF Trustee against the assets of the Fund, including filing strike out applications and investigating counter claims against the MPF
 - Review of potential claims against former valuers of property securities for negligence and breach of contract;
 - Progressing claims against guarantors.
- Liaising with various parties in relation to the potential for the DB Receiver's retirement;
- Finalising settlement of Western Union's set off claim;
- Dealing with FTI in relation to remuneration sought against the FMIF in their capacity as liquidators of the responsible entity, including meetings and correspondence with our solicitors and counsel, correspondence with FTI's solicitors;

- Dealing with FTI in relation to their claims for indemnity against the assets of the Fund for expenses and costs incurred in their capacity as liquidators of the responsible entity;
- Maintaining the management accounts of the Fund;
- Undertaking the investor management function for approximately 4,500 investors including answering queries on the winding up of the Fund and maintaining the investment database, including any change in details or transfer of units;
- Investigations into the migration of the Composer investor management database to the AX investor management database and liaising with an IT consultant in relation to resolving issues with investors that acquired units in foreign currencies;
- Preparing an application to ASIC for relief from the requirements of a half year review and annual audit of the financial reports and compliance plan;
- Preparing of affidavit and supporting material for an application to Court for approval of the receiver's remuneration for the period 1 November 2015 to 30 April 2016;
- Finalising outstanding trading matters from the sale of five retirement villages, including tax compliance issues;
- Preparation of unit price calculations as at 31 December 2015 and 30 June 2016;
- Preparation of update reports to investors in January, April and July 2016.

7. Actions proposed to be taken in the next 12 months

I provide below a summary of the proposed actions to be taken in the next 12 months in relation to the winding up of the Fund:

- Sale and settlement of the remaining two real properties outlined at section 1.2 of this report
- Take steps to resist the strike out application on certain parts of the claim against the former auditors and if possible, progress to resolution the claim outlined at section 1.3.1 of this report
- Take steps to determine or resolve the claim regarding the Bellpac bonds and realise this asset as outlined at section 1.3.2 of this report
- Take steps to recover the costs orders in favour of the Fund as set out in section 1.3.2 b of this report
- Resolve the position in relation to the distributions and redemptions paid to the Feeder Funds
- Finalise investigations in relation to potential claims against external valuers
- Finalise all claims against guarantors
- Obtain a release of funds held by Western Union
- Resolve FTI's indemnity claim against the Fund
- Maintain the accounts of the Fund and prepare management accounts for the half year ending 31 December 2016 and for the year ending 30 June 2017
- Resolve the issues relating to the investor units subscribed in foreign currencies in the investor management database
- Maintain the investor management database
- Obtain approval from the Court to process interim distributions to investors
- Process interim distributions to investors
- Report to investors on a quarterly basis
- Make applications to Court for remuneration approval

Please note that the timing to finalise some of the above matters will be subject to judgments being handed down by the Court.

8. Actions required to complete the winding up

I provide below a summary of the key actions required to complete the winding up:

- Realise the remaining two real properties;
- Finalise all litigation currently on foot and contemplated;
- Resolve FTI's indemnity claim against the Fund;
- Discharge all liabilities of the Fund;
- Obtain approval from the Court to process interim distributions and a final distribution to investors; and
- Arrange for an auditor to audit the final accounts of the Fund after the Fund is wound up.

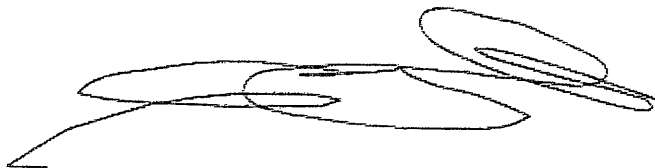
I anticipate that the winding up of the Fund will be finalised in approximately 18 months, however, this may vary subject to the progression of the outstanding legal matters detailed in this report.

9. Queries

Should unit holders wish to advise of any changes in details or require further information, please contact BDO as follows:

BDO
GPO Box 457
Brisbane QLD 4001
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227
Email: enquiries@lmfmif.com

Yours faithfully



David Whyte
Receiver



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 31 August 2016
LM First Mortgage Income Fund

Employee	Grade	FTE	Total		Assets		Creditors		Task Aligned		Average Rate	
			FTE	Value	FTE	Value	FTE	Value	FTE	Value		
David Whyte	Partner	580	80.5	46,690.00	55.2	32,016.00	5.9	3,422.00	16.9	9,802.00	2.5	1,480.00
Clark Jarrold	Partner	560	161.9	90,664.00							161.9	90,664.00
David Whyte	Partner	560	76.9	43,064.00	11.3	6,328.00	17.1	9,576.00	16.4	9,184.00	3.0	1,680.00
Mark Whitaker	Partner	550	2.5	1,375.00	2.5	1,375.00					65.3	32,323.50
Eric Leeuwendal	Executive Director	495	581.4	272,943.00	363.0	179,685.00	75.4	37,323.00	15.0	7,425.00	25.1	12,299.00
Tim Kendall	Partner	490	2.5	1,225.00							48.5	22,067.50
Craig Jenkins	Partner	490	25.1	12,299.00	4.6	2,093.00	31.0	14,105.00	18.6	8,184.00	39.5	14,812.50
John Somerville	Senior Manager	455	84.9	38,629.50	2.0	880.00	19.8	8,712.00			0.8	364.00
John Somerville	Senior Manager	440	73.6	32,384.00							33.2	14,608.00
Julie Pagu	Senior Manager	375	39.5	14,812.50								
Murray Daniel	Supervisor	360	0.6	216.00			0.6	216.00				
Aubrey Meek	Senior Accountant II	290	79.7	23,113.00			78.0	22,620.00	69.6	19,488.00	0.1	28.00
Nicola Kennedy	Senior Accountant II	280	113.5	31,780.00			34.0	9,520.00				
Samantha Brown	Accountant I	235	0.1	23.50			0.1	23.50				
Dermot O'Brien	Accountant I	235	153.7	36,119.50			38.7	9,094.50	107.9	25,356.50	0.9	211.50
Aubrey Meek	Accountant I	225	50.1	11,272.50			47.0	10,575.00				
Sarah Cunningham	Team Assistant	200	3.1	620.00					0.2	39.00		
Sarah Cunningham	Team Assistant	195	4.2	819.00								
Andrew Hack	Analyst II	195	8.5	1,657.50	8.5	1,657.50						
Dermot O'Brien	Accountant II	195	134.4	26,208.00	0.6	117.00	78.6	15,327.00	20.9	4,075.50	4.7	916.50
Aubrey Meek	Accountant II	190	44.9	8,531.00			41.2	7,828.00				
Dale Ludwig	Para-Professional	185	0.4	74.00	0.4	74.00						
Andrew Lane	Undergraduate	165	73.3	12,094.50	0.5	82.50	50.6	8,349.00	5.9	973.50	1.6	264.00
Ryan Whyte	Undergraduate	165	61.1	10,081.50			50.2	8,283.00				
Ryan Whyte	Undergraduate	160	46.6	7,465.00			35.5	5,660.00	5.0	800.00		
Jinyang Li	Accountant II	155	10.4	1,612.00			10.4	1,612.00				
Brooke Streidl	Team Assistant	130	20.6	2,678.00								
Melora Hattingh	Team Assistant	85	13.1	1,113.50								
Melora Hattingh	Team Assistant	80	11.0	880.00								
TOTALS			1,628.1	719,435.50	148.6	221,508.00	614.9	174,954.00	124.9	101,550.00	114.6	118,549.00
			GET	73,043.95								
			TOTAL INC GST	803,479.05								
			AVERAGE FTE RATE	37.9								

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 31 August 2016
OVST PTY LTD

EMPLOYEE	PROFESSION	RATE	Totals		Assets	Creditors	Task Area		Application	
			hrs	\$			hrs	\$		
John Somerville	Senior Manager	455	0.3	136.50					0.3	136.50
John Somerville	Senior Manager	440	0.7	308.00					0.7	308.00
Nicola Kennedy	Senior Accountant II	280	0.7	196.00			0.7	196.00		
Dermot O'Brien	Accountant I	235	0.3	70.50					0.3	70.50
Damien Hicks	Senior Accountant II	230	1.1	253.00					1.1	253.00
Sarah Cunningham	Team Assistant	200	1.4	280.00					1.4	280.00
Andrew Lane	Undergraduate	165	2.2	363.00					1.5	247.50
Mofra Hattingh	Team Assistant	85	0.3	25.50		0.1	16.50	0.6	99.00	25.50
Mofra Hattingh	Team Assistant	80	0.3	24.00					0.3	24.00
TOTALS			7.3	1,656.50		0.1	16.50	1.2	99.00	
			GST	165.65						
			TOTAL INCGST	1,822.15						
AVERAGE HOURLY RATE			227							

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 31 August 2016
CAMEO ESTATES LIFESTYLE VILLAGES (LAUNCESTON) PTY LTD

EMPLOYEE	Position	Totals		Trade Op		Administration		
		Rate	hrs	\$	hrs	\$	hrs	
John Somerville	Senior Manager	455	0.3	136.50			0.3	136.50
John Somerville	Senior Manager	440	0.3	132.00			0.3	132.00
Nicola Kennedy	Senior Accountant II	280	0.4	112.00	0.4	112.00		
Dermot O'Brien	Accountant I	235	0.5	117.50			0.5	117.50
Sarah Cunningham	Team Assistant	200	0.3	60.00			0.3	60.00
Andrew Lane	Undergraduate	165	0.1	16.50			0.1	16.50
Moira Hattingh	Team Assistant	80	0.3	24.00			0.3	24.00
TOTALS			2.2	598.50	0.4	112.00	1.6	598.50
		GST		59.85				
		TOTAL INC GST		698.35				
		AVERAGE HOURLY RATE		272				
					280		270	

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 31 August 2016
BRIDGEWATER LAKE ESTATE PTY LTD

Employee	Position	Rate	Totals			Assets		Trade On		Administration	
			Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	
David Whyte	Partner	560	0.4	224.00	0.3	168.00	0.1	56.00		0.2	91.00
John Somerville	Senior Manager	455	0.2	91.00						0.9	396.00
John Somerville	Senior Manager	440	1.5	660.00	0.5	220.00	0.1	44.00			
Nicola Kennedy	Senior Accountant II	280	5.5	1,540.00	3.5	980.00	1.9	532.00		0.1	28.00
Dermot O'Brien	Accountant I	235	0.3	70.50						0.3	70.50
Sarah Cunningham	Team Assistant	200	0.1	20.00						0.1	20.00
Sarah Cunningham	Team Assistant	195	0.1	19.50						0.1	19.50
Moira Hattingh	Team Assistant	80	0.4	32.00						0.4	32.00
TOTALS			8.5	2,657.00	4.3	1,368.00	2.0	632.00		2.0	557.00
			GST	265.70							
			TOTAL INC GST	2,922.70							
			AVERAGE HOURLY RATE	313			318			301	

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 31 August 2016
REDLAND BAY LEISURE LIFE DEVELOPMENT PTY LTD

Employee	Position	Totals		Trade On		Task Area	
		Rate	Hrs	Hrs	\$	Hrs	\$
John Somerville	Senior Manager	440	0.2				88.00
Nicola Kennedy	Senior Accountant II	280	0.2	0.1	28.00		28.00
Dermot O'Brien	Accountant I	235	0.6				141.00
Sarah Cunningham	Team Assistant	200	0.4				80.00
Andrew Lane	Undergraduate	165	0.2				16.50
Moirra Hattingh	Team Assistant	80	0.1				8.00
TOTALS			1.7	0.1	28.00		36.50
		TOTALS					
			GST				
			40.60				
		TOTAL INC GST					
			446.60				
		AVERAGE HOURLY RATE					
			239				

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 31 August 2016
REDLAND BAY LEISURE LIFE PTY LTD

Employee	Position	Rate	Totals		Trade Op		Admin/operation		
			hrs	\$	hrs	\$	hrs	\$	
John Somerville	Senior Manager	455	0.3	136.50				0.3	136.50
John Somerville	Senior Manager	440	0.8	352.00	0.1	44.00		0.7	308.00
Nicola Kennedy	Senior Accountant II	280	2.1	588.00	2.0	560.00		0.1	28.00
Dermot O'Brien	Accountant I	235	0.4	94.00				0.4	94.00
Damien Hicks	Senior Accountant II	220	1.2	264.00				1.2	264.00
Sarah Cunningham	Team Assistant	195	0.1	19.50				0.1	19.50
Andrew Lane	Undergraduate	165	0.2	33.00				0.2	33.00
Moira Hattingh	Team Assistant	80	0.3	24.00				0.3	24.00
TOTALS			5.4	1,511.00	2.1	604.00		3.1	807.60
			GST	151.10					
			TOTAL INC GST	1,662.10					
			AVERAGE HOURLY RATE	280					

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2016 to 31 August 2016
PINEVALE VILLAS MORAYFIELD PTY LTD

Employee	Position	Totals		Trade On		Trade Off		Administration
		Rate	hrs	hrs	\$	hrs	\$	
David Whyte	Partner	560	0.1	56.00	0.1	56.00		
John Somerville	Senior Manager	455	0.5	227.50	0.1	45.50	0.4	182.00
John Somerville	Senior Manager	440	1.1	484.00	0.3	132.00	0.8	352.00
Jacqueline Silva	Manager	330	0.4	132.00			0.4	132.00
Nicola Kennedy	Senior Accountant II	280	2.8	784.00	2.7	756.00	0.1	28.00
Dermot O'Brien	Accountant I	235	0.3	70.50			0.3	70.50
Damien Hicks	Senior Accountant II	220	2.0	440.00			2.0	440.00
Ryan Whyte	Undergraduate	165	0.3	49.50			0.3	49.50
Andrew Lane	Undergraduate	165	0.2	33.00			0.2	33.00
Moira Hattingh	Team Assistant	85	0.1	8.50			0.1	8.50
Moira Hattingh	Team Assistant	80	0.3	24.00			0.3	24.00
TOTALS			8.1	2,309.00	3.2	989.50	4.9	1,319.50
			GST	230.90				
			TOTAL INC GST	2,539.90				
			AVERAGE HOURLY RATE	285		169		266

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 May 2016 to 31 August 2016

LM First Mortgage Income Fund

EXPENSE TYPE	AMOUNT (\$ PA GST)
Postage	5,251.76
Printing	552.00
Photocopy	10.50
General	1,330.00
Search Fee	104.27

Disbursements for the period 1 May 2016 to 31 August 2016

REDLAND BAY LEISURE LIFE PTY LTD

EXPENSE TYPE	AMOUNT (\$ PA GST)
Postage	0.88

Disbursements for the period 1 May 2016 to 31 August 2016

OVST PTY LTD

EXPENSE TYPE	AMOUNT (\$ PA GST)
Postage	0.86



Fax: +61 7 3237 8999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 11, 110 Bess St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4000
Australia

30 September 2016

TO WHOM IT MAY CONCERN

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED) ARSN 089 343 288 ('the Fund' or 'FMIF')

I refer to my appointment as the Receiver of the Fund's assets and the person responsible for ensuring the winding up of the Fund in accordance with the terms of its constitution by Order of the Supreme Court of Queensland on 8 August 2013.

I provide an update on the estimated unit price of the fund as at 30 June 2016, calculated as follows:

	\$
Total Value of Fund Assets as at 30 June 2016 (net of land tax and rates)	80,717,517
Less Creditors and Other Payables	10,476,395
Total Net Value of Fund Assets	70,241,122
Total Number of Units	478,100,386
Unit Price	15 cents

Should you have any queries in respect of the above, please contact Dermot O'Brien of my office on (07) 3237 5864.

Yours faithfully,

David Whyte
Receiver

TO THE INVESTOR AS ADDRESSED

23 December 2016

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED) ARSN 089 343 288 ('the Fund' or 'FMIF')

1. Executive Summary

I refer to my appointment as the Receiver of the Fund's assets and the person responsible for ensuring the winding up of the Fund in accordance with the terms of its constitution by Order of the Supreme Court of Queensland on 8 August 2013.

I now provide my 16th update to investors, which provides details of the progress made in the winding up of the Fund since my last report to investors dated 30 September 2016. This report should be read in conjunction with my previous reports, which are available on the website www.lmfimf.com.

A summary of the key issues covered in this report is as follows:

- There is one property asset plus two residential units remaining to be sold that are estimated to realise approximately \$2.85M. Further details are provided at Section 3 below;
- Cash at bank as at 30 June 2016 was \$74.98 million;
- The estimated return to investors is currently 13.6 to 14.9 cents per unit as detailed at Section 8.1 below and before taking into account future costs and recoveries from legal proceedings on foot;
- I will not be in a position to make distributions to investors (for which I also need Court approval) until the claims by Korda Mentha as trustee of the LM Managed Performance Fund (MPF Trustee) and other litigation matters involving a potential claim against the Fund have been resolved and the Receivers and Managers of the Fund (DB Receivers) appointed by the secured creditor have retired. Further details in relation to the status of the retirement of the DB Receivers are provided in Section 2.2 below;
- The MPF Trustee's proceedings against the assets of the Fund have been adjourned to a date to be fixed to enable settlement negotiations to continue. The MPF Trustee has recently served further proceedings against LMIM and against the assets of the Fund in relation to another loan jointly funded by the FMIF and the MPF. These proceedings are also included in the settlement negotiations. Further details are provided in Section 2.1 below;
- Following the mediation on 12 July 2016 in relation to a claim against the directors, LMIM and MPF for \$15.5M plus interest, settlement negotiations have been ongoing. See Sections 2.3 and 4.2.1 below;

- The former auditors of the Fund filed an application seeking to strike out parts of the claim I caused to be filed against them. The decision has been reserved. Further details are provided in Section 4.1 below;
- The defendants of the Bellpac Liquidator's \$8M Bonds litigation application for special leave to the High Court of Australia after their appeal to the Federal Court failed, was dismissed. Further details in relation to the \$8M Bonds are provided in Section 4.2.2 below;
- The Court is yet to hand down judgement in relation to the remuneration claimed by the liquidators of LMIM (FTI) against the assets of the Fund. Further details in relation to FTI's remuneration claim and indemnity claim are provided in Section 6 below.

2. Position of the Secured Creditor, the potential claim by KordaMentha, the trustee of the LM Managed Performance Fund ('MPF') and claims filed against the Fund

2.1 Proceedings by the Trustee of the MPF against LMIM and the Fund

2.1.1 Assigned Loans Claim

I refer to my previous update to investors dated 30 September 2016 and confirm that on 19 August 2016 Justice Applegarth delivered judgement on my strike out applications. A key issue which was subject to argument on the hearing of the applications was whether the indemnity claim against the assets of the Fund should be struck out. His Honour declined to strike out the indemnity claim, granted the plaintiff leave to amend, and directed the parties to agree on a form of order to give effect to His Honour's reasons.

At a review on 16 December 2016, the review was adjourned to a date to be fixed as the parties wished to continue negotiations to settle the litigation) in conjunction with the proceedings in section 2.3 below;

2.1.2 AIIS Loan Claim

On 3 November 2016, the MPF Trustee filed an application for leave to proceed against LMIM in relation to a statement of claim (SOC) that was filed on 16 December 2015 but had not been served on LMIM. The MPF Trustee has advised that it has taken this action to preserve the proceedings from going stale as the proceedings would not have been served on LMIM within the required 12 months.

The claim is for approximately \$16.82 million equitable compensation against LMIM and a claim against the assets of the FMIF for approximately \$3.9 million. In this regard, the MPF Trustee seeks a declaration that FMIF holds on constructive trust the amount of approximately \$3.9 million being alleged interest paid by the MPF to the FMIF on a loan made to a borrower, Australian International Investment Services Pty Ltd (AIIS) to which both the FMIF and MPF made loans. The MPF Trustee also seeks a declaration that the MPF is entitled to be indemnified out of the assets of the FMIF for the liability of the MPF Trustee and LMIM in relation to the transactions. In the affidavit filed with the application for leave, it is noted that the MPF Trustee's claim will

be increased to approximately \$4.138 million as further amounts of interest alleged to have been funded by MPF on the loan paid to FMIF have been ascertained since they filed the proceedings.

At the hearing of the MPF Trustee's application on 22 November 2016, orders were made granting the leave sought on the condition that any judgment against the defendant will not be enforced without further leave of the court, that the MPF Trustee serve the SOC by 15 December 2016 and the defendant is not required to file a defence and any counterclaim until 28 days after the plaintiff gives written notice to LMIM and myself that a defence and any counterclaim is required to be filed.

The SOC was served on LMIM on 28 November 2016.

2.2 Position of the Secured Creditor

I refer to my comments in my previous updates to investors. The matter precluding the retirement of the DB Receivers is the provision of a release by the MPF Trustee.

I continue to liaise with the DB Receivers about their ongoing role and the possibility of their retirement. See also my comments in section 2.3 below.

2.3 Proceedings against the MPF, LMIM and the Directors of LMIM

I refer to my previous updates to investors and confirm the following:

- I filed a statement of claim in the Supreme Court of Queensland, against a number of parties including the MPF Trustee, in respect of loss suffered by the FMIF as a result of an amount paid to MPF in the Bellpac litigation matter. The claim is for \$15.5M plus interest;
- discovery in the proceedings has been completed;
- a mediation took place on 12 July 2016. The proceedings were not settled at the mediation, however the parties continue to discuss a potential settlement of the litigation which includes discussions to resolve those matters referred to at sections 2.1 and 2.2 above.

I summarise developments since my update to investors dated 30 September 2016 as follows:

- a review hearing of the proceedings was held on 13 October 2016 at which time orders were made for an application and outline of submissions to be made regarding the directors claim for privilege in those proceedings.
- The review hearing on 13 October 2016 was adjourned to 24 October 2016. However, orders were made that I file an application (and written submissions) against the director defendants regarding their claim for privilege by 20 October 2016 given that ASIC had discontinued their proceedings against the 2nd and 6th director defendants;
- On 20 October 2016, I caused to be filed and served an application against the 2nd and 6th director defendants seeking to vary the previous orders made by the Court allowing them to claim privilege and accordingly not to plead a detailed defence to matters alleged against them. The 6th defendant consented to the orders sought in my

application. The 2nd defendant opposed the application. The application was heard on 24 October 2016.

- At the hearing of the application on 24 October 2016 orders were made as follows:
 - That the dispensation granted to the 6th defendant on 30 April 2015 (in respect of a claim for privilege), as varied by the order of 30 June 2015, be revoked;
 - an amended statement of claim be filed by 7 November 2016;
 - The 6th defendant file and serve an amended defence on or before 5 December 2016;
 - an amended reply be filed on or before 19 December 2016;
 - The 6th defendant make disclosure on or before 16 January 2017.

The decision on the application in so far as it relates to the 2nd defendant was reserved by the Court.

- In accordance with these orders, I filed an amended statement of claim on 7 November 2016.
- On 7 December 2016, the Court made orders (by consent) extending the timetable which was the subject of the orders made on 24 October 2016 in relation to the 6th defendant. Those orders varied the timetable to the following:
 - The 6th defendant now has until 30 January 2017 to file and serve his amended defence;
 - any amended reply must be filed by 13 February 2017; and
 - The 6th defendant has until 13 March 2017 to make disclosure.

The proceedings are ongoing and an update will be provided to investors in relation to this matter in my next report.

3. Realisation of Assets

A summary of the remaining real property assets is provided below:

- Two units in a strata titled unit resort situated in North Queensland are to be sold. The DB Receivers are awaiting further documents to be lodged at the land titles office to correct the title references for the units. The units will be marketed for sale once the correct titles have been reissued.
- 11 out of 80 lots of a residential land subdivision in central Queensland remain to be sold. A condition of extending the subdivision approval is that sewer and access easements must be granted. A fresh marketing campaign will commence once this work has been undertaken.

4. Other Potential Recoveries/Legal Actions

I provide an update in relation to investigations undertaken to date, legal proceedings on foot and further work to be done, as follows:

4.1 Claim Against the Former Auditors

I refer to my previous updates to investors and confirm the following:

- I filed a statement of claim in the Supreme Court of Queensland against the former auditors of the Fund. The claim was substantially amended in April 2016 to incorporate matters ascertained from the public examinations undertaken by me in June and October 2015;
- The former auditors' solicitors lodged and served a strike-out application and supporting affidavit on 27 April 2016 seeking to strike-out certain parts of the claim;
- On 30 May 2016, I filed an application to place the proceedings on the Court's commercial list;
- The hearings of the strike out and commercial list application was adjourned to a date to be fixed to enable the parties to file and serve further documents with respect to the strike out application;
- On 2 August 2016, I filed a second further amended statement of claim;
- On 25 August 2016, orders were made setting out a timetable for documents to be filed by the parties and the hearing of the abovementioned applications were adjourned to 15 December 2016; and
- On 27 September 2016 the defendants filed and served amended submissions and an amended strike out application.

I summarise developments since my update to investors dated 30 September 2016 as follows:

- On 25 November 2016, I filed and served my submissions and affidavits in response to the amended strike out application and the defendant's amended submissions;
- On 1 December 2016, I served on the defendants further and better particulars in relation to the claim;
- On 13 December 2016 the defendants were provided with a copy of the documents referred to in my further and better particulars referred to above;
- At the hearing on 15 December 2016, the Court granted my application to place the proceedings on the commercial list. The decision on the former auditors strike out application has been reserved.

As advised in previous reports to investors, considerable work has been undertaken in quantifying the loss suffered by the Fund for the purposes of these proceedings. The calculation of the loss is almost finalised and as previously advised, will likely be in excess of \$100M. I remain hopeful of achieving a substantial recovery from this matter for the benefit of investors within the next 12 months.

4.2 Bellpac Proceedings

4.2.1 Proceedings against LMIM, MPF and Certain Directors

In addition to the claim filed and served against the MPF Trustee in relation to a loss suffered by the Fund from litigation pertaining to the Bellpac loan noted at 2.3 above, there are two further matters relating to Bellpac that have been progressed during the period, as detailed below.

I will provide an update in relation to the outcome of the settlement negotiations in my next report to investors.

4.2.2 Other Bellpac litigation

a. Wollongong Coal Ltd (WCL) - Convertible Bonds

I refer to my previous updates to investors and confirm the following:

- The liquidator of Bellpac has received the settlement amount of \$2 million from WCL in relation to the claim for redemption of the \$2 million Bonds held in WCL. These funds are being used to fund the realisation of the \$8 million Bonds held in WCL;
- The defendants' appeal of the decision of the Court which acknowledged that Bellpac (under the control of a liquidator) is the true owner of the \$8 million convertible bonds was unsuccessful;
- In January 2016, the Bellpac Liquidator applied for the conversion of the \$8 million Bonds to shares. As WCL did not issue all of the shares as required under the terms of the Bonds, the Bellpac Liquidator brought proceedings against WCL seeking orders requiring WCL to perform its obligation to redeem the Bonds converted to shares outside of the required time. WCL then made application for security for costs against the Liquidator;
- On 12 July 2016, the defendants in the \$8 million Bonds case made application for special leave to the High Court of Australia to appeal the decision of the Federal Court;

Developments since my last update to investors are as follows:

- On 10 November 2016, the High Court dismissed the defendants' application for special leave to appeal to the High Court the decision in relation to the \$8 million Bonds;
- The Bellpac liquidator has recently advised me that he has negotiated terms to settle the litigation he commenced against WCL on a commercial basis in consideration for a lump sum amount.

I will provide investors with an update of the proposed settlement in my next report given that a draft deed of settlement has not yet been exchanged and the necessary court approvals have not yet been obtained.

b. Proceedings against Bellpac Receivers, LMIM, PTAL and others ('the Parties')

I refer to my previous updates to investors and confirm the following:

- The remaining proceedings by the third mortgagee against PTAL alleging a sale of the former Bellpac property at Bellambi NSW (sold to Gujarat NRE Minerals Limited in 2011) at undervalue has been discontinued. All defendants were awarded costs against the plaintiffs when the

proceedings were discontinued. Security for costs of \$150,000 lodged by way of bank guarantee by the plaintiffs for the claim against PTAL, will be held by the Court pending resolution of the approved or agreed quantum of PTAL's costs;

- The plaintiffs objected to costs as assessed and estimated by the Court. These costs were subsequently settled at a conference held at the Court. Despite subsequent demands made, the plaintiffs failed to pay the settled and Court awarded costs in favour of;
- The Bellpac Receivers, another defendant, have had their costs assessed and an estimate confirmed by the Court however, the plaintiffs also filed an objection to the Court's estimate of the costs. The Court listed the matter for a full taxation on 20 December 2016.

Developments since my last update to investors are as follows:

- I have received a claim from PTAL for reimbursement of their costs incurred in defence of the proceedings. Following requests for further documentation from PTAL and after liaising with my solicitors, I have recently acknowledged that FMIF will reimburse PTAL;
- On 6 November 2016, I caused to be filed winding up applications against the plaintiffs based on the unpaid costs awarded in favour of LMIM as RE of the FMIF; and
- On 7 November 2016 David Clout and Patricia Talty of Clout and Associates were appointed Liquidators over the plaintiff companies, Austcorp No. 20 Pty Ltd and Compromise Creditors Management Pty Ltd

I am awaiting an update from the Liquidators in relation to the status of the winding up and the prospects for a return to creditors. I will also continue to liaise with PTAL to ensure that the bank guarantee for the security for costs of \$150,000 provided by the plaintiffs for the benefit of PTAL will now be recovered for the benefit of FMIF, given FMIF will reimburse PTAL for its defence costs.

4.3 Other Potential Claims against LMIM and related Parties

4.3.1 Redemptions and Distribution paid to Class B Unit Holders

As advised in my previous reports, investigations have been undertaken via the public examinations conducted in 2015 and subsequent thereto in relation to redemptions and distributions paid to the Class B unit holders (the feeder funds) when the Fund had suspended redemptions and distributions to other classes of members.

I will provide investors with an update in relation to this matter in my next report.

4.3.2 Claim by ASIC against the directors

As advised in my previous reports, ASIC commenced civil penalty proceedings in the Federal Court of Australia in November 2014 against Peter Drake, Francene Mulder, Eghard Van Der Hoven, Simon Tickner and Lisa Darcy. ASIC alleges Mr Drake used his position to gain an advantage for himself and the former directors breached their duties for failing to act with the proper degree of care and diligence regarding transactions involving the MPF.

ASIC has discontinued its proceedings against Mr Tickner and Ms Darcy, which related to their conduct as directors signing off a loan to Maddison Estate Pty Ltd in 2011.

ASIC's proceedings against the other directors focused on both the 2011 transaction and another transaction that occurred in 2012. The proceeding related to the 2012 transaction continues against Mr Drake, Ms Mulder and Mr van der Hoven.

Further details can be found on the ASIC website www.asic.gov.au under media releases. It is understood that the Court will hand down its judgement on Friday 23 December 2016.

4.4 Other actions against guarantors and valuers

4.4.1 Various claims against guarantors

I continue to review the remaining loan book to ascertain if there are any further claims against guarantors capable of commercial recoveries. Current ongoing matters that are being prosecuted will not result in material recoveries to investors although will more than cover the costs of the proceedings.

4.4.2 External Valuations

I continue to finalise my investigations into whether the valuations relied on in advancing loans was too high and if there was negligence by the valuer which contributed to the losses, however, I have not at this stage identified any claims that would be commercial to pursue.

5. Western Union

Western Union hold funds on account of the FMIF, which represented investor capital distributions returned due to incorrect account details held.

Western Union sought to set off funds held in the FMIF account against liabilities of other LM related entities, however a confidential commercial settlement has been negotiated. The amount of the claim is approximately \$93,000 (subject to exchange rate fluctuations). While the terms of settlement have been agreed, Western Union requested that the terms be further recorded in a settlement deed. The terms of the draft settlement deed are still being finalised. I am hopeful that this matter can be finalised shortly.

6. LM Investment Management Ltd ("LMIM")

6.1 Liquidators of LMIM's (FTI Consulting) application for remuneration approval

As previously advised, FTI filed a Further Amended Originating Application on 16 December 2015 for the determination of their remuneration claimed as liquidators of LMIM in the amount of \$3,098,251.83 for the period from the date of their appointment to 30 September 2015 from assets of the Fund.

Judgement is yet to be handed down by the Court.

Please note that all material filed with the Court in relation to FTI's remuneration claim is available on the websites www.lmfimif.com and www.lminvestmentadministration.com. A copy of the judgement and court order will be uploaded to the websites when handed down.

FTI have not submitted further details of their outstanding remuneration and costs up to 30 June 2016 and have advised that they are awaiting the outcome of the judgement noted above.

6.2 The Liquidators of LMIM's (FTI) indemnity claim against the Fund

As previously advised, FTI has submitted two indemnity claims for \$241,453.54 and \$375,499.78 against the assets of the Fund.

The first claim of \$241,453.54 relates to legal costs incurred in relation to the appeal of the decision appointing me as receiver to wind up the Fund. This claim has been rejected in full pending the judgement to be handed down in relation to FTI's remuneration application.

In respect of the second claim, I accepted \$84,954.41 (\$93,449.85 less GST of \$8,495.44) (Accepted Claim), rejected \$169,243.26 and deferred \$5,473.59 pending the judgement to be handed down in relation to FTI's remuneration application. The balance of FTI's claim has been withdrawn.

FTI immediately sought payment of the Accepted Claim of \$84,954.41.

To avoid the unnecessary costs of arguing over a relatively small sum in comparison to the overall remuneration claimed by FTI, I attended to payment of \$84,954.41.

FTI have also made an application to Court objecting to my decision to reject their indemnity claim noted above (Indemnity Application). No date for the hearing of the Indemnity Application has yet been fixed.

7. Management Accounts

As advised in my previous report, the management accounts for the year ending 30 June 2016 are available on the website www.lmfimif.com.

The management accounts for the half-year to 31 December 2016 will be made available by 31 March 2017.

8. Investor Information

8.1 Estimated Return to Investors

Based on the professional valuations for the properties charged to the Fund, I provide an estimated return to Investors of between 13.6 cents and 14.9 cents per unit as at 30 November 2016, calculated as follows:

	30 Nov 2016	30 Nov 2015
Cash at Bank	74,978,461	74,978,461
Other Assets	-	1,215,000
Estimated selling prices of properties to be sold	2,850,000	3,050,000



Estimated Assets Position	77,828,461	79,243,461
Selling costs (estimated 2.5% of sale price)	(71,250)	(76,250)
Other unsecured creditors	(6,679,323)	(1,950,258)
FTI Fees & legal expenses advised (subject to approval)- refer to Section 6 for further details - maximum amount shown	(4,211,638)	(4,211,638)
Receivers and Managers' Fees (DB Receivers)	(70,400)	(70,400)
Receivers and Managers' Legal fees (DB Receivers)	(26,493)	(26,493)
Receiver's fees & outlays (BDO) (including controllerships)	(1,259,516)	(1,259,516)
Receiver's legal fees (BDO)	(283,284)	(283,284)
Total Liabilities	(12,601,904)	(7,877,839)
Estimated net amount available to investors as at 30 November 2016	65,226,557	71,365,622
Total investor units	478,100,386	478,100,386
Estimated return in the dollar	13.6 cents	14.9 cents

In my last report to investors I calculated that the estimated return to investors would be between 14 and 15.2 cents in the dollar. The estimated return as at 30 November 2016 has been revised downwards slightly as the estimate and prior estimates do not take into account future operating costs and future Receiver's fees or any legal recoveries against borrowers, valuers or other third parties.

In calculating the estimated return to investors, I have also not provided any allowance for the claim filed by the MPF Trustee as the prospects of a successful claim against the Fund is unknown, however, as detailed earlier in this report, I am hopeful that all claims relating to the MPF matters will be settled shortly.

As advised in my previous reports (and above), I have identified a discrepancy between the units recorded in the investor register and the units recorded in the audited and management accounts for the 2012 financial year. Investigations indicate that the discrepancy relates to the Fund's migration to a new investor management database in 2010 whereby the units of investors who subscribed in a foreign currency were incorrectly recorded in the foreign currency equivalent amount, and not in the Australian dollar equivalent amount in accordance with the Fund's Product Disclosure Statement and Constitution.



8.2 Distributions to Investors

Once the DB Receivers have retired and funds released to me, I will be required to retain certain funds to meet the liabilities of the Fund, including contingent claims that may arise from the auditor claim and Bellpac litigation.

I am also required to seek the directions of the Court before proceeding with the next distribution.

I will update investors as to the expected timing of a distribution as these matters become clearer; however, I am hopeful to be in a position to commence interim distributions in the second quarter of 2017.

Please note that the distribution to Investors will take place after paying secured creditors, costs, land tax, rates, Receivers fees and the unsecured creditors who rank ahead of Investors' interests.

8.3 Ongoing Reporting to Investors

Reports will be distributed to investors in accordance with the preferred method of correspondence recorded for each investor in the Fund's database. In order to assist in reducing distribution costs, it would be appreciated if investors could nominate an email address as their preferred method to receive correspondence. Investors may update their details as outlined in Section 8.4 below. For those investors that do not have an email address, correspondence will continue to be sent to you via post.

My next report to investors will be issued by 31 March 2017.

8.4 Investors Queries

For any changes to investors details, please review the Useful Forms/Procedures tab on the website www.lmfimif.com which includes information regarding the following procedures:

- Change of Contact Address/Bank Account Details
- Change of Contact Address/Bank Accounts Details of a Deceased Estate
- Change of Trustee of Self-Managed Super Fund
- Transfer of Unit Holding from a Super Fund/ Trustee Company to Personal Name(s)
- Transfer of Unit Holding from a Deceased Estate to a Sole Survivor
- Transfer from a Deceased Estate to a Beneficiary of an Estate

It is a requirement that advisors or other third parties acting on behalf of Unit Holders are doing so pursuant to a relevant Authority/Power of Attorney. Please ensure that a relevant Authority/Power of Attorney accompanies the abovementioned documents as necessary (if an Authority/Power of Attorney has not previously been provided).

It is preferable that all communications are sent via email to enquiries@lmfmif.com with original documents to be mailed as required to:

BDO
GPO Box 457
Brisbane QLD 4001
Phone: +61 7 3237 5999 Fax: +61 7 3221 9227

9. Receiver's Remuneration and Expenses

There have been six applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 31 October 2016.

The application for the approval of my remuneration for the period 1 May 2016 to 31 October 2016 was heard on 2 December 2016. The Court ordered that my remuneration for this period be fixed in the amount of \$1,119,991.40 (inclusive of GST) in relation to my role as the person responsible for ensuring the FMIF is wound up in accordance with its constitution and \$13,385.35 (inclusive of GST) in relation to the controllerships of the retirement village assets.

A copy of all documentation in relation to my applications can be found on the website www.lmfimif.com.

In addition to the remuneration previously approved by the Court, I calculate that, on a time basis, I have incurred further remuneration of \$172,367.50 plus outlays of \$3,331.14 plus GST from 1 to 30 November 2016 plus work undertaken in respect of the controllerships of the retirement village assets of \$1,071 plus GST as detailed in the table below and attached summaries.

	Remuneration (GST exclusive) \$	Outlays (GST exclusive) \$
LMI First Mortgage Income Fund (Receivers & Managers Appointed) (Receiver Appointed)	172,368	3,331
OVST Pty Ltd (In Liquidation) (Controllers Appointed)	180	-
Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)	180	-
Bridgewater Lake Estate Ltd (In Liquidation) (Controllers Appointed)	180	-
Redland Bay Leisure Life Ltd (In Liquidation) (Controllers Appointed)	180	-
Redland Bay Leisure Life Development Ltd (In Liquidation) (Controllers Appointed)	180	-
Cameo Estates Lifestyle Villages (Launceston) Pty Ltd (Receivers & Managers Appointed) (Controllers Appointed)	171	-
Total	173,439	3,331

The key matters addressed during the period, were:

- Work undertaken in relation to the litigation matters detailed at Sections 2 and 4 of this report, which include, among other things:

- Progressing the claim against the former auditors regarding the financial statements and compliance plan audits following public examinations held, and quantifying the loss suffered by the Fund;
 - Providing assistance to the Liquidator of Bellpac regarding the \$8M bond claim and progressing these matters;
 - Progressing the claim against the MPF and others;
 - Review of potential claims against former valuers of property securities for negligence and breach of contract;
 - Progressing claims against guarantors.
- Liaising with various parties in relation to the potential for the DB Receiver's retirement;
 - Progressing settlement of Western Union's set off claim;
 - Dealing with FTI in relation to their claims for indemnity against the assets of the Fund for expenses and costs incurred in their capacity as liquidators of the responsible entity;
 - Maintaining the management accounts of the Fund;
 - Undertaking the investor management function for approximately 4,500 investors including answering queries on the winding up of the Fund and maintaining the investment database, including any change in details or transfer of units;
 - Preparing of affidavit and supporting material for an application to Court for approval of the receiver's remuneration for the period 1 May to 31 October 2016;
 - Finalising outstanding trading matters from the sale of five retirement villages, including tax compliance issues.

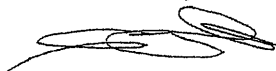
I anticipate that my next application to Court for the approval of my remuneration will be made in May/June 2017 covering the period 1 November 2016 to 30 April 2017. A copy of my application in this respect will be posted to the website www.lmfmf.com and investors will be notified when this application has been lodged.

10. Queries

Should unit holders wish to advise of any changes in details or require further information, please contact BDO as follows:

BDO
GPO Box 457
Brisbane QLD 4001
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227
Email: enquiries@lmfmif.com

Yours faithfully



David Whyte
Receiver



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016
 LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

EMPLOYEE	DATE	RATE	Assets		Creditors		Employees		Debtors		TOTAL
			hrs	hrs	hrs	hrs	hrs	hrs			
David Whyte	560	54.5	31,610.00	25.4	14,732.00	13.1	7,598.00	5.4	3,132.00	10.6	6,148.00
Clark Jarrold	560	13.0	7,280.00	13.0	7,280.00						
Eric Leeuwendal	495	149.4	73,953.00	79.7	39,451.50	28.9	14,305.50	2.3	1,138.50	25.2	12,474.00
Craig Jenkins	490	7.1	3,479.00	7.1	3,479.00						
John Somerville	455	28.8	13,104.00	1.5	682.50	8.4	3,822.00	4.2	1,911.00	11.2	5,096.00
Karen Ashdown	420	1.0	420.00	1.0	420.00						
Julie Pagcu	375	7.8	2,925.00	7.8	2,925.00						
Aubrey Meek	290	46.4	13,456.00			44.7	12,963.00	1.5	435.00	0.2	58.00
Dermot O'Brien	235	51.8	12,173.00	2.4	564.00	25.8	6,063.00	7.7	1,809.50	2.4	564.00
Sarah Cunningham	200	3.6	720.00							3.6	720.00
Ryan Whyte	165	57.6	9,504.00			36.2	5,973.00			6.5	1,072.50
Andrew Lane	165	15.9	2,623.50			14.9	2,454.50			0.5	82.50
Nicole Jackson	160	1.2	192.00							1.2	192.00
Emma Sheehy	115	4.3	494.50	4.3	494.50						
Moira Hattingh	85	5.1	433.50							5.1	433.50
TOTALS			172,157.50	177.4	50,024.50	177.4	51,090.00	82.50	1,446.00	149.2	14,469.00
TOTAL (EXCL GST)			162,969.50								
TOTAL (INCL GST)			172,157.50								

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 November 2016 to 30 November 2016	
LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)	
	Amount (R 000,000)
Postage	3,176.59
Printing	8.40
Write Offs (BRI Only)	146.15
TOTAL	3,331.14
GST	333.11
TOTAL INC GST	3,664.25

SUPREME COURT OF QUEENSLAND

REGISTRY: BRISBANE

NUMBER: BS3508/15

First Applicant:

**JOHN RICHARD PARK AS LIQUIDATOR
OF LM INVESTMENT MANAGEMENT
LIMITED (IN LIQUIDATION) (RECEIVERS
AND MANAGERS APPOINTED) ACN 077
208 461 THE RESPONSIBLE ENTITY OF
THE LM FIRST MORTGAGE INCOME
FUND ARSN 089 343 288**

AND

Second Applicant:

**LM INVESTMENT MANAGEMENT
LIMITED (IN LIQUIDATION) (RECEIVERS
AND MANAGERS APPOINTED) ACN 077
208 461 THE RESPONSIBLE ENTITY OF
THE LM FIRST MORTGAGE INCOME
FUND ARSN 089 343 288**

AND

Respondent:

**DAVID WHYTE AS THE PERSON
APPOINTED TO SUPERVISE THE
WINDING UP OF THE LM FIRST
MORTGAGE INCOME FUND ARSN 089 343
288 PURSUANT TO SECTION 601NF OF
THE CORPORATIONS ACT 2001**

Part 2 of 2 (pages 180 -399) of the exhibit "JRP-10" to the Affidavit of JOHN RICHARD PARK sworn 12 November 2018.

CERTIFICATE OF EXHIBIT
Filed on behalf of the Applicants
Form 46, Version 1
Uniform Civil Procedure Rules 1999
Rule 431

Russells
Level 18, 300 Queen Street
Brisbane QLD 4000
Tel: 07 3004 8888
Fax: 07 3004 8899
Ref: JTW:20180543



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016
BRIDGEWATER LAKE ESTATE PTY LIMITED (IN LIQUIDATION) (CONTROLLERS APPOINTED)

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	hrs	\$
Dermot O'Brien	Accountant I	235	0.2	47.00	0.2	47.00
Ryan Whyte	Undergraduate	165	0.7	115.50	0.7	115.50
Molira Hattingh	Team Assistant	85	0.2	17.00	0.2	17.00
TOTALS			1.1	179.50	1.1	179.50
			GST	17.45		
			TOTAL INC GST	197.45		
			AVERAGE HOURLY RATE	163		

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016
OVST PTY LIMITED (IN LIQUIDATION) (CONTROLLERS APPOINTED)

Employee	Position	Rate	Totals		Total Area	
			hrs	\$	hrs	\$
Dermot O'Brien	Accountant I	235	0.2	47.00	0.2	47.00
Ryan Whyte	Undergraduate	165	0.7	115.50	0.7	115.50
Moirra Hattinagh	Team Assistant	85	0.2	17.00	0.2	17.00
TOTALS			1.1	179.50	0.9	179.50
			GST	17.95		
			TOTAL INC GST	197.45		
			AVERAGE HOURLY RATE	163		235

Note: All amounts exclude GST unless otherwise noted



**REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016
 CAMEO ESTATES LIFESTYLE VILLAGES (LAUNCESTON) PTY LTD (RECEIVERS AND MANAGERS APPOINTED) (CONTROLLERS APPOINTED)**

Employee	Position	Rate	Totals		Task Alpha	
			hrs	\$	hrs	\$
Dermot O'Brien	Accountant I	235	0.2	47.00	0.2	47.00
Ryan Whyte	Undergraduate	165	0.7	115.50		115.50
Moira Hattingh	Team Assistant	85	0.1	8.50	0.1	8.50
TOTALS			1.0	171.00	0.3	171.00
			GST	17.10		
			TOTAL INC GST	188.10		
			AVERAGE HOURLY RATE	171		171

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016
PINEVALE VILLAS MORAYFIELD PTY LTD (IN LIQUIDATION) (CONTROLLERS APPOINTED)

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	Creditors hrs	Administration hrs
Dermot O'Brien	Accountant I	235	0.2	47.00	0.2	47.00
Ryan Whyte	Undergraduate	165	0.7	115.50		0.7
Moirra Hattingh	Team Assistant	85	0.2	17.00		0.2
TOTALS			1.1	179.50	0.2	47.00
			GST	17.95		
			TOTAL INC GST	197.45		
AVERAGE HOURLY RATE				163		235

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016
REDLAND BAY LEISURE LIFE PTY LTD (IN LIQUIDATION) (CONTROLLERS APPOINTED)

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	hrs	\$
Dermot O'Brien	Accountant I	235	0.2	47.00		
Ryan Whyte	Undergraduate	165	0.7	115.50		
Moira Hattingh	Team Assistant	85	0.2	17.00		
TOTALS			1.1	179.50		
			GST	17.95		
			TOTAL INC GST	197.45		
			AVERAGE HOURLY RATE	163		

Note: All amounts exclude GST unless otherwise noted

TO THE INVESTOR AS ADDRESSED

31 March 2017

**LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
ARSN 089 343 288 ('the Fund' or 'FMIF')**

I refer to my appointment as the Receiver of the Fund's assets and the person responsible for ensuring the winding up of the Fund in accordance with the terms of its constitution by Order of the Supreme Court of Queensland on 8 August 2013.

I now provide my seventeenth update report to investors. This report is prepared in accordance with the Exemption granted by the Australian Securities and Investments Commission (ASIC Exemption) in relation to financial reporting obligations of the Fund. In this regard, the ASIC Exemption requires a report to be made available to investors for each period of six months starting on 1 January 2016, which includes the following information:

- (i) Information about the progress and status of the winding up of the Fund, including details of:
 - A. The actions taken during the period;
 - B. The actions required to complete the winding up;
 - C. The actions proposed to be taken in the next 12 months; and
 - D. The expected time to complete the winding up.
- (ii) The financial position of the Fund as at the last day of the relevant period (based on available information);
- (iii) Financial information about receipts (and payments) of the Fund during the period; and
- (iv) The following information at the end of the period:
 - A. The value of the Fund's property; and
 - B. The potential return to investors.

This report covers, inter alia, the period 1 July 2016 to 31 December 2016 (the period).

1. Progress and Status of the Winding Up

1.1 Position of the Secured Creditor, the potential claim by KordaMentha, the trustee of the LM Managed Performance Fund ('MPF') and claims filed against the Fund

1.1.1 Proceedings by the Trustee of the MPF against LMIM and the Fund

1.1.1.1 Assigned Loans Claims

I refer to my previous updates to investors in relation to these proceedings, in which the trustee of the MPF is the plaintiff, and the defendants are LMIM, and myself as receiver of the property of the FMIF. In these proceedings, the trustee of the MPF alleges that the entry into two Deeds of Assignment by LMIM in 2008, pursuant to which PTAL as custodian of the FMIF, assigned its right, title and interest in the securities that it held for two FMIF loans, to LMIM as trustee of the MPF, and the alleged payment of the Settlement Sum as consideration by LMIM as trustee of the MPF, breached duties owed by LMIM to members of the MPF. The relief claimed by the trustee of the MPF in these proceedings includes equitable compensation against LMIM and claims against assets of the FMIF in the total sum of about \$24.1 million plus interest.

I confirm that at the review hearing on 16 December 2016, the proceedings were adjourned to a date to be fixed as the parties wished to continue negotiations to settle the litigation in conjunction with the proceedings in both sections 1.1.1.2 and 1.1.3 below.

There have been no further steps taken in the proceedings since my previous update to investors.

1.1.1.2 AIIS Loan Claim

I refer to my previous updates to investors in relation to this proceeding in which the trustee of the MPF is the plaintiff, and LMIM is the defendant.

The MPF Trustee alleges in the proceeding that:

- PTAL, as custodian of the FMIF, and LMIM as trustee of the MPF, both made loans to a borrower by the name of Australian International Investment Services Pty Ltd (AIIS);
- PTAL as custodian of the FMIF was the first registered mortgagee, and LMIM as trustee of the MPF was the second registered mortgagee;
- LMIM as trustee of the MPF approved various increases to the amount of the facility, from time to time, in breach of duty; and
- LMIM as trustee of the MPF made various advances that were used to service interest on the loan made by PTAL as custodian of the FMIF to AIIS, in breach of duty, and LMIM as RE of the FMIF received such payments with knowledge that they were made in breach of duty.

The MPF Trustee claims approximately \$16.82 million equitable compensation against LMIM and relief against the assets of the FMIF for approximately \$3.9 million (although this may be increased to \$4.1 million) being alleged interest paid by the MPF to the FMIF in respect of the loan made by the FMIF to AIIS.

On 3 November 2016, the MPF Trustee filed an application for leave to proceed against LMIM. Leave to proceed with the claim was granted by the Court on certain conditions and the claim was served on LMIM on 28 November 2016.

There have been no further steps taken in the proceedings since my previous update to investors. Negotiations to settle these proceedings in conjunction with the proceedings above and those detailed at section 1.1.3 below are continuing.

1.1.2 Position of the Secured Creditor

I refer to my comments in my previous updates to investors. The matter precluding the retirement of the DB Receivers is that they have advised that, prior to retiring, they request the provision of a release by the MPF Trustee, with respect to various claims that the MPF Trustee has made or foreshadowed.

I continue to liaise with the DB Receivers about their ongoing role and the possibility of their retirement. In the event the proceedings mentioned at Sections 1.1.1.1; 1.1.1.2 and 1.1.3 are settled and a release is provided by the MPF, McGrathNicol will retire as Receivers and Managers.

1.1.3 Proceedings against the MPF, LMIM and the Directors of LMIM

I refer to my previous updates to investors and summarise the background as follows:

- I caused to be filed a statement of claim in the Supreme Court of Queensland, against a number of parties including the MPF, in respect of loss suffered by the FMIF as a result of an amount paid to MPF in 2011 in the Bellpac litigation matter. The claim is for \$15.5M plus interest;
- Discovery in the proceedings has been completed;
- A mediation took place on 12 July 2016. The proceedings were not settled at the mediation, however the parties continue to discuss a potential settlement of the litigation which includes discussions to resolve those matters referred to at sections 1.1.1.1 and 1.1.1.2 above.
- On 20 October 2016, I caused to be filed and served an application against the 2nd and 6th director defendants seeking to vary the previous orders made by the Court allowing them to claim privilege and accordingly not to plead a detailed defence to matters alleged against them. The 6th defendant consented to the orders sought in my application. The 2nd defendant opposed the application. The application was heard on 24 October 2016.
- At the hearing of the application on 24 October 2016 orders were made including an order that the dispensation granted to the 6th defendant on 30 April 2015 (in respect of a claim for privilege), as varied by the order of 30 June 2015, be revoked, the 6th defendant file and serve an amended defence on or before 5 December 2016, an amended reply be filed by me on or before 19 December 2016 and the 6th defendant make disclosure on or before 16 January 2017. The decision on the application in so far as it relates to the 2nd defendant was reserved by the Court.

I summarise developments since my update to investors dated 23 December 2016 as follows:

- Following extensions granted to the 6th defendant to file a defence, a defence was filed and served on me on 28 February 2017;
- The Court's decision on the 2nd defendant's privilege position was handed down on 13 March 2017 requiring the 2nd defendant to file and serve a defence within 28 days that complies with the

pleading requirements under the rules of court for a civil proceeding subject to any claim for privilege the second defendant wishes to make. If a claim for privilege is maintained to any parts of the defence, I will have 7 days to file notice of a challenge to that claim in which case the 2nd defendant must then file an affidavit setting out the ground, basis and circumstances in support of any challenged claim of privilege within 14 days of receiving notice of the challenge

- A request for Further and Better Particulars (Request) was served on the 6th defendant by me on 15 March 2017. I have also now agreed orders with the 6th defendant whereby the 6th defendant now has 14 days to respond to the Request and I will then have 14 days to file an amended reply. The 6th defendant then has 28 days after my amended reply is served, to make disclosure.

The proceedings are ongoing and an update will be provided to investors in relation to this matter in my next report.

1.2 Realisation of Assets

There were no real property assets realised during the period.

A summary of the remaining real property assets is provided below:

- Two units in a strata titled unit resort situated in North Queensland are to be sold. Documents have been prepared to correct the title references for the units and the documents are awaiting signature by the owners affected by the required changes to the titles. Once received from the owners they will be lodged at the land titles office. The units will be marketed for sale once the correct titles have been reissued and this is expected to occur before the end of the year.
- 61 hectares of englobo land with various approvals for up to 257 residential lots plus retail space and a childcare centre remain to be sold within a residential land subdivision in Central Queensland. Various applications have been prepared for easements relating to the properties and will be submitted to council for approval shortly. Further updated legal notices are also required to be issued. Following the resolution of these matters, a fresh marketing campaign is expected to commence before the end of the year, but will be subject to the timely receipt of the council's approval.

1.3 Legal Actions/Potential Recoveries

1.3.1 Claim against the former auditors

I refer to my previous updates to investors and summarise the background as follows:

- A public examination (PE) of the former auditors and certain directors and former directors (Directors) of LM Investment Management Limited (In Liquidation) was conducted over a period of 9 days in June 2015 and a further 9 days in October 2015;
- Following the PEs, a further amended statement of claim was filed by me in the Supreme Court of Queensland and served on the former auditors of the Fund on 14 April 2016.
- The former auditors' solicitors lodged and served on me a strike-out application and supporting affidavit on 27 April 2016 seeking to strike-out certain parts of the statement of claim.
- On 30 May 2016, I filed an application to place the proceedings on the Court's commercial list. This application was also adjourned to a date to be fixed.

- On 2 August 2016, I filed a second further amended statement of claim.
- On 25 August 2016, orders were made setting out a timetable for documents to be filed by the parties and the hearing of the abovementioned applications were adjourned to 15 December 2016.
- At the hearing of the strike out application and the commercial list application on 15 December 2016, the Court granted my application and placed the proceedings on the commercial list and reserved its decision on the auditor's strike out application.

Since my update to investors dated 23 December 2016 no further steps have been taken in the proceedings and the decision of the Court on the strike out application has not yet been handed down.

As advised in previous reports to investors, considerable work has been undertaken in quantifying the loss suffered by the Fund as a result of the auditor's alleged failure to identify and report on the material deficiencies in the Fund's financial accounts and LMIM's compliance with the Compliance Plan. The calculation of the loss is substantially complete and as previously advised, will be in excess of \$100M.

1.3.2 Bellpac Proceedings

In addition to the claim filed and served against the MPF in relation to a loss suffered by the Fund from litigation pertaining to the Bellpac loan noted at 1.1.3 above, there are two further matters relating to Bellpac, as detailed below.

a. Wollongong Coal Ltd (WCL) - Convertible Bonds

I refer to my previous updates to investors and I summarise the background as follows:

- The liquidator of Bellpac has received the settlement amount of \$2 million from WCL in relation to the claim for redemption of the \$2 million Bonds held in WCL;
- The defendants' appeal of the decision of the Court which acknowledged that Bellpac (under the control of a liquidator) is the true owner of the \$8 million convertible bonds was unsuccessful;
- In January 2016, the Bellpac Liquidator applied for the conversion of the \$8 million Bonds to shares. As WCL did not issue all of the shares as required under the terms of the Bonds, the Bellpac Liquidator brought proceedings against WCL seeking orders requiring WCL to perform its obligation to redeem the Bonds converted to shares outside of the required time;
- The Bellpac liquidator and WCL have entered into a binding heads of agreement which relates to the settlement of the litigation commenced against WCL. The terms of the heads of agreement include that WCL will pay to Bellpac a settlement sum of \$6.3 million in return for certain releases and Bellpac returning or cancelling the WCL shares issued to Bellpac.

Developments since my last update to investors are as follows:

- The conditions precedent to the settlement with WCL included obtaining necessary approvals to undertake the settlement transactions. In this regard:
- The Bellpac Liquidator has obtained creditor approval to enter into the settlement with WCL;
- The Court declined to exercise its discretion on WCL's application for approval to acquire and or cancel Bellpac's holding of WCL shares. WCL is now preparing to seek shareholder approval;

- The Trustees of the MPF (MPF) have demanded from the Liquidator circa \$680K plus interest out of the proceeds of the Bonds for repayment of funding the MPF allegedly made for the Bonds litigation from late 2010 to early 2013. The MPF has also reserved its rights in relation to claiming 35% of the funds realised from the successful Bonds proceedings;
- The Bellpac Liquidator has confirmed he is reviewing the matter and, for the period to 31 March 2017, he will not take any step adverse to either the MPF or FMIF without first giving the parties 7 days' notice.

b. Proceedings against Bellpac Receivers, LMIM, PTAL and others ('the Parties')

I refer to my previous updates to investors and summarise the background as follows:

- The proceedings against the Bellpac Receivers and LMIM had been discontinued in 2015. The remaining proceedings by the third mortgagee against PTAL alleging a sale of the former Bellpac property at Bellambi NSW (sold to Gujarat NRE Minerals Limited in 2011) at undervalue was discontinued in mid-2016. All defendants were awarded costs against the plaintiffs when the proceedings were discontinued.
- On 6 November 2016, I caused to be filed winding up applications against the plaintiffs based on the unpaid costs awarded in favour of LMIM as RE of the FMIF; and
- On 7 November 2016 David Clout and Patricia Talty of Clout and Associates were appointed Liquidators over the plaintiff companies, Austcorp No. 20 Pty Ltd and Compromise Creditors Management Pty Ltd (the Austcorp companies)

I am awaiting an update from the Liquidators in relation to the status of the winding up and the prospects for a return to creditors. I understand that the Liquidators have taken steps to require the directors of the Austcorp companies to provide the liquidators with the company's' books and records and other documents. Certain records have recently been received by the Liquidators from the directors.

I continue to liaise with PTAL to ensure that the bank guarantee for the security for costs of \$150,000 provided by the Austcorp companies for the benefit of PTAL will now be recovered for the benefit of FMIF, given FMIF has reimbursed PTAL (which was sued in its capacity as custodian of the FMIF) for its defence costs.

1.3.3 Redemptions and Distributions paid to Class B Unit Holders

I refer to my previous updates to investors and summarise the background as follows:

- Investigations have been undertaken via the PE conducted in 2015 and subsequent thereto in relation to redemptions and distributions paid to the Class B unit holders (the feeder funds) when the Fund had suspended redemptions and distributions to other classes of members.
- Investigations are ongoing in relation to these issues and, in particular, the apparent increase in the Class B members' interest in the Fund as a consequence of the distribution transactions

I summarise developments since my update to investors dated 23 December 2016 as follows:

- During the period, I caused to be filed a statement of claim against certain parties to preserve claims in relation to certain transactions and avoid possible expiration of claims as a consequence of the statute of limitations (to the extent these limitations apply to the claim). This claim has

not yet been formally served on the parties. Further investigations are being finalised and it is expected that shortly the claim will be amended to include additional transactions at which time the claim will be served on the parties.

- Once the claim has been amended and served on the parties, I propose to seek directions from the Court.

I will keep investors updated as to the progress of this claim.

1.3.4 External Valuations

During the period I progressed my investigations into whether the valuations relied on in advancing loans was too high and if there was negligence by the valuer which contributed to the losses. I have not at this stage identified any claims that would be commercial to pursue.

1.3.5 Claim by ASIC against the Directors

I refer to my previous updates to investors and summarise the background as follows:

- ASIC commenced civil penalty proceedings in the Federal Court of Australia in November 2014 against Peter Drake, Francene Mulder, Eghard Van Der Hoven, Simon Tickner and Lisa Darcy. ASIC alleged Mr Drake used his position to gain an advantage for himself and that the other former directors breached their duties for failing to act with the proper degree of care and diligence regarding transactions involving the MPF.
- ASIC discontinued its proceedings as against Mr Tickner and Ms Darcy, which related to their conduct as directors in respect of a loan to Maddison Estate Pty Ltd.
- ASIC's proceedings as it remains as against the other directors concerned a transaction that occurred in 2012 involving the loan to Maddison Estate Pty Ltd.

On 23 December 2016 the decision of the Court was handed down dismissing the proceedings against the other directors. Further details can be found on the ASIC website www.asic.gov.au under media releases. ASIC did not appeal the decision and are now out of time to do so.

1.3.6 Various claim against Guarantors

During the period I progressed a review of the loan book to ascertain if there are any further claims against guarantors capable of commercial recoveries. Two matters are currently the subject of court proceedings with one being the subject of a proposed deed of settlement.

1.3.7 Western Union

Western Union hold funds on account of the FMIF, which represented investor capital distributions returned due to incorrect account details held.

Western Union sought to set off funds held in the FMIF account against alleged liabilities of LMIM in its capacity as RE of other funds, however a confidential commercial settlement has been negotiated. The amount of the claim is approximately \$93,000 (subject to exchange rate fluctuations). While the terms of settlement have been agreed, Western Union requested that the terms be further recorded in a settlement deed. The terms of the draft settlement deed are still being finalised. I am hopeful that this matter can be finalised shortly.

1.3.8 Liquidators of LMIM (FTI Consulting)

a. Application for remuneration approval

I refer to my previous updates to investors and summarise the background as follows:

- FTI filed a Further Amended Originating Application on 16 December 2015 for the determination of their remuneration claimed as liquidators of LMIM in the amount of \$3,098,251.83 for the period from the date of their appointment to 30 September 2015 from assets of the Fund.
- The application was heard on 22 February 2016 and 14 March 2016.
- Judgement is reserved and is yet to be handed down by the Court

Please note that all material filed with the Court in relation to FTI's remuneration claim is available on the websites www.lmfimif.com and www.lminvestmentadministration.com. A copy of the judgement and court order will be uploaded to the websites when handed down.

FTI have not submitted further details of their additional remuneration and costs claimed up to 31 December 2016 and have advised that they are awaiting the outcome of the judgement noted above.

b. Indemnity claim against the Fund

I refer to my previous updates to investors and summarise the background as follows:

- FTI submitted two indemnity claims for \$241,453.54 and \$375,499.78 against the assets of the Fund.
- The first claim of \$241,453.54 relates to legal costs incurred in relation to the appeal of the decision appointing me as receiver to wind up the Fund. This claim has been rejected in full. I consider that the judgement to be handed down in relation to FTI's remuneration application deals with some similar issues.
- In respect of the second claim, I accepted and paid \$84,954.41 (\$93,449.85 less GST of \$8,495.44) (Accepted Claim), rejected \$169,243.26 and deferred \$5,473.59 pending the judgement to be handed down in relation to FTI's remuneration application. The balance of FTI's claim has been withdrawn.
- FTI have made an application to Court challenging my decision to reject their indemnity claim noted above (Indemnity Application).

The hearing of the Indemnity Application has now been set for 8 May 2017 and 9 May 2017. I have applied for judicial advice as to whether I am justified in raising the clear accounts rule in opposition to the Indemnity Application.

c. Claim filed against LMIM (not served)

During the period, I caused LMIM as RE of the FMIF to commence a proceeding against LMIM (Supreme Court of Queensland Proceedings 11560) in relation to certain transactions to avoid possible expiry of the statutory limitation periods for making the claims. This claim has not yet been formally served on LMIM.

In this proceeding, LMIM as RE of the FMIF alleges that, *inter alia*, LMIM breached its duties to members of the FMIF by:

- causing to be paid out of assets of the FMIF management fees in advance of it becoming entitled to payment of same;
- overpaying management fees to itself out of assets of the FMIF;
- causing to be paid to LMA additional fees purportedly for loan management and controllership services; and
- directing payments to be made by the MPF, purportedly in satisfaction of liabilities owed by the MPF to the FMIF, to be paid to itself as RE of the feeder funds.

The amount of these claims has not been finalised, but will likely exceed the amount claimed against assets of the FMIF in the Assigned Loans Claim referred to above.

2. Financial Position of the Fund

The management accounts for the year ending 31 December 2016 are available on the website www.lmfimf.com on the page titled 'Financial Statements & Other Key Documents'.

A summary of the financial position of the Fund as at 31 December 2016 is provided below.

	31 December 2016
ASSETS	\$
Cash and cash equivalents	71,788,873
Receivables	200,408
Loans & Receivables	5,448,657
TOTAL ASSETS	77,437,938
 LIABILITIES	
Payables	5,817,625
Distributions payable	1,372,036
Total liabilities excluding net assets attributable to unitholders	7,189,661
 NET ASSETS	70,248,277

Fund Assets

The total assets of the Fund as at 31 December 2016 were \$77,437,938.

The balance includes cash at bank of \$71,788,873, interest receivable on term deposits of \$200,408 and net default loans of \$5,448,657. The net default loans balance includes the two remaining real property assets noted at section 1.2 above and cash held in controllership bank accounts.

Fund Liabilities

The total liabilities of the Fund as at 31 December 2016 were \$7,189,661.

The Distributions Payable balance relates to distributions paid prior to the date of the receiver's appointment which have not cleared or were returned unclaimed.

The Payables balance primarily consists of trade creditors, custodian fees, legal fees, receiver's fees and fees and expenses claimed by FTI, which remain unpaid as at 31 December 2016.

Net Assets Attributable to Unit Holders

Net assets attributable to unit holders as at 31 December 2016 were \$70,248,277.

The net assets of the Fund and number of units on issue as at 31 December 2016 and 30 June 2016 is detailed in the table below.

	31 December 2016	30 June 2016
Estimated net amount of assets available to investors as at period end (\$)	70,248,277	71,898,388
Total investor units (# of units)	478,100,386	478,100,386
Estimated net asset amount per unit available to investors as at period end (cents in the dollar)	14.7	15

Investments made in Foreign Currencies

Investigations undertaken by BDO have identified that the number of units held by investors who invested in foreign currencies appears to be incorrectly recorded in the membership records of the FMIF. It appears that when LMIM transferred the member records of the FMIF to a new database in 2010 the number of units of investors who invested in a foreign currency were incorrectly recorded in the new database, by allocating to the investors concerned one unit in the FMIF for each unit of foreign currency invested, rather than one unit in the FMIF for each \$ 1AUD invested (after the foreign currency amount invested had been converted to AUD at the applicable exchange rate) in accordance with the PDS and Constitution. Further investigations are ongoing and appropriate steps, including an application to Court for directions approving the correction of the member records of the FMIF, will be taken to address the issue and to ensure that the member records of the FMIF are accurate.

3. Receipts and Payments of the Fund

The receipts and payments of the Fund, as maintained by the DB Receivers, for the period 1 July to 31 December 2016 is summarised in the table below.

	\$
Receipts	
Interest	899,639
GST received	226,596
Other income	35,331
TOTAL RECEIPTS	1,161,566
Payments	
Bank charges	32
Consultants' fees	26,936
Custodian fees	33,000
Custodian legal fees (Re Austcorp defence)	444,725
DB Receivers' fees	148,358
IT expenses	60,829
Legal fees	1,222,287
Loan draws	22,652
Printing and stationary	17,408
Receiver's fees and disbursements	2,614,280
Record management and storage	5,398
TOTAL PAYMENTS	4,595,905
NET RECEIPTS (PAYMENTS)	(3,434,339)

4. Investor Information

4.1 Estimated Return to Investors

Based on the professional valuations for the properties charged to the Fund, I provide an estimated return to Investors of between 13.6 cents and 14.9 cents per unit as at 28 February 2017, calculated as follows:

	Low	High
	\$	\$
Cash at bank	73,237,299	73,237,299
Other assets	211,720	1,426,720
Estimated selling prices of properties to be sold	2,850,000	3,050,000
Estimated Assets Position	76,299,019	77,714,019
Selling costs (estimated 2.5% of sale price)	71,250	76,250
Other unsecured creditors	6,208,901	1,479,836
FTI Fees & legal expenses advised (subject to approval)- refer to Section 1.3.9 for further details - maximum amount shown	4,211,638	4,211,638
Receivers and Managers' fees (DB Receivers)	111,340	111,340
Receivers and Managers' accrued expenses (DB Receivers)	8,666	8,666
Receiver's fees & outlays (BDO) (including controllerships)	505,390	505,390
Receiver's legal fees (BDO)	151,665	151,665
Total Liabilities	11,268,850	6,544,785
Estimated net amount available to investors as at 28 February 2017	65,030,169	71,169,234
Total investor units (as at 31 December 2016)	478,100,386	478,100,386
Estimated return in the dollar	13.6 cents	14.9 cents

Please note that the estimate and prior estimates do not take into account future operating costs and future Receiver's fees or any legal recoveries against borrowers, valuers or other third parties.

In calculating the estimated return to investors, I have also not provided any allowance for the claims filed by the MPF Trustee as the prospects of a successful claim against the Fund is unknown.

4.2 Estimated Unit Price as at 31 December 2016

The estimated unit price as at 31 December is 14.7 cents, which is based on the mid-point of the high and low estimated selling prices of the secured assets as at 31 December 2016.

	\$
Total Value of Fund Assets as at 31 December 2016 (net of land tax and rates)	77,437,938
Less Creditors and Other Payables	7,189,661
Total Net Value of Fund Assets	70,248,277
Total Number of Units	478,100,386
Unit Price	14.7 cents

I attach a copy of a letter confirming the unit price as at 31 December 2016, which may be forwarded to Centrelink to assist with the review of investors' pensions.

4.3 Distributions to Investors

Once the DB Receivers have retired and funds released to me, I will be required to retain certain funds to meet the liabilities of the Fund, including contingent claims that may arise from the auditor claim and Bellpac litigation.

I am also required to seek the directions of the Court before proceeding with the next distribution.

I will update investors as to the expected timing of a distribution as these matters become clearer, however, I am hopeful to be in a position to commence distributions during this calendar year, although it is subject to resolving matters before the court where I cannot necessarily control the timeframe to resolve the issues.

Please note that the distribution to Investors will take place after paying secured creditors, costs, land tax, rates, Receivers fees and the unsecured creditors who rank ahead of Investors' interests.

4.4 Ongoing Reporting to Investors

Reports will be distributed to investors in accordance with the preferred method of correspondence recorded for each investor in the Fund's database. In order to assist in reducing distribution costs, it would be appreciated if investors could nominate an email address as their preferred method to receive correspondence. Investors may update their details as outlined in Section 4.5 below. For those investors that do not have an email address, correspondence will continue to be sent to you via post.

My next report to investors will be issued by 30 June 2017.

4.5 Investors Queries

Arrangements are in place to ensure that any reasonable questions asked by members of the FMIF, about the winding up of the FMIF, will be answered within a reasonable period of time (generally seven days) and without charge to the investor.

For any changes to investors details, please review the Useful Forms/Procedures tab on the website www.lmfmfif.com which includes information regarding the following procedures:

- Change of Contact Address/Bank Account Details
- Change of Contact Address/Bank Accounts Details of a Deceased Estate
- Change of Trustee of Self-Managed Super Fund
- Transfer of Unit Holding from a Super Fund/ Trustee Company to Personal Name(s)
- Transfer of Unit Holding from a Deceased Estate to a Sole Survivor
- Transfer from a Deceased Estate to a Beneficiary of an Estate

It is a requirement that advisors or other third parties acting on behalf of Unit Holders are doing so pursuant to a relevant Authority/Power of Attorney. Please ensure that a relevant Authority/Power of Attorney accompanies the abovementioned documents as necessary (if an Authority/Power of Attorney has not previously been provided).

It is preferable that all questions about the winding up, or communications are sent via email to enquiries@lmfmif.com with original documents to be mailed as required to:

BDO
GPO Box 457
Brisbane QLD 4001
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227

5. Receiver's Remuneration and Expenses

There have been six applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 31 October 2016.

The application for the approval of my remuneration for the period 1 May 2016 to 31 October 2016 was heard on 2 December 2016. The Court ordered that my remuneration for this period be fixed in the amount of \$1,119,991.40 (inclusive of GST) in relation to my role as the person responsible for ensuring the FMIF is wound up in accordance with its constitution and \$13,385.35 in relation to the controllerships for the retirement village assets.

A copy of all documentation in relation to my applications can be found on the website www.lmfmfif.com.

In addition to the remuneration previously approved by the Court, I calculate that, on a time basis, I have incurred further remuneration of \$498,479.50 plus outlays of \$3,673.25 plus GST from 1 November 2016 to 28 February 2017 plus work undertaken in respect of the controllerships for the retirement village assets of \$3,237.50 plus GST as detailed in the table below and attached summaries.

	Remuneration (GST exclusive)	Outlays (GST exclusive)
LM First Mortgage Income Fund (Receivers & Managers Appointed) (Receiver Appointed)	498,479.50	3,673.25
OVST Pty Ltd (In Liquidation) (Controllers Appointed)	794.00	-
Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)	478.00	-
Bridgewater Lake Estate Ltd (In Liquidation) (Controllers Appointed)	804.50	-
Redland Bay Leisure Life Ltd (In Liquidation) (Controllers Appointed)	466.00	-
Redland Bay Leisure Life Development Ltd (In Liquidation) (Controllers Appointed)	334.50	-
Cameo Estates Lifestyle Villages (Launceston) Pty Ltd (Receivers & Managers Appointed) (Controllers Appointed)	360.50	-
Total	501,717.00	3,673.25

The fees for the four months from November 2016 to February 2017 average approximately \$125,000 per month compared to the four months from May to October 2016 of approximately \$183,000 per month.

I anticipate that my next application to Court for the approval of my remuneration will be made in May/June 2017 covering the period 1 November 2016 to 30 April 2017. A copy of my application in this respect will be posted to the website www.lmfmf.com and investors will be notified when this application has been lodged.

6. Actions taken during the period

I provide below a summary of actions taken during the period from 1 July to 31 December 2016:

- Work undertaken in relation to the litigation matters detailed at Section 1.1 and 1.3 of this report, which include, among other things:
 - Progressing the claim against the former auditors regarding the financial statements and compliance plan audits following public examinations held, responding to EY's strike out application of certain parts of our claim, amending the claim and substantial work quantifying the loss suffered by the Fund;