

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.lmfimf.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.lmfimf.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.lmfimf.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:

	Low \$	High \$
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.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 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.lmfimf.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.

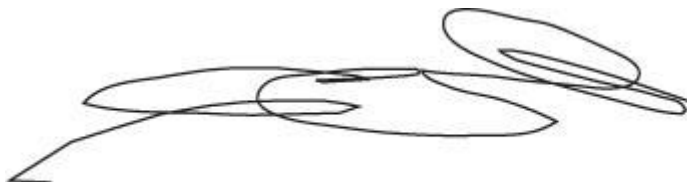
I anticipate that the winding up of the Fund will be finalised in approximately 18 months, however, this may vary subject to the progression of the outstanding legal matters detailed in this report.

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	Position	Rate	Totals		Task Area									
			hrs	\$	Assets		Creditors		Trade On		Investigations		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
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	1,450.00		
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	29.1	16,296.00
Mark Whittaker	Partner	550	2.5	1,375.00	2.5	1,375.00								
Eric Leeuwendal	Executive Director	495	551.4	272,943.00	363.0	179,685.00	75.4	37,323.00	15.0	7,425.00	65.3	32,323.50	32.7	16,186.50
Tim Kendall	Partner	490	2.5	1,225.00									2.5	1,225.00
Craig Jenkins	Partner	490	25.1	12,299.00							25.1	12,299.00		
John Somerville	Senior Manager	455	84.9	38,629.50	4.6	2,093.00	31.0	14,105.00	48.5	22,067.50			0.8	364.00
John Somerville	Senior Manager	440	73.6	32,384.00	2.0	880.00	19.8	8,712.00	18.6	8,184.00			33.2	14,608.00
Julie Pagcu	Senior Manager	375	39.5	14,812.50							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					1.7	493.00
Nicola Kennedy	Senior Accountant II	280	113.5	31,780.00			34.0	9,520.00	69.6	19,488.00	0.1	28.00	9.8	2,744.00
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	6.2	1,457.00
Aubrey Meek	Accountant I	225	50.1	11,272.50			47.0	10,575.00					3.1	697.50
Sarah Cunningham	Team Assistant	200	3.1	620.00									3.1	620.00
Sarah Cunningham	Team Assistant	195	4.2	819.00					0.2	39.00			4.0	780.00
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	29.6	5,772.00
Aubrey Meek	Accountant II	190	44.9	8,531.00			41.2	7,828.00					3.7	703.00
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	14.7	2,425.50
Ryan Whyte	Undergraduate	165	61.1	10,081.50			50.2	8,283.00					10.9	1,798.50
Ryan Whyte	Undergraduate	160	46.6	7,456.00			35.5	5,680.00	5.0	800.00			6.1	976.00
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									20.6	2,678.00
Moira Hattingh	Team Assistant	85	13.1	1,113.50									13.1	1,113.50
Moira Hattingh	Team Assistant	80	11.0	880.00									11.0	880.00
TOTALS			1,928.1	730,435.50	448.6	224,308.00	614.1	172,266.00	324.9	107,395.00	304.6	154,649.00	235.9	71,817.50
			GST	73,043.55										
			TOTAL INC GST	803,479.05										
			AVERAGE HOURLY RATE	379	500	281	331	508	304					

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	Position	Rate	Totals		Task Area							
			hrs	\$	Assets		Creditors		Trade On		Administration	
					hrs	\$	hrs	\$	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			0.1	16.50	0.6	99.00	1.5	247.50
Moira Hattingh	Team Assistant	85	0.3	25.50							0.3	25.50
Moira Hattingh	Team Assistant	80	0.3	24.00							0.3	24.00
TOTALS			7.3	1,656.50			0.1	16.50	1.3	295.00	5.9	1,345.00
GST				165.65								
TOTAL INC GST				1,822.15								
AVERAGE HOURLY RATE				227			165		227		228	

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	Rate	Totals		Trade On		Administration	
			hrs	\$	hrs	\$	hrs	\$
			John Somerville	Senior Manager	455	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
Maira Hattingh	Team Assistant	80	0.3	24.00			0.3	24.00
TOTALS			2.2	598.50	0.4	112.00	1.8	486.50
GST				59.85				
TOTAL INC GST				658.35				
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		Task Area					
					Assets		Trade On		Administration	
			hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	560	0.4	224.00	0.3	168.00	0.1	56.00		
John Somerville	Senior Manager	455	0.2	91.00					0.2	91.00
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
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	2.1	632.00	2.1	657.00
			GST	265.70						
			TOTAL INC GST	2,922.70						
			AVERAGE HOURLY RATE	313	318	301	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 31 August 2016
REDLAND BAY LEISURE LIFE DEVELOPMENT PTY LTD

Employee	Position	Rate	Totals		Task Area			
			hrs	\$	Trade On		Administration	
					hrs	\$	hrs	\$
John Somerville	Senior Manager	440	0.2	88.00			0.2	88.00
Nicola Kennedy	Senior Accountant II	280	0.2	56.00	0.1	28.00	0.1	28.00
Dermot O'Brien	Accountant I	235	0.6	141.00			0.6	141.00
Sarah Cunningham	Team Assistant	200	0.4	80.00			0.4	80.00
Andrew Lane	Undergraduate	165	0.2	33.00			0.1	16.50
Moira Hattingh	Team Assistant	80	0.1	8.00			0.1	8.00
TOTALS			1.7	406.00	0.1	28.00	1.5	361.50
GST				40.60				
TOTAL INC GST				446.60				
AVERAGE HOURLY RATE				239	280		241	

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		Task Area			
			hrs	\$	Trade On		Administration	
					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	3.3	907.00
			GST	151.10				
			TOTAL INC GST	1,662.10				
			AVERAGE HOURLY RATE	280	288	275		

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	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	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	309		269	

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 May 2016 to 31 August 2016

REDLAND BAY LEISURE LIFE PTY LTD

Expense Type	Amount (\$ ex GST)
Postage	0.86

Disbursements for the period 1 May 2016 to 31 August 2016

OVST PTY LTD

Expense Type	Amount (\$ ex GST)
Postage	0.86

Disbursements for the period 1 May 2016 to 31 August 2016

LM First Mortgage Income Fund

Expense Type	Amount (\$ ex GST)
Postage	5,251.76
Printing	552.00
Photocopy	10.50
General	1,330.00
Search Fee	104.27

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