

TO THE INVESTOR AS ADDRESSED

30 June 2017

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 18th update to investors, which provides details of the progress made in the winding up of the Fund since my last report to investors dated 31 March 2017. 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:

- Two remaining residential units were sold at auction for \$712,500 on 24 June 2017 with settlement due on 8 August 2017. Further details are provided at Section 3 below;
- Cash at bank as at 31 May 2017 was \$72.84 million;
- The estimated return to investors is currently 13.4 to 14.7 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 am working towards making an interim distribution to investors as soon as practicable and possibly before the end of the calendar year provided that the required court approvals are obtained and subject to the resolution of the ongoing litigation involving claims against the Fund and the retirement of the Receivers and Managers of the Fund (DB Receivers) appointed by the secured creditor. 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 Assigned Loans Claim in which claims for relief against the assets of the Fund are made have been adjourned to a date to be fixed to enable settlement negotiations to continue (see 2.1.1 below). Similarly, no further steps have been taken in relation to the MPF Trustee's AHS Loan claim in which claims for relief against the assets of the Fund are made (see 2.1.2 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 Section 2.3 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 reserved decision was handed down on 8 May 2017 with their strike out application largely being unsuccessful. Further details are provided in Section 4.1 below;
- Settlement of the Bellpac Liquidator's \$8M Bonds litigation has progressed however, the remaining condition precedent to settlement has been extended to mid July 2017. This is expected to realise \$6.3 million for the benefit of investors. Further details in relation to the \$8M Bonds are provided in Section 4.1.2 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 and the indemnity claim by LMIM and its liquidators. Further details in relation to the 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 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 2.1.2 and 2.3 below.

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

2.1.2 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 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 in 2005.

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 2.3 below are continuing.

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. In the event the proceedings mentioned at Sections 2.1 and 2.3 herein are settled and a release is provided by the MPF, McGrathNicol will retire as Receivers and Managers.

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

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

- 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 allegedly 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 by the plaintiff and the MPF Trustee;
- 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;
- Various steps have been taken by me to obtain orders seeking to vary the previous orders made by the Court allowing the defendants to claim privilege and accordingly not to plead a detailed defence to matters alleged against them;
- The 6th defendant consented to the orders sought and has now filed and served an amended defence.

I summarise developments since my last update to investors as follows:

- The 6th defendant has provided Further and Better Particulars of his defence and I caused a Reply to the 6th defendant's defence to be filed and served;
- The 2nd defendant has filed and served an amended defence;
- I caused a Reply to the defence of the 2nd defendant to be filed and served and requested that the 2nd defendant provide Further and Better Particulars of her defence;
- Consent orders have been agreed for the 1st, 3rd and 4th defendants to file amended defences by 14 July 2017.

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 status of the realisation of the remaining real property assets is provided below:

- Two units in a strata titled unit resort situated in North Queensland were sold at auction on 24 June 2017 for a total of \$712,500 with settlement due on 8 August 2017;
- 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 have been submitted to council for approval. 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.

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 briefly 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 orders to strike-out certain parts of the statement of claim;
- At the hearing of the former auditors' strike out application and my 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.

I summarise developments since my last update to investors as follows:

- The reserved decision from the hearing of the strike out application was handed down on 8 May 2017. The decision has not been appealed;
- In that decision, the Court declined to strike out all of the parts of the claim that the former auditors sought to strike out. However, it did make orders striking out certain causes of action and orders were made that the statement of claim be amended to delete those causes of action;
- In accordance with the Court's judgment, the parties are now conferring to agree the form of orders which will include a timetable for the filing of a further amended statement of claim and the costs of the former auditors' strike-out application.

As advised in previous reports to investors, considerable work has been undertaken in quantifying the alleged loss suffered by the Fund. The calculation of loss is close to being finalised and will be in excess of \$100M.

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

4.2 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 2.3 above, there are two further matters relating to Bellpac that have been progressed during the period, as detailed below.

4.2.1 Other Bellpac litigation

a. Wollongong Coal Ltd (WCL) - Convertible Bonds

I refer to my previous updates to investors and provide a brief summary 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 (HOA) 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;
- The conditions precedent to the settlement with WCL include 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.

Developments since my last update to investors are as follows:

- The sunset date of the HOA to complete the condition precedent to obtain approval from the Court or shareholders was extended by agreement to 14 July 2017 to provide more time for WCL

to obtain the required documents needed for submission to their shareholders prior to the meeting of shareholders;

- In relation to the MPF claim for reimbursement for funding as referred to above, I have written to the liquidator and I am currently awaiting a response from the Liquidator to my recent correspondence regarding the monies held by him. The Bellpac Liquidator has confirmed he will not take any step adverse to either the MPF or FMIF without first giving the parties 7 days' notice.

I will provide investors with an update in relation to the claim by MPF and the settlement of the \$8M bonds litigation with WCL in my next report.

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 David Clout and Associates were appointed Liquidators over the plaintiff companies, Austcorp No. 20 Pty Ltd and Compromise Creditors Management Pty Ltd (the Austcorp companies)

Developments since my last update to investors are as follows:

- The Liquidators have now obtained books and records of the company and are undertaking investigations;
- I have continued 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.

4.3 Other Potential Claims against LMIM and related Parties

4.3.1 Redemptions and Distribution paid to Class B Unit Holders

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

- Investigations were 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 have included the apparent increase in the Class B members' interest in the Fund as a consequence of the distribution transactions;
- I caused to be filed a statement of claim 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.

The claim relates to redemptions paid to the Feeder Funds on or after 11 May 2009 when the FMIF had suspended redemptions to other classes of unit holders in the following amounts:

- LM Currency Protected Australian Income Fund \$40.583 million (plus interest);
- LM Wholesale First Mortgage Income Fund \$9.432 million (plus interest);
- LM Institutional Currency Protected Australian Income Fund \$5.044 million (plus interest).

Further investigations have also been undertaken in relation to distributions paid to the Feeder Funds when the Fund had suspended distributions to other classes of unit holders.

Those distributions were paid in the 2012 financial year in the following amounts:

- LM Currency Protected Australian Income Fund \$10.748 million;
- LM Wholesale First Mortgage Income Fund \$5.116 million;
- LM Institutional Currency Protected Australian Income Fund \$1.04 million.

It is expected that the claim will be amended and served on the parties shortly. The claim may affect the distributions to the Feeder Funds. Accordingly, subject to the outcome of these proceedings, this may impact on the timing of distributions to investors. Once the claim has been amended and served on the parties, I propose to seek directions from the Court.

I will provide an update to investors as to the progress of the claim in my next report to investors.

4.3.2 Claim by ASIC against the directors

I refer to my previous updates to investors and confirm that the Court has dismissed the proceedings by ASIC against the directors in relation to ASIC's claim they breached their duties for failing to act with the proper degree of care and diligence regarding transactions involving the MPF. Further details can be found on the ASIC website www.asic.gov.au under media releases.

4.4 Other actions against guarantors and valuers

4.4.1 Various claims against guarantors

During the period, I entered into a settlement agreement on a commercial basis with one guarantor however, the guarantor defaulted under the agreement. I propose to re-list the proceedings with a view to obtaining judgement against him. Another matter currently the subject of court proceedings is also the subject of a proposed deed of settlement and I expect the deed will be finalised shortly.

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 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. Whilst the terms of settlement have been agreed, Western Union requested that the terms be further recorded in a settlement deed. The amount of the claim is approximately \$93,000 (subject to exchange rate fluctuations). The terms of the draft settlement deed are almost finalised.

6. 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 still 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.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 additional remuneration and costs claimed since 30 September 2015, 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. I rejected this claim 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 made an application to Court challenging my decisions to reject their indemnity claims noted above (Indemnity Application);

- I applied for judicial advice as to whether I am justified in raising the clear accounts rule in opposition to the Indemnity Application. The clear accounts rule, if successfully agreed to by the Court, would mean that no payments can be made to LMIM until they have replenished the FMIF for any wrong doing on their part/causing a loss to the Fund. As detailed in this report, there are significant claims against LMIM (refer sections 2.4 and 4.3.1 above and section c. below).

I summarise developments since my last update to investors as follows:

- I obtained judicial advice to the effect that I am justified in raising the clear accounts rule in opposition to the Indemnity Application, in relation to certain identified claims;
- FTI's application to Court challenging my decision to reject their indemnity claim was heard on 19 and 20 June 2017. The Court has reserved its decision.

c. Claim filed against LMIM (not served)

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

- 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.

I summarise developments since my last update to investors as follows:

- Per the requests of my solicitors and counsel, further investigations were undertaken in relation to the loan management fees paid by FMIF to LMIM or LMA both prior to and after the appointment of FTI, to assist with preparing proposed amendments to the claim against LMIM;
- Assisting my solicitors and counsel to prepare proposed amendments to the claim against LMIM including the preparation of a draft Amended Statement of Claim, and a consolidated particulars document.

d. Calling for proofs of debt/creditor indemnity claims against the Fund

Pursuant to the Court order dated 17 December 2015 in the Residual Powers proceedings, the Liquidators of LMIM are required to call for proofs of debt and subsequently submit creditor indemnity claims against the Fund to me for approval.

I am currently liaising with the liquidators regarding the process to be adopted in that regard so that the claims can be determined. These claims may be subject to the “clear accounts rule” described in section b. above once the claims are finalised and in conjunction with my solicitors and counsel, I will determine the most appropriate way to advance claims against LMIM and for the Court to decide if the clear accounts rule should be applied against the claims.

7. Management Accounts

As advised in my previous report, the management accounts for the year ending 31 December 2016 are available on the website www.lmfimf.com.

The management accounts for the year ending 30 June 2017 will be prepared shortly and will be available on the website www.lmfimf.com by 30 September 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 13.4 cents and 14.7 cents per unit as at 31 May 2017, calculated as follows:

	\$ Low	\$ High
Cash at bank	72,841,506	72,841,506
Other assets (interest receivable, foreign currency accounts and amount for security for litigation costs)	701,918	1,916,918
Estimated selling prices of properties to be sold	2,780,000	2,980,000
Estimated Assets Position	76,323,424	77,738,424
<i>Less:</i>		
Selling costs (estimated 2.5% of sale price)	69,500	74,500
Other unsecured creditors	6,214,206	1,485,141
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)	182,251	182,251

	\$ Low	\$ High
Receiver's fees & outlays (BDO) (including controllerships)	1,123,990	1,123,990
Receiver's legal fees (BDO)	242,376	242,376
Total Liabilities	12,043,961	7,319,896
Estimated net amount available to investors as at 31 May 2017	64,279,463	70,418,528
Total investor units (as at 31 December 2016)	478,100,386	478,100,386
Estimated return in the dollar	13.4 cents	14.7 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 provision 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.

Investments made in Foreign Currencies

As advised in my previous reports, 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. I have engaged external IT consultants to assist me in rectifying the register.

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 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 the near future and possibly by late this calendar year, although it is subject to resolving or having determined matters before the court where I cannot control the timeframe to resolve, or have determined the issues.

Please note that the distribution to investors will take place after paying the secured creditor's receivers fees and costs, remaining property expenses, receiver's fees and costs 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 30 September 2017.

8.4 Investors Queries

For any changes to investors details, please review the Useful Forms/Procedures tab on the website www.lmfmif.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

9. Receiver's Remuneration and Expenses

There have been seven applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 30 April 2017.

The seventh application for the approval of my remuneration for the period 1 November 2016 to 30 April 2017 is set down to be heard on 30 June 2017. The Court will be asked to order that my remuneration for this period be fixed in the amount of \$897,580.20 (inclusive of GST) as detailed in the attached summaries in relation to my role as the person responsible for ensuring the FMIF is wound up in accordance with its constitution and \$12,314.50 (inclusive of GST) 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.lmfimf.com.

In addition to the remuneration previously approved by the Court and the seventh application set out above, I calculate that, on a time basis, I have incurred further remuneration of \$190,285.50 plus outlays of \$18.78 plus GST from 1 May 2017 to 31 May 2017 plus work undertaken in respect of the controllerships for the retirement village assets of \$4,328.00 plus GST as detailed in the table below and attached summaries.

	1 November 2016 to 30 April		1 May 2017 to 31 May 2017	
	\$ Remuneration (GST excl.)	\$ Outlays (GST excl.)	\$ Remuneration (GST excl.)	\$ Outlays (GST excl.)
LM First Mortgage Income Fund (Receivers & Managers Appointed) (Receiver Appointed)	815,982.00	8,166.19	190,285.50	18.78
OVST Pty Ltd (In Liquidation) (Controllers Appointed)	5,338.50	-	747.50	-
Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)	796.00	-	746.00	-
Bridgewater Lake Estate Ltd (In Liquidation) (Controllers Appointed)	3,090.00	126.93	1,146.50	-
Redland Bay Leisure Life Ltd (In Liquidation) (Controllers Appointed)	578.00	-	640.50	-
Redland Bay Leisure Life Development Ltd (In Liquidation) (Controllers Appointed)	840.50	-	835.50	-

	1 November 2016 to 30 April 2017		1 May 2017 to 31 May 2017	
	\$ Remuneration (GST excl.)	\$ Outlays (GST excl.)	\$ Remuneration (GST excl.)	\$ Outlays (GST excl.)
Cameo Estates Lifestyle Villages (Launceston) Pty Ltd (Receivers & Managers Appointed) (Controllers Appointed)	552.00	-	212.00	-
Total	827,177.00	8,293.12	194,613.50	18.78

I anticipate that my next application to Court for the approval of my remuneration will be made in November/December 2017 covering the period 1 May 2017 to 31 October 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.

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, the decision handed down on the former auditors' strike out application and quantifying the loss suffered by the Fund;
 - Providing assistance to the Liquidator of Bellpac regarding the \$8M bond claim including progressing the settlement with WCL;
 - Progressing the claim against the MPF and others;
 - Progressing and preparing proposed amendments to the claim against LMIM;
 - Progressing the investigations to assist with the amendment of the claim in relation to redemptions and distributions paid to Class B unitholders;
 - 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 the response to FTI's proceedings to review the rejection of parts of 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 November 2016 to 30 April 2017;

- Finalising outstanding residual matters from the sale of five retirement villages, including tax compliance issues.

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

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Yours sincerely

A handwritten signature in black ink, appearing to be 'David Whyte'. The signature is fluid and cursive, with a long horizontal stroke extending to the left.

David Whyte
Receiver



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 April 2017

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	197.0	114,260.00	80.8	46,864.00	23.2	13,456.00	73.9	42,862.00	1.7	986.00	17.4	10,092.00
Clark Jarrold	Partner	560	116.1	65,016.00	114.1	63,896.00			1.1	616.00			0.9	504.00
Steven Sorbello	Partner	550	1.7	935.00	1.7	935.00								
Craig Jenkins	Partner	500	1.0	500.00					1.0	500.00				
Eric Leeuwendal	Executive Director	495	657.9	325,660.50	305.9	151,420.50	88.4	43,758.00	35.8	17,721.00	193.2	95,634.00	34.6	17,127.00
Craig Jenkins	Partner	490	8.1	3,969.00	8.1	3,969.00								
John Somerville	Senior Manager	455	126.3	57,466.50	6.9	3,139.50	56.2	25,571.00	41.5	18,882.50	9.7	4,413.50	12.0	5,460.00
Alastair Raphael	Senior Manager	455	0.1	45.50					0.1	45.50				
Julie Pagou	Senior Manager	385	6.9	2,656.50	3.3	1,270.50			3.6	1,386.00				
Julie Pagou	Senior Manager	375	7.8	2,925.00	7.8	2,925.00								
Aubrey Meek	Senior Accountant II	290	276.6	80,214.00	14.2	4,118.00	168.8	48,952.00	16.2	4,698.00	63.1	18,299.00	14.3	4,147.00
Dermot O'Brien	Senior Accountant II	290	91.6	26,564.00			3.1	899.00	87.9	25,491.00	0.6	174.00		
Dermot O'Brien	Senior Accountant II	235	98.8	23,218.00	1.6	376.00	33.7	7,919.50	30.2	7,097.00	30.9	7,261.50	2.4	564.00
Eloise Carroll	Accountant II	200	137.9	27,580.00	66.3	13,260.00	56.7	11,340.00			12.7	2,540.00	2.2	440.00
Sarah Cunningham	Team Assistant	200	15.5	3,100.00					0.1	20.00			15.4	3,080.00
Dale Ludwig	Para-Professional	185	0.3	55.50					0.3	55.50				
Antoinette Fielding	Undergraduate	165	70.9	11,698.50	6.5	1,072.50	43.8	7,227.00			19.4	3,201.00	1.2	198.00
Andrew Lane	Undergraduate	165	74.5	12,292.50	10.2	1,683.00	50.5	8,332.50			10.9	1,798.50	2.9	478.50
Ryan Whyte	Undergraduate	165	311.7	51,430.50			178.1	29,386.50	5.8	957.00	113.2	18,678.00	14.6	2,409.00
Andrew Whittaker	Undergraduate	165	9.0	1,485.00			7.1	1,171.50			1.5	247.50	0.4	66.00
Nicole Jackson	Team Assistant	160	2.2	352.00									2.2	352.00
Brooke Streidl	Team Assistant	130	10.4	1,352.00	10.4	1,352.00								
Emma Sheehy	Junior Practice Assistan	115	4.3	494.50	4.3	494.50								
Maira Hattingh	Team Assistant	85	31.9	2,711.50									31.9	2,711.50
TOTALS			2,258.5	815,982.00	642.1	296,775.50	709.6	198,013.00	297.5	120,331.50	456.9	153,233.00	152.4	47,629.00
GST				81,598.20										
TOTAL INC GST				897,580.20										
AVERAGE HOURLY RATE				361		462		279		404		335		313

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 November 2016 to 30 April 2017

LM First Mortgage Income Fund

Expense Type	Amount (\$ ex GST)
Postage	8,122.10
Search Fee	44.09
TOTAL	8,166.19
GST	816.62
TOTAL INC GST	8,982.81



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 April 2017
Bridgewater Lake Estate Pty Limited

Employee	Position	Rate	Totals		Task Area							
					Assets		Trade On		Investigations		Administration	
			hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	580	1.0	580.00	0.9	522.00					0.1	58.00
John Somerville	Senior Manager	455	0.7	318.50	0.2	91.00					0.5	227.50
Aubrey Meek	Senior Accountant II	290	4.6	1,334.00	2.6	754.00			2.0	580.00		
Dermot O'Brien	Senior Accountant II	235	0.2	47.00							0.2	47.00
Sarah Cunningham	Team Assistant	200	0.7	140.00							0.7	140.00
Ryan Whyte	Undergraduate	165	2.5	412.50			1.6	264.00			0.9	148.50
Andrew Lane	Undergraduate	165	1.1	181.50							1.1	181.50
Andrew Whittaker	Undergraduate	165										
Moira Hattingh	Team Assistant	85	0.9	76.50							0.9	76.50
TOTALS			11.7	3,090.00	3.7	1,367.00	1.6	264.00	2.0	580.00	4.4	879.00
			GST	309.00								
			TOTAL INC GST	3,399.00								
			AVERAGE HOURLY RATE	264	369	165	290	200				

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 November 2016 to 30 April 2017

Bridgewater Lake Estate Pty Limited

Expense Type	Amount (\$ ex GST)
General	38.00
Search Fee	88.93
TOTAL	126.93
GST	12.69
TOTAL INC GST	139.62



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 April 2017

Cameo Estates Lifestyle Villages (Launceston) Pty Ltd

Employee	Position	Rate	Totals		Task Area			
			hrs	\$	Creditors		Administration	
					hrs	\$	hrs	\$
David Whyte	Partner	580	0.1	58.00			0.1	58.00
John Somerville	Senior Manager	455	0.3	136.50			0.3	136.50
Dermot O'Brien	Senior Accountant II	235	0.2	47.00	0.2	47.00		
Sarah Cunningham	Team Assistant	200	0.6	120.00			0.6	120.00
Ryan Whyte	Undergraduate	165	0.8	132.00			0.8	132.00
Andrew Lane	Undergraduate	165	0.2	33.00			0.2	33.00
Moira Hattingh	Team Assistant	85	0.3	25.50			0.3	25.50
TOTALS			2.5	552.00	0.2	47.00	2.3	505.00
			GST	55.20				
			TOTAL INC GST	607.20				
			AVERAGE HOURLY RATE	221	235	220		

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 April 2017

OVST Pty Ltd

Employee	Position	Rate	Totals		Task Area							
			hrs	\$	Creditors		Employees		Trade On		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	580	0.2	116.00			0.1	58.00			0.1	58.00
Eric Leeuwendal	Executive Director	495	0.2	99.00					0.2	99.00		
John Somerville	Senior Manager	455	1.0	455.00							1.0	455.00
Aubrey Meek	Senior Accountant II	290	3.6	1,044.00					3.1	899.00	0.5	145.00
Damien Hicks	Senior Accountant I	260	3.9	1,014.00					2.0	520.00	1.9	494.00
Dermot O'Brien	Senior Accountant II	235	0.2	47.00	0.2	47.00						
Sarah Cunningham	Team Assistant	200	6.0	1,200.00					4.8	960.00	1.2	240.00
Ryan Whyte	Undergraduate	165	3.0	495.00					2.1	346.50	0.9	148.50
Andrew Lane	Undergraduate	165	0.7	115.50							0.7	115.50
Andrew Whittaker	Undergraduate	165	4.1	676.50					3.4	561.00	0.7	115.50
Moira Hattingh	Team Assistant	85	0.9	76.50							0.9	76.50
TOTALS			23.8	5,338.50	0.2	47.00	0.1	58.00	15.6	3,385.50	7.9	1,848.00
GST				533.85								
TOTAL INC GST				5,872.35								
AVERAGE HOURLY RATE				224		235		580		217		234

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 April 2017

Redland Bay Leisure Life Development Pty Ltd

Employee	Position	Rate	Totals		Task Area			
			hrs	\$	Assets		Administration	
					hrs	\$	hrs	\$
David Whyte	Partner	580	0.1	58.00			0.1	58.00
John Somerville	Senior Manager	455	0.1	45.50			0.1	45.50
Dermot O'Brien	Senior Accountant II	235	0.2	47.00			0.2	47.00
Sarah Cunningham	Team Assistant	200	1.1	220.00	0.1	20.00	1.0	200.00
Andrew Lane	Undergraduate	165	0.2	33.00			0.2	33.00
Ryan Whyte	Undergraduate	165	0.8	132.00			0.8	132.00
Moira Hattingh	Team Assistant	85	0.5	42.50			0.5	42.50
TOTALS			3.0	578.00	0.1	20.00	2.9	558.00
			GST	57.80				
			TOTAL INC GST	635.80				
			AVERAGE HOURLY RATE	193		200		192

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 April 2017

Redland Bay Leisure Life Pty Ltd

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	Administration	
					hrs	\$
David Whyte	Partner	580	0.1	58.00	0.1	58.00
John Somerville	Senior Manager	455	0.3	136.50	0.3	136.50
Dermot O'Brien	Senior Accountant II	235	0.2	47.00	0.2	47.00
Sarah Cunningham	Team Assistant	200	1.5	300.00	1.3	260.00
Ryan Whyte	Undergraduate	165	0.8	132.00	0.8	132.00
Andrew Lane	Undergraduate	165	0.2	33.00	0.2	33.00
Andrew Whittaker	Undergraduate	165	0.4	66.00	0.2	33.00
Moirra Hattingh	Team Assistant	85	0.8	68.00	0.8	68.00
TOTALS			4.3	840.50	3.9	767.50
				GST	84.05	
				TOTAL INC GST	924.55	
				AVERAGE HOURLY RATE	195	197

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 April 2017

Pinevale Villas Morayfield Pty Ltd

Employee	Position	Rate	Totals		Task Area					
			hrs	\$	Creditors		Trade On		Administration	
					hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	580	0.2	116.00			0.1	58.00	0.1	58.00
John Somerville	Senior Manager	455	0.2	91.00					0.2	91.00
Dermot O'Brien	Senior Accountant II	235	0.2	47.00	0.2	47.00				
Sarah Cunningham	Team Assistant	200	1.3	260.00			0.2	40.00	1.1	220.00
Ryan Whyte	Undergraduate	165	1.0	165.00			0.2	33.00	0.8	132.00
Andrew Lane	Undergraduate	165	0.2	33.00					0.2	33.00
Andrew Whittaker	Undergraduate	165	0.2	33.00			0.2	33.00		
Moira Hattingh	Team Assistant	85	0.6	51.00					0.6	51.00
TOTALS			3.9	796.00	0.2	47.00	0.7	164.00	3.0	585.00
			GST	79.60						
			TOTAL INC GST	875.60						
			AVERAGE HOURLY RATE	204	235	234	195			

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2017 to 31 May 2017
LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed)

Employee	Position	Rate	Totals		Task Area									
					Assets		Creditors		Trade On		Investigations		Administration	
			hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	580	62.3	36,134.00	12.3	7,134.00	7.0	4,060.00	27.1	15,718.00	1.1	638.00	14.8	8,584.00
Clark Jarrold	Partner	560	20.8	11,648.00	20.8	11,648.00								
Mark Whittaker	Partner	550	7.7	4,235.00	7.7	4,235.00								
Craig Jenkins	Partner	500	0.3	150.00	0.3	150.00								
Eric Leeuwendal	Executive Director	495	150.1	74,299.50	21.7	10,741.50	21.1	10,444.50	7.0	3,465.00	63.9	31,630.50	36.4	18,018.00
Julie Pagcu	Senior Manager	385	3.5	1,347.50	3.5	1,347.50								
Aubrey Meek	Senior Accountant II	290	69.6	20,184.00	8.1	2,349.00	19.1	5,539.00			41.2	11,948.00	1.2	348.00
Eloise Carroll	Accountant II	200	99.0	19,800.00	2.9	580.00	66.0	13,200.00	7.8	1,560.00	22.1	4,420.00	0.2	40.00
Andrew Whittaker	Undergraduate	165	24.0	3,960.00			23.4	3,861.00					0.6	99.00
Ryan Whyte	Undergraduate	165	56.6	9,339.00			33.9	5,593.50			4.2	693.00	18.5	3,052.50
Antoinette Fielding	Undergraduate	165	51.2	8,448.00	1.2	198.00	33.9	5,593.50	2.8	462.00	9.3	1,534.50	4.0	660.00
Brooke Streidl	Team Assistant	130	0.4	52.00	0.4	52.00								
Maira Hattingh	Team Assistant	85	8.1	688.50									8.1	688.50
TOTALS			553.6	190,285.50	78.9	38,435.00	204.4	48,291.50	44.7	21,205.00	141.8	50,864.00	83.8	31,490.00
			GST	19,028.55										
			TOTAL INC GST	209,314.05										
			AVERAGE HOURLY RATE	344		487		236		474		359		376

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 May 2017 to 31 May 2017

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

Expense Type	Amount (\$ ex GST)
Taxi fares	8.47
Postage	10.31
TOTAL	18.78
GST	1.88
TOTAL INC GST	20.66



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2017 to 31 May 2017
Bridgewater Lake Estate Pty Limited

Employee	Position	Rate	Totals		Task Area			
			hrs	\$	Creditors		Administration	
					hrs	\$	hrs	\$
Eric Leeuwendal	Executive Director	495	0.1	49.50	0.1	49.50		
Aubrey Meek	Senior Accountant II	290	2.9	841.00	0.2	58.00	2.7	783.00
Sarah Cunningham	Team Assistant	200	0.7	140.00			0.7	140.00
Ryan Whyte	Undergraduate	165	0.6	99.00			0.6	99.00
Moirra Hattingh	Team Assistant	85	0.2	17.00			0.2	17.00
TOTALS			4.5	1,146.50	0.3	107.50	4.2	1,039.00
			GST	114.65				
			TOTAL INC GST	1,261.15				
			AVERAGE HOURLY RATE	255	358		247	

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2017 to 31 May 2017

Cameo Estates Lifestyle Villages (Launceston) Pty Ltd

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	Administration	
					hrs	\$
Sarah Cunningham	Team Assistant	200	0.4	80.00	0.4	80.00
Ryan Whyte	Undergraduate	165	0.8	132.00	0.8	132.00
TOTALS			1.2	212.00	1.2	212.00
				GST	21.20	
				TOTAL INC GST	233.20	
				AVERAGE HOURLY RATE	177	177

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2017 to 31 May 2017
OVST Pty Ltd

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	Administration	
					hrs	\$
Eric Leeuwendal	Executive Director	495	0.3	148.50	0.3	148.50
Sarah Cunningham	Team Assistant	200	2.0	400.00	2.0	400.00
Ryan Whyte	Undergraduate	165	1.0	165.00	1.0	165.00
Moira Hattingh	Team Assistant	85	0.4	34.00	0.4	34.00
TOTALS			3.7	747.50	3.7	747.50
			GST	74.75		
			TOTAL INC GST	822.25		
			AVERAGE HOURLY RATE	202	202	

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2017 to 31 May 2017

Pinevale Villas Morayfield Pty Ltd

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	Administration	
					hrs	\$
Sarah Cunningham	Team Assistant	200	2.9	580.00	2.9	580.00
Ryan Whyte	Undergraduate	165	0.8	132.00	0.8	132.00
Moira Hattingh	Team Assistant	85	0.4	34.00	0.4	34.00
TOTALS			4.1	746.00	4.1	746.00
				GST	74.60	
				TOTAL INC GST	820.60	
				AVERAGE HOURLY RATE	182	182

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2017 to 31 May 2017
Redland Bay Leisure Life Development Pty Ltd

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	Administration	
					hrs	\$
Alex Taylor	Analyst I	230	2.5	575.00	2.5	575.00
Sarah Cunningham	Team Assistant	200	0.6	120.00	0.6	120.00
Ryan Whyte	Undergraduate	165	0.8	132.00	0.8	132.00
Moira Hattingh	Team Assistant	85	0.1	8.50	0.1	8.50
TOTALS			4.0	835.50	4.0	835.50
			GST	83.55		
			TOTAL INC GST	919.05		
			AVERAGE HOURLY RATE	209		209

Note: All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2017 to 31 May 2017

Redland Bay Leisure Life Pty Ltd

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	Administration	
					hrs	\$
Sarah Cunningham	Team Assistant	200	2.5	500.00	2.5	500.00
Ryan Whyte	Undergraduate	165	0.8	132.00	0.8	132.00
Moira Hattingh	Team Assistant	85	0.1	8.50	0.1	8.50
TOTALS			3.4	640.50	3.4	640.50
				GST	64.05	
				TOTAL INC GST	704.55	
				AVERAGE HOURLY RATE	188	188

Note: All amounts exclude GST unless otherwise noted