

TO THE INVESTOR AS ADDRESSED

1 July 2019

LM FIRST MORTGAGE INCOME FUND (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 26th update to investors, which provides details of the progress made in the winding up of the Fund since my last report to investors dated 29 March 2019. This report should be read in conjunction with my previous reports, which are available on the website www.lmfimf.com.

There has been significant progress made in the winding up of the FMIF in the following respects:

- Following the retirement of the Deutsche Bank receivers on 10 December 2018, I applied to Court on 1 February 2019 seeking authority to make an interim distribution to investors and seeking declarations as to the proper method of calculating the entitlements of foreign currency investors. The application was heard on 13 March 2019 and judgment is reserved (refer to section 4.2);
- The Feeder Funds claim was successfully mediated, and a Deed of Settlement signed by all parties. I applied to Court on 1 February 2019 seeking judicial advice on the settlement which was heard on 2 and 3 May 2019. The application was approved by the Court on 22 May 2019 (refer to section 2.2.4);
- The trial of the proceedings against LMIM, certain directors of LMIM and the MPF was heard between 1 and 9 April 2019 with the decision reserved (refer to section 2.2.1);
- The parties to the claim against the former auditors participated in a mediation on 4 and 5 March 2019. No resolution was reached at the mediation and the matter will now progress to trial. A hearing for directions on this matter was heard on 13 June 2019 (refer to section 2.2.2).

A summary of the other matters covered in this report is as follows:

- Cash at bank as at 31 May 2019 was \$63.33 million;
- The estimated return to investors at 31 May 2019 is 13.9 cents to 14.2 cents per unit before taking into account future costs and recoveries from legal proceedings on foot;
- For the settlement of the Bellpac Liquidator's \$8M Bonds litigation, discussions are currently ongoing in relation to extending the Sunset Date for complying with the remaining condition precedent beyond 31 March 2019 and the terms to apply to the same (refer to section 2.2.3);

- A Second Remuneration Application filed on 17 July 2018 by FTI sought \$743,889.89 from the property of the FMIF. I opposed certain parts of the application. The application was heard on 6 September 2018 and 3 October 2018, and judgement was reserved (refer to section 2.2.6.2);
- FTI may have a further claim against the Fund for expenses (refer to section 2.2.6.4);
- An application was filed on 10 October 2018 by FTI seeking directions in relation to the dual appointments of Mr Park (FTI) and myself in relation to the winding up the FMIF. The application was heard on 10 December 2018 and judgement has been reserved (refer to section 2.2.6.5).

2. Progress and Status of the Winding Up

2.1 Assigned Loans Claims filed against the Fund by KordaMentha, the trustee of the LM Managed Performance Fund ('MPF')

The relief claimed by the Trustee of the MPF in these proceedings included equitable compensation against LMIM and claims against the assets of the FMIF in the total sum of about \$24.1 million plus interest.

The MPF Trustee applied to the Court for directions as to whether it would be justified discontinuing the proceedings, and on 7 June 2018 the Court directed it would be. Notices of discontinuance have accordingly been filed in both proceedings.

Following the discontinuance of the proceedings, the quantum of two costs orders remained to be agreed or assessed. Following an application to Court for an assessment of the costs orders made in my favour and subsequent correspondence and discussions with the MPF, the costs were settled for \$100,000 (and paid).

2.2 Legal Actions/Potential Recoveries

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

I refer to my previous updates to investors in relation to a statement of claim I caused to be filed in the Supreme Court of Queensland, against a number of parties, including the MPF Trustee and a number of directors of LMIM, in respect of loss allegedly suffered by the FMIF as a result of an amount paid to the MPF in the Bellpac litigation matter. The claim is for approximately \$15.5M plus interest.

In accordance with 14 December 2018 Court directions the proceedings were set down for a two week trial from 1 April 2019.

Prior to the trial, an agreement was reached with the MPF in order to settle the claim as against the MPF Trustee, as well as other claims between the FMIF and the MPF Trustee. The terms of that agreement (which are confidential) have now been completed and as a consequence, orders were made on 27 March 2019 that the plaintiff have leave to discontinue the proceeding as against the MPF Trustee, and that as between the Plaintiff and the MPF Trustee, there be no order as to costs.

The trial otherwise proceeded on 1 April 2019 as against the director defendants and was heard over 5 days from 1 April 2019 to 9 April 2019 (with the matter not sitting on 4 or 5 April 2019). The Judge reserved his decision and we are awaiting Judgment.

An update will be provided in the next report.

2.2.2 Claim Against the Former Auditors

I refer to my previous updates to investors and briefly summarise the developments since my last report dated 29 March 2019, as follows:

- The proceedings were reviewed by the Court on 18 March 2019 and orders were made for:
 - The plaintiff to deliver any further and better particulars of the Sixth Further Amended Statement of Claim (the 6FASOC) by 29 March 2019;
 - The defendants to advise by 12 April 2019 whether they consent to leave being granted to the plaintiff for the 6FASOC to be filed, and if not, the parties liaise to have the matter re-listed for a hearing regarding leave to file the 6FASOC;
 - The defendants file and serve their defence or defences to the 6FASOC by 31 May 2019;
 - The matter be listed for further review on a date to be fixed during the week commencing 10 June 2019.
- On 12 April 2019, the defendants advised they did not oppose the plaintiff filing the 6FASOC.
- The 6FASOC was filed on 15 April 2019.
- The proceedings were reviewed by the Court on 13 June 2019, and the following orders were made:
 - Three applications are to be heard on 26 July 2019 in relation to:
 - The defendant seeking relief from pleading certain paragraphs in their defence on the basis of privilege against self-incrimination;
 - The defendant obtaining leave of the Court to proceed with the third party proceedings against LMIM (In Liquidation);
 - An application by the plaintiff that the plaintiff be joined as a party to the Third Party Proceedings to represent the interests of LMIM in the defence of the Third Party Proceedings in so far as it concerns the FMIF.
 - The parties subject to the Third Party Proceedings to lodge any requests for further and better particulars of the Third Party Proceedings by 20 June 2019;
 - The defendants are required to file their proposed defence by 12 July 2019, on the basis that their application to be relieved from pleading to certain paragraphs of the statement of claim is granted.

The proceedings are ongoing and an update will be provided in the next report.

2.2.3 Bellpac Proceedings

In addition to the claim filed and served against the MPF in relation to a loss suffered by the Fund from litigation pertaining to the Bellpac loan noted at items 2.2 above, there is another matter relating to Bellpac that has been progressed during the period, as detailed below.

Wollongong Coal Ltd (WCL) - \$10 million 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 remaining condition precedent (Sunset Date) to the settlement with WCL has been extended several times and the Liquidator was successful in negotiating, as part of the agreement to extend the Sunset Date, that WCL will pay interest at 3% p.a. from 2 October 2017 until settlement. The Liquidator last entered into a further agreement with WCL, extending the sunset date to satisfy the conditions precedent to 31 March 2019. To date WCL has paid \$2.5M towards the settlement into their solicitors' trust account, which is to be released upon receiving shareholder approval of the settlement. Discussions are ongoing in relation to extending the Sunset Date beyond 31 March 2019 and the terms to apply to same. To date no further extensions have been granted and no further payments have been made by WCL into their solicitors' trust account.
- In relation to the MPF claim for reimbursement of approximately \$680k for funding as referred to above, I have entered into a deed of settlement with the MPF, which includes a condition that the MPF withdraws its claim to the funds.

A further update will be provided in the next report.

2.2.4 Redemptions and Distributions paid to Class B Unit Holders (Feeder Funds)

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 (Feeder Funds) when the Fund had suspended redemptions and distributions to other classes of members;

The Feeder Funds are the LM Currency Protected Australian Income Fund (CPAIF), the LM Institutional Currency Protected Australian Income Fund (ICPAIF) and the LM Wholesale First Mortgage Income Fund (WMIF).

On 28 July 2017, I caused to be filed an amended statement of claim against LMIM and the Feeder Funds and the claim was then formally served on the parties. The relief sought in the claim includes declarations to withhold from distributions or payments otherwise payable from the Fund to:

- CPAIF in the sum of \$40,583,109.06 plus interest, as adjusted for the difference between the sum paid for capital distributions in early to mid-2013 and the amount the CPAIF would otherwise have been entitled as referred to in the amended statement of claim;
 - ICPAIF in the sum of \$5,044,118.30 plus interest, as adjusted for the difference between the sum paid for capital distributions in early to mid-2013 and the amount the ICPAIF would otherwise have been entitled as referred to in the amended statement of claim;
 - WMIF in the sum of \$9,432,090.76 plus interest, as adjusted for the difference between the sum paid for capital distributions in early to mid-2013 and the amount the WMIF would otherwise have been entitled as referred to in the amended statement of claim.
- In October 2017, I caused to be filed an application under Section 59 of the Trusts Act (1973) (QLD) to seek directions in relation to how the differing interests of LMIM are to be represented in the proceedings and an application under Section 500 of the Corporations Act (2001) to seek leave to proceed against LMIM (which is required because it is in liquidation) (the Applications);
 - The parties consented to adjourn the hearing of the Applications (which was originally set down on 8 December 2017) to a date to be fixed.
 - A Commercial List Application and Statement was filed with the Court on 23 April 2018
 - On 24 April 2018 the Court proposed that the Commercial List Application and the leave to proceed application be listed for hearing on 29 May 2018.
 - At the hearing on 29 May 2018, the Court indicated it was content for:
 - The proceeding to be placed on the Commercial List; and
 - That the proceeding be referred to mediation.
 - However, the Court noted that the final form of the orders to be issued by it would be required to take into account how the individual members of the Feeder Funds were to be notified of the proceeding and with that, given the opportunity to apply to the Court to be heard in the proceeding or represented in the mediation.
 - Following the hearing on 29 May 2018, the draft orders were circulated by my solicitors and agreed to. The matter was then re-listed for a hearing on 13 June 2018 in order for the final form of the Orders to be reviewed by the Court.

- On 13 June 2018, the Court made Orders including the following:
 - The proceeding be placed on the Commercial List;
 - The plaintiff has leave to proceed pursuant to Section 500(2) of the Corporations Act 2001 against LMIM in liquidation;
 - How the differing interests of LMIM are to be represented pursuant to section 59 of the Trusts Act 1973 (QLD);
 - That The Trust Company Limited ACN 004 027 749 as custodian of the property of the LM WMIF (second defendant) is joined to the proceeding, as the fifth defendant;
 - The plaintiff has leave to file and serve a Further Amended Claim;
 - FTI are to provide a complete and up to date copy of the registers of members of the CPAIF and ICPAIF to the Receivers for the CPAIF and ICPAIF (Grant Thornton) and to me, by 22 June 2018. This has been done;
 - The plaintiff is to provide the Receivers for the CPAIF and ICPAIF (Grant Thornton) and the RE of the WMIF (Trilogy) specified categories of documentation, by 29 June 2018;
 - The plaintiff and FTI are required to give notice to members of the CPAIF and the ICPAIF of this proceeding, the Further Amended Claim, the Second Further Amended Statement of Claim and the form of notice attached to the Orders issued by the Court. This has been done;
 - The plaintiff is required to give notice to all members of the CPAIF and ICPAIF of further documents filed in these proceedings by posting the documents to www.lmfimif.com;
 - The parties are directed to attend a mediation to be completed by 28 September 2018. This was subsequently extended with the mediation held on 5, 6 and 20 November 2018.
- The Feeder Funds claim was successfully mediated on 5, 6 and 20 November 2018, and a Deed of Settlement, subject to several conditions precedent, was executed by all parties in December 2018.
- The terms of the deed are confidential and were subject to several conditions precedent, including:
 - Myself, Mr Jahani, Trilogy Funds Management Limited (“Trilogy”) and the Trust Company Limited were each to apply for, and obtain judicial advice to the effect that the relevant party making the application is justified in entering into and performing the deed. Each party was obliged to apply for such judicial advice by 1 February 2019 and to use best endeavours to have the application heard by 15 March 2019;
 - orders made giving authority for an interim distribution to be made to FMIF members. I was obliged to make this application by 1 February 2019 and use my best endeavours to have it heard by 15 March 2019;
 - The interim distribution is made within three weeks of the Court delivering judgment in relation to the Authority Application.

- The above parties subsequently applied for and obtained judicial advice to the effect that the relevant party making the application is justified in entering into and performing the deed. The filed Judicial Advice Applications were heard by the Court on 2 and 3 May 2019.
- On 22 May 2019 the Court directed that:
 - I am, along with the other parties, are justified in entering into and performing the terms of the Deed of Settlement and Release, and
 - I am justified in making an interim distribution to the members of the FMIF, if I am conferred with this authority in the FTI Remuneration Proceedings filed 1 February 2019.
- I am awaiting the decision as to whether I am conferred with the authority to make an interim distribution in the amount of 6.5 cents to investors.

If the condition precedent providing me with the authority to make the distribution is satisfied and the settlement proceeds, in broad terms, the financial impact of the settlement will be as follows:

- The claims totalling approximately \$56M are settled for total amounts of approximately 50% of the claim by withholding distributions to the three feeder funds.
- The withholding of funds will be made over a number of distributions, with only a proportion of funds being retained, so as to spread the effect of the settlement over all of the distributions of the current and projected recoveries in the winding up.
- The proportions are designed so that the feeder funds repay at approximately the same rate as each other, with that rate increasing after the first \$66million of distributions to investors.

Further information regarding the settlement and my recent applications to Court regarding same can be accessed by investors through a secure portal on the www.lmfimf.com website.

2.2.5 Various claims against guarantors

There are only two remaining matters that can be summarised, as follows

- A deed of settlement has been entered into with a guarantor for \$100,000 payable over the period to 1 November 2019 with \$40,000 paid to date.
- PTAL as custodian of the FMIF obtained judgment against a guarantor, for approximately \$3 million, plus interest and costs. The trustee in bankruptcy has identified potential recoveries for the benefit of creditors of which the Fund is a major creditor. I continue to liaise with the trustee in regard to his continuing investigations. The bankrupt, along with other parties, contributed land to a development. The land was subdivided, developed and sold, and the net proceeds of sale in the sum of approximately \$12 million is presently held in a solicitors trust account on an interim basis, protected by certain undertakings given by the solicitor holding the funds. The trustee claims an entitlement in respect of at least a portion of the funds held in the solicitors trust account however, other parties to the dispute allege that associated entities of the bankrupt are entitled to the funds. I have instructed PTAL as custodian of the FMIF to enter into a Deed of Indemnity to fund a public examination and any agreed recovery proceedings in respect of this matter. An application to issue summonses for a public examination and supporting

material has been filed in the Court and the trustees are awaiting the Court's determination of the application.

2.2.6 Liquidators of LMIM (FTI Consulting)

2.2.6.1 Remuneration claim and expenses claim

I refer to my previous reports to investors.

The judgement regarding and orders made in relation to FTI's first remuneration claim and indemnity claim are available on the websites www.lmfimif.com and www.lminvestmentadministration.com.

2.2.6.2 Second FTI Remuneration Application

On 17 July 2018, Mr Park of FTI, who is now the sole Liquidator of LMIM, filed an application in the Court seeking payment of remuneration of \$743,889.89 inclusive of GST from property of the FMIF, relating to various periods between 19 March 2013 and 30 June 2018. I opposed certain parts of the application. The application was heard on 6 September 2018 and 3 October 2018.

Judgement is reserved on the Second FTI Remuneration Application.

2.2.6.3 Indemnity claim against the Fund and proof of debt process

If a debt or claim is admitted by FTI in the winding up of LMIM and a claim for indemnity out of the FMIF with respect to such debt or claim is identified, I summarise the required process as outlined in the Orders made on 17 December 2015, as follows:

- FTI must notify me within 14 days of the admittance of a claim of any claim for indemnity against the assets of the Fund;
- Within 14 days I may seek further information in relation to the claim;
- Within 30 days of receipt of the claim from FTI or from receipt of further information I have requested, I am required to:
 - Accept the claim, or
 - Reject the claim, or
 - Accept part of it and reject part of the claim; and
 - To give FTI written notice of the decision;
- I am required to give FTI written reasons for rejecting any part of a claim within 7 days after giving notice of my decision including those claims identified through the proof of debt process mentioned above;
- Within 28 days of receiving a notice of rejection, FTI may apply to the Court for directions in relation to the rejection and advise the creditor of my decision and other specified matters.

FTI have informed me they have identified Creditor Indemnity Claims with respect to a proof of debt lodged by Norton Rose for the sum of \$315,601.21 (Norton Rose Proof) and a proof of debt lodged by EY in the sum of \$158,896.51 (First EY Proof).

I have written to FTI rejecting the Creditor Indemnity Claim made in respect of the claim notified by the Norton Rose Proof and provided reasons for my decision.

I am awaiting the provision of further information in relation to the First EY Proof before the time period for me to accept or reject that Creditor Indemnity Claim begins to run.

FTI have notified me that they have received a proof of debt lodged by EY for the sum of approximately \$180 million (Second EY Proof). That proof asserts that, to the extent that the claims made by LMIM as RE of the FMIF against EY in the claim against the former auditors are successful, EY will suffer loss or damage which is recoverable from LMIM. FTI have requested further information in relation to the Second EY Proof and they have not yet notified me of whether a Creditor Indemnity Claim has been identified in respect of the claim notified by the Second EY Proof.

These claims for indemnity may be subject to the "clear accounts rule" as described in previous reports to investors, and if so, a set off against that claim may be available.

An update will be provided to investors in relation to this matter in my next report.

2.2.6.4 Expenses

FTI's solicitors have notified my solicitors that FTI intends to claim indemnity from the FMIF (and other funds) for a portion of certain corporate expenses incurred during the administration and Liquidation of LMIM. The precise amount of this claim is not yet known.

An update will be provided to investors in relation to this matter in the next report.

2.2.6.5 Further application by FTI for directions

On 10 October 2018, Mr Park filed an application seeking directions in relation to the dual appointments of Mr Park and I to wind up the FMIF including directions to the effect that:

- My appointment continues only in relation to certain specific legal proceedings and Mr Park take responsibility for ensuring the FMIF is wound up in accordance with its Constitution;
- That Mr Park is directed to act as contradictor to the Breach of Trust Proceedings and the Feeder Fund Proceedings;
- That Mr Park and I each submit budgets of remuneration and expenses to the conclusion of the winding up, that the remuneration of the Liquidator and the Receiver be fixed or determined on the hearing of the application in the amount of 50% of the amount stated in the relevant budget and paid during the course of the winding up, with all other remuneration and expenses of the Liquidator and Receiver to be deferred and sought at the conclusion of the winding up at which time the amounts stated in the budgets can be reduced, increased or stay the same.

The application was heard on 10 December 2018. Judgement is reserved.

An update will be provided to investors in relation to this matter in the next report .

2.2.7 Claim filed against LMIM

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

- In November 2016, I caused LMIM as RE of the FMIF to commence a proceeding against LMIM in relation to certain transactions to avoid possible expiry of the statutory limitation periods for making the claims;
- This claim 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;

- o overpaying management fees to itself out of assets of the FMIF;
- o causing to be paid to LMA additional fees purportedly for loan management and controllership services;
- o 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;

On 25 July 2018, the Court directed that I represent the interests of LMIM as RE of the FMIF, that Mr Park represent the interests of LMIM in its own capacity, granted leave to proceed with this claim and ordered that the claim be stayed until further order. A stay of the proceeding was sought because the extent to which it is necessary to proceed with the claims made in the proceeding will not be clear until after the proof of debt process is completed.

Subject to any directions that may be made by the Court, if the claims made in this proceeding are successful, they may be able to be relied upon as a set-off against certain claims made by LMIM for indemnity out of assets of the FMIF, including those claims identified through the proof of debt process mentioned above or claims made by other parties seeking to subrogate to LMIM's alleged rights of indemnity.

The current status of this claim is that it remains stayed until further order. I will keep investors updated as to the progress of this claim.

3 Management Accounts

As advised in my previous report, the management accounts for the half-year ending 31 December 2018 are available on the website www.lmfimif.com.

The management accounts for the year ending 30 June 2019 will be uploaded to the website www.lmfimif.com by 30 September 2019.

4 Investor Information

4.1 Estimated Return to Investors

I provide an estimated return to Investors of between 13.9 cents and 14.2 cents per unit as at 31 May 2019, calculated as follows:

Description	\$ Low	\$ High
Cash at bank	63,335,000	63,335,000
Other assets	242,546	1,314,367
Estimated Assets Position	63,577,546	64,649,367
Other unsecured creditors	1,455,211	1,455,211
FTI Fees & legal expenses advised (subject to approval)- refer to Section 2.2.6.4 for further details - maximum amount shown	918,458	918,458

Description	\$ Low	\$ High
Receiver's fees & outlays (BDO) 1 November 2018 to 30 April 2019	1,273,847	1,273,847
Receiver's fees & outlays (BDO) 1 May 2019 to 31 May 2019	110,021	110,021
Total Liabilities	3,757,537	3,757,537
Estimated net amount available to investors as at 31 May 2019	59,820,008	60,891,830
Benefit of Feeder Fund settlement of amounts withheld*	8,837,896*	8,996,249*
Total investor units (AUD Equivalent as at 31 May 2019)	493,787,183	493,787,183
Estimated return in the dollar	0.139	0.142

*The above estimates include the potential benefit of the Feeder Funds settlement up to the amount of the net amount of cash presently available. If further recoveries are made this will increase the amount due from the Feeder Funds settlement. However, as noted at section 2.2.4 above, the settlement entered into by the parties to the Feeder Fund proceedings is subject to the satisfaction of a number of conditions precedent. One of those conditions precedent remains outstanding, in respect of which the parties await a decision of the Supreme Court of Queensland in Proceedings 3508 of 2015. The settlement will not take effect until such time as this condition precedent has been satisfied. As a result, the above estimates are subject to change.

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.

The Feeder Fund settlement, if it proceeds, will reduce the amount of cash to be paid to the Feeder Funds as a result of certain amounts which are to be retained under that settlement as explained in section 2.2.4 above. Based on the amounts in the above table, I attach at Annexure 1 calculations showing the net amounts payable in the dollar to the Feeder Funds, as follows:

Feeder Fund	Low	High
LM Currency Protected Australian Income Fund ("CPAIF")	0.083	0.085
LM Institutional Currency Protected Australian Income Fund ("ICPAIF")	0.083	0.085
LM Wholesale First Mortgage Income Fund ("WFMIF")	0.123	0.125

These are the amounts that would be paid to the responsible entities of each of the Feeder Funds. The costs and expenses of the Feeder Funds would need to be deducted from the net cash that is paid to each of the Feeder Funds before a distribution is made to Feeder Fund investors.

4.2 Investments made in Foreign Currencies and Distributions to Investors

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.

I applied to court on 1 February 2019 seeking directions to make an interim distribution to investors and seeking orders as to the treatment of the foreign currency investors in that distribution. The application was heard on 13 March 2019 with the decision reserved. This is expected shortly with the distribution of 6.5 cents in the dollar to be made within 21 days of the decision being handed down

4.3 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 4.4 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 2019.

4.4 Investors Queries

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

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

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

It is preferable that all 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 eleven applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 30 April 2019.

The eleventh application for the approval of my remuneration for the period 1 November 2018 to 30 April 2019 will be heard by the Court on 2 July 2019. My remuneration claim for this period is in the amount of \$1,248,853.10 (inclusive of GST) plus outlays of \$24,994.15 (inclusive of GST) in relation to my role as the person responsible for ensuring the FMIF is wound up in accordance with its constitution.

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 and the eleventh application set out above, I calculate that, on a time basis, I have incurred further remuneration of \$99,959.00 (exclusive of GST) plus outlays of \$60.31 (exclusive of GST) from 1 May 2019 to 31 May 2019 as detailed in the attached summary.

6 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 sincerely



David Whyte
Receiver



ANNEXURE 1
ESTIMATED RETURN TO FEEDER FUNDS

Feeder Fund	Number of Units	Low				High			
		Distribution (\$)	Amounts withheld (\$)	Net Amount Paid (\$)	Net Cents per Unit	Distribution (\$)	Amounts withheld (\$)	Net Amount Paid (\$)	Net Cents per Unit
CPAIF	120,702,630	16,782,918	6,713,167	10,069,751	0.083	17,083,625	6,833,450	10,250,175	0.085
ICPAIF	9,350,802	1,300,168	520,067	780,101	0.083	1,323,464	529,386	794,078	0.085
WFMIF	99,488,929	13,833,290	1,604,662	12,228,628	0.123	14,081,147	1,633,413	12,447,734	0.125
Total	229,542,361	31,916,376	8,837,896	23,078,480		32,488,236	8,996,249	23,491,987	



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2019 to 31 May 2019
LM First Mortgage Income Fund (Receiver Appointed)

Employee	Position	Rate	Totals		Task Area									
			hrs	\$	Assets		Creditors		Trade On		Dividends		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	595	50.3	29,928.50	24.6	14,637.00	2.2	1,309.00	2.0	1,190.00			21.5	12,792.50
Clark Jarrold	Partner	595	4.8	2,856.00	4.8	2,856.00								
Craig Jenkins	Partner	525	1.0	525.00	1.0	525.00								
Charles Haines	Associate Director	510	2.0	1,020.00			2.0	1,020.00						
Alastair Raphael	Senior Manager	485	13.9	6,741.50	13.4	6,499.00	0.2	97.00			0.3	145.50		
Arthur Taylor	Senior Manager	485	26.4	12,804.00	12.5	6,062.50			13.9	6,741.50				
Julie Pagcu	Associate Director	450	13.8	6,210.00	13.8	6,210.00								
Jayden Coulston	Manager	445	25.4	11,303.00			25.4	11,303.00						
Antoinette Fielding	Accountant	265	0.2	53.00			0.2	53.00						
Ryan Whyte	Graduate Accountant	220	56.7	12,474.00	1.1	242.00	33.9	7,458.00			7.7	1,694.00	14.0	3,080.00
George Lethbridge	Graduate Accountant	220	3.9	858.00	0.3	66.00	3.4	748.00					0.2	44.00
Sarah Cunningham	Accounting Assistant	220	3.0	660.00									3.0	660.00
Liam Landrigan	Undergraduate	180	16.0	2,880.00			16.0	2,880.00						
Jordan Devery	Graduate Accountant	180	56.2	10,116.00			56.2	10,116.00						
Moira Hattingh	Practice Assistant	100	15.3	1,530.00									15.3	1,530.00
TOTALS			288.9	99,959.00	71.5	37,097.50	139.5	34,984.00	15.9	7,931.50	8.0	1,839.50	54.0	18,106.50
			GST	9,995.90										
			TOTAL INC GST	109,954.90										
AVERAGE HOURLY RATE			346		519		251		499		230		335	

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 May 2019 to 31 May 2019
LM First Mortgage Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	60.31
TOTAL	60.31
GST	6.03
TOTAL INC GST	66.34