

TO THE INVESTOR AS ADDRESSED

30 June 2020

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

1. Introduction

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 30th 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 2020. This report should be read in conjunction with my previous reports, which are available on the website www.lmfimf.com.

2. Progress and Status of the Winding Up

2.1 Legal Actions/Potential Recoveries

2.1.1 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 was for approximately \$15.5M plus interest.

As previously advised, the Judge dismissed my claim against the directors of LMIM on 22 November 2019.

Costs have been awarded in favour of the defendants.

On 20 December 2019 I filed an appeal of the decision. The progress of the appeal is presently awaiting the outcome of an application for judicial advice I have made to the Court seeking advice from the Court that I am justified in making and pursuing the appeal. That application was heard by the Court on 2 June 2020. The Judge has reserved his decision and I await the outcome as to whether the appeal will be continued with or not.

2.1.2 Claim against the former auditors (EY Proceeding)

I refer to my previous updates to investors and provide a brief summary of the key events since my last report, as follows:

- I am still awaiting the outcome of my application to strike out the Privilege Claims which was heard on 14 February 2020 (the Privilege Application). When this decision is provided by the Court, further directions will be made for the progress of the claim;
- An Answer to the Counterclaim filed by the defendants was filed and served on 22 April 2020;
- The matter is otherwise presently being progressed including briefing essential expert witnesses and agreeing between the parties the process and manner in which electronic disclosure of evidence is to occur.

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

2.1.3 Bellpac Proceedings - Wollongong Coal Ltd (WCL)

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. A partial distribution of \$1M was received from the Bellpac liquidator in October 2019;
- 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 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. To date WCL has paid \$3M towards the settlement into their solicitors' trust account, which is to be released upon receiving shareholder approval of the settlement.

Delays have been encountered in calling the meeting of shareholders, including WCL entering into a scheme of arrangement which was terminated after failing to meet certain conditions, but which has since been reinstated. Certain conditions of the scheme of arrangement remain to be completed.

This is anticipated to be done by 15 July 2020 with shareholder approval to be obtained within 100 days thereafter. A revised binding heads of agreement was executed on 9 June 2020.

A further update will be provided in the next report.

2.1.4 Claims against guarantors

There is only one remaining matter which can be summarised, as follows:

- 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 the bankrupt estate, of which the Fund is a major creditor. 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 all or at least a substantial 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 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. A public examination was held in the Federal Court on 7, 12, 13, 18 and 19 November 2019. Subsequently, demands were served on several parties. A mediation with one of the parties to the dispute was held in May, with discussions taking place to hold a further mediation with other parties to the dispute.

An update will be provided in the next report.

2.1.5 Liquidators of LMIM (FTI Consulting)

2.1.5.1 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.

The judgement and orders made with respect to FTI's second remuneration claim are summarised in paragraph 2.1.5.2 of my report to investors dated 31 March 2020.

2.1.5.2 Third FTI Remuneration Application

I was provided with a further application by FTI for approval of remuneration on 5 May 2020. The application seeks a total of \$194,180.25 from the FMIF for the period 1 July 2018 to 29 February 2020, made up of Category 1 remuneration (remuneration that is specifically referable to the FMIF) of \$126,462, and Category 2 Remuneration (remuneration that relates to all of the funds of which LMIM is the Responsible Entity) of \$67,717.65.

The application has not yet been filed or listed for hearing although I have raised a number of queries with FTI in relation to the application and amount sought.

An update regarding this application, will be provided in my next report to investors.

2.1.5.3 Indemnity claim against the Fund and proof of debt process

The proof of debt process and claims notified to me, or potential claims by LMIM for indemnity from the FMIF, with respect to debts or claims of creditors of LMIM, are summarised in paragraph 2.1.5.3 of my report to investors dated 31 March 2020.

There have been no significant developments in relation to these indemnity claims since my last report to investors.

2.1.5.4 Expenses

The judgment and orders of the Court made with respect to two further applications by the Liquidator for payment of expenses from the FMIF, which were heard in January and February of 2020, are summarised in paragraph 2.1.5.4 of my report to investors dated 31 March 2020.

FTI informed me some-time ago that they intend to make a further claim against the Fund for indemnity for expenses incurred by LMIM and/or the Liquidator, however despite several requests to enquire on the status of the claim and request that it be filed with their remuneration application to save costs to investors, have not advised when the application and supporting material will be forthcoming.

2.1.5.5 Further application by FTI for directions

The judgment and orders of the Court with respect to a further application filed by Mr Park on 10 October 2018 seeking directions in relation to the dual appointments of Mr Park and I to wind up the FMIF are summarised in paragraph 2.1.5.5 of my report to investors dated 31 March 2020.

2.1.5.6 Claim filed against LMIM

The claims made in this proceeding and the key steps to date in the proceeding, are summarised in paragraph 2.1.5.6 of my report to investors dated 19 December 2019. The current status of this claim is that it remains stayed until further order. I will keep investors updated as to any developments in relation to this claim.

3 Personal Portfolio Bonds / Insurance Bonds

For the information of holders of "Personal Portfolio Bonds" or "Insurance Bonds" marketed by Friends Provident International Limited and Old Mutual International Isle of Man Limited (formerly Skandia International).

I have been advised by Coburn Corporate Intelligence (CCI) that Signature Litigation LLP, a London-based law firm and with other lawyers, have filed class actions against Old Mutual International Isle of Man Limited (formerly Skandia International) (OMI) and Friends Provident International Limited (FPI) in the Isle of Man. The claims seek compensation for the failure of financial products marketed to investors by FPI and OMI as "portfolio bonds" or "insurance bonds" (with product names such as "Executive Investment Bond or Reserve Investment Bond").

If your investment in the LM First Mortgage Income Fund was held through one of these bonds, you can find out further information by visiting the CCI website - www.coburnci.com and clicking on "OMI/FPI CLASS ACTION REGISTER HERE".

I am informed by CCI that the class actions, are not available to direct investors in the LM First Mortgage Income Fund who do not hold Portfolio Bonds/Insurance Bonds.

I make no representation as to the availability of a claim to any investor nor the likelihood of any recovery. Investors should make their own enquiries.

4 Management Accounts

As advised in my previous report, the management accounts for the half-year ending 31 December 2019 are available on the website www.lmfimif.com.

The management accounts for the year ending 30 June 2020 will be uploaded to the website www.lmfimif.com by 30 September 2020.

5 Investor Information

5.1 Estimated Returns to Investors

5.1.1 Based on current cash at bank and excluding future recoveries and costs

I provide an estimated remaining return to Investors of 6.9 cents per unit as at 31 May 2020, and a total estimated return of 13.4 cents per unit taking into account the interim distribution paid of 6.5 cents per unit, calculated as follows:

Description	\$ Amount
Cash at bank	34,407,012
Estimated Assets Position	34,407,012
Other unsecured creditors	(1,455,211)
Returned First Interim Distribution to investors (6.5 cents)	(1,661,925)
Receiver's fees & outlays (BDO) 1 November 2019 to 30 April 2020	(941,200)
Receiver's fees & outlays (BDO) 1 May 2020 to 31 May 2020	(183,341)
Total Liabilities	(4,241,677)
Estimated net amount available to investors as at 31 May 2020	30,165,335
Benefit of Feeder Fund settlement of amounts withheld*	3,896,103*
Total estimated amount available to investors	34,061,438
Total investor units (AUD Equivalent as at date of appointment)	492,125,624
Estimated return in the dollar	6.9 cents

Description	\$ Amount
Add: Distributions to date	6.5 cents
Total estimated return in the dollar	13.4 cents

If further recoveries are made this will increase the amount due from the Feeder Funds settlement.

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 will reduce the amount of cash to be paid to the Feeder Funds. Based on the amounts in the above table, I attach at Annexure 1 calculations showing the net amounts payable to the Feeder Funds, as follows:

Feeder Fund	Estimated Return
LM Currency Protected Australian Income Fund ("CPAIF")	3.7 cents
LM Institutional Currency Protected Australian Income Fund ("ICPAIF")	3.7 cents
LM Wholesale First Mortgage Income Fund ("WFMIF")	5.4 cents

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 distributed from the net cash that is paid to each of the Feeder Funds before distributions are made to Feeder Fund investors.

5.1.2 High and low returns based on estimates of future recoveries and costs

Description	High (\$)	Low (\$)
Estimated net amount available to investors as at 31 May 2020	30,165,335	30,165,335
Litigation Recoveries/(Losses)	215,786,000	(16,850,000)
Other Future Costs	(1,600,000)	(2,400,000)
Estimated net amount available to investors after Litigation Recoveries/(Losses)	244,351,335	10,915,335
Benefit of Feeder Fund settlement of amounts withheld	24,445,221	1,409,806
Total estimated amount available to investors after Litigation Recoveries	268,796,556	12,325,141
Total investor units (AUD Equivalent as at date of appointment)	492,125,624	492,125,624

Description	High (\$)	Low (\$)
Estimated return in the dollar after Litigation Recoveries/(Losses)	54.6 cents	2.5 cents
Add: Distributions to date	6.5 cents	6.5 cents
Total estimated return in the dollar after Litigation Recoveries	61.1 cents	9 cents

The estimated amounts for litigation recoveries/(losses) include the proceedings against the auditors, the proceedings against the directors, the Bellpac liquidator claim and the Lamb trustee in bankruptcy claim. The high amount is if all matters are concluded successfully (included the auditors claim at the highest amount claimed of \$201M) and the low amount if all matters are lost (including the appeal of the proceedings against the directors) and adverse cost orders are paid (if applicable).

The other future costs assume an estimated time to complete the winding up of up to three years.

5.2 Further Distributions to Investors

The Court authorised and empowered me on 2 October 2019 to make an interim capital distribution of 6.5 cents per unit to investors of the LM First Mortgage Income Fund. I confirm the interim distribution was paid to investors in October 2019.

Once the above matters in section 2 have been finalised, I intend to pay, subject to court approval, the final distribution to investors.

I will provide an update on the progress of the winding up of the Fund in my next report to investors.

5.3 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 2020.

5.4 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

6 Receiver's Remuneration and Expenses

There have been thirteen applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 30 April 2020.

The thirteenth application for the approval of my remuneration for the period 1 November 2019 to 30 April 2020, having been adjourned on 27 May 2020, will be heard by the Court on 2 July 2020. My remuneration claim for this period is in the amount of \$989,373.55 (inclusive of GST) plus outlays of \$1,363.49 (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 thirteenth application set out above, I calculate that, on a time basis, I have incurred further remuneration of \$183,335.50 (exclusive of GST) plus outlays of \$5.40 (exclusive of GST) from 1 May 2020 to 31 May 2020 as detailed in the attached summary.

7 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	Estimated Return to Feeder Funds as at 31 May 2020			
		Distribution (\$)	Amounts withheld (\$)	Net Amount Paid (\$)	Net Cents per Unit
CPAIF	120,702,630	7,398,589	2,959,436	4,439,153	0.037
ICPAIF	9,350,802	573,167	229,267	343,900	0.037
WFMIF	99,488,929	6,098,274	707,400	5,390,874	0.054
Total	229,542,361	14,070,030	3,896,103	10,173,927	



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2020 to 31 May 2020
LM First Mortgage Income Fund (Receiver Appointed)

Employee	Position	Rate	Totals		Task Area									
					Assets		Creditors		Trade On		Dividends		Administration	
			hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	615	48.1	29,581.50	25.1	15,436.50	0.4	246.00	6.3	3,874.50			16.3	10,024.50
Clark Jarrold	Partner	615	17.2	10,578.00	17.2	10,578.00								
Craig Jenkins	Partner	540	0.9	486.00	0.9	486.00								
Charles Haines	Associate Director	525	1.0	525.00			0.2	105.00			0.2	105.00	0.6	315.00
Arthur Taylor	Senior Manager	500	40.2	20,100.00	40.2	20,100.00								
Julie Pagcu	Associate Director	465	51.7	24,040.50	51.7	24,040.50								
Jayden Coulston	Manager	460	26.3	12,098.00			24.3	11,178.00			2.0	920.00		
Ryan Whyte	Accountant	275	120.4	33,110.00	83.8	23,045.00	15.7	4,317.50	20.2	5,555.00			0.7	192.50
Jordan Devery	Graduate Accountant	225	117.5	26,437.50	72.6	16,335.00	44.4	9,990.00	0.5	112.50				
Liam Landrigan	Graduate Accountant	225	100.0	22,500.00			99.9	22,477.50					0.1	22.50
Sarah Cunningham	Accounting Assistant	225	14.3	3,217.50									14.3	3,217.50
Moirra Hattingh	Practice Assistant	105	6.3	661.50									6.3	661.50
TOTALS			543.9	183,335.50	291.5	110,021.00	184.9	48,314.00	27.0	9,542.00	2.2	1,025.00	38.3	14,433.50
			GST	18,333.55										
			TOTAL INC GST	201,669.05										
AVERAGE HOURLY RATE			337		377		261		353		466		377	

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 May 2020 to 31 May 2020
LM First Mortgage Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	5.40
TOTAL	5.40
GST	0.54
TOTAL INC GST	5.94