

TO THE INVESTOR AS ADDRESSED

30 June 2021

**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 34th 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 2021. 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 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 on 22 November 2019.

Costs were awarded in favour of the defendants.

On 20 December 2019 I filed an appeal of the decision. The progress of the appeal was awaiting the outcome of an application for judicial advice. The Court declined to provide me with judicial advice. After careful consideration, taking into account all of the relevant circumstances, I discontinued the appeal. The directors' costs of the proceedings, the appeal and the judicial advice application are yet to be determined.

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:

- At a review hearing on 8 March 2021 further orders were made to progress the proceedings including the question of the defendants' leave to file and serve an amended defence, to finalise disclosure and for the provision by the plaintiff of lay evidence and further expert reports.

- By consent of the parties, further orders have been made for leave for the defendants to file and serve their amended defence, for the reply to the defence to be filed and served by 31 May 2020 and for the review on 6 April 2021 to be vacated. The matter was set down for further review on 7 June 2021.
- An amended defence was filed on 25 March 2021.
- A significant report by the plaintiff's audit expert retained in the proceedings was filed on 29 March 2021.
- Disclosure has now been completed.
- A significant number of further expert reports have now been completed in relation to valuation evidence, evidence as to investor behaviour, and a report on loss and damage.
- Further orders were made on 7 June 2021 providing for the finalisation of all of the plaintiff's expert and lay evidence by 30 July 2021 (save for an additional 2 reports on loss and damage due in September and November 2021).
- The matter is listed for further review on 13 July 2021.

The proceedings are ongoing working towards a trial next year 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 entered into a binding heads of agreement (HOA) relating to the settlement of the litigation commenced against WCL. The terms of the heads of agreement included that WCL 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 included obtaining necessary approvals to undertake the settlement transactions. In this regard:
 - The Bellpac Liquidator 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 was therefore required to seek shareholder approval.

The remaining condition precedent (Sunset Date) to the settlement with WCL was extended a number of times over the last four years and WCL paid \$3M towards the settlement into their solicitors' trust account, to be released upon receiving shareholder approval of the settlement.

Delays were 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 was subsequently reinstated. A revised binding heads of agreement was executed on 9 June 2020 with the conditions precedent to be satisfied by 31 October 2020.

As the conditions precedent were not going to be satisfied by 31 October 2020, the Bellpac liquidator entered into further negotiations to try and conclude a settlement. As a result of those negotiations, a further deed of settlement was entered into on 30 October 2020 with \$2.76M payable upon obtaining creditors approval and a further \$600,000 payable within six months if WCL opts to buy-back the shares held in WCL.

Creditors approved the revised deed of settlement at a meeting held on 18 November 2020 and \$2.75M was subsequently distributed to the Fund (\$2.5M on 27 November 2020 and \$250k on 11 March 2021).

WCL did not exercise the option to buy back the shares for \$600,000 within the six month period.

A further update will be provided in the next report.

2.1.4 Claims against guarantors

There is 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 in November 2019. Subsequently, demands were served on several parties. The trustee has held two mediations with several parties in relation to the dispute and the most recent mediation held on 11 September 2020 being adjourned. An agreement has been reached in principle to settle the matter. An update will be provided in my 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.lmfimf.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

On 12 February 2021, Mr Park filed an application in the Court for approval and payment from the FMIF of his remuneration for the period 1 July 2018 to 31 October 2020 in the sum of \$260,633.12 (including GST), made up of Category 1 remuneration (remuneration that is specifically referable to the FMIF) of \$182,661.60 (including GST), and Category 2 Remuneration (remuneration that relates to all of the funds of which LMIM is the Responsible Entity and that is apportioned between the relevant funds) of \$77,971.52 (including GST).

The application was heard on 31 May 2021. I did not appear. The Court approved the payment to Mr Park of remuneration of \$243,236.90 (including GST) from property of the FMIF for the period 1 July 2018 to 31 October 2020, made up of Category 1 remuneration of \$170,809.20 (including GST) and Category 2 remuneration of \$72,427.70 (including GST).

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 developments in relation to these indemnity claims since my last report to investors.

2.1.5.4 Expenses

On 16 February 2021 [is there any more recent update?], FTI informed BDO that the expenses claims by the Liquidator, that had not been submitted to the Court for approval or paid as at 31 December 2020, were as follows:

- Legal costs attributable to FMIF - \$295,008.48 (excluding GST).

However, this figure may be subject to change and is subject to Court approval.

It is expected that further remuneration and expenses claims will be made by the Liquidator during the course of the winding up.

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 Management Accounts

As advised in my previous report, the management accounts for the half-year ended 31 December 2020 are available on the website www.lmfimif.com.

The management accounts for the year ending 30 June 2021 will be uploaded to the website www.lmfimif.com by 30 September 2021.

4.1 Estimated Return to Investors

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

I provide an estimated remaining return to Investors of 5.1 cents per unit as at 31 May 2021, and a total estimated return of 11.6 cents per unit taking into account the interim distribution paid of 6.5 cents per unit, calculated as follows:

Description	\$ Amount
Estimated net amount of assets available to investors as at 31 May 2021 (\$)	22,179,635
Benefit of Feeder Fund settlement of amounts withheld*	2,864,683*
Total estimated amount available to investors	25,044,318
Total investor units (AUD Equivalent as at date of appointment)	492,125,624
Estimated return in the dollar	5.1 cents
Add: Distributions to date	6.5 cents
Total estimated return in the dollar	11.6 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 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")	2.7 cents
LM Institutional Currency Protected Australian Income Fund ("ICPAIF")	2.7 cents
LM Wholesale First Mortgage Income Fund ("WFMIF")	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.



4.2 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.

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 2021.

4.4 Investors Queries

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

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

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

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

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

5 Receiver's Remuneration and Expenses

There have been fourteen applications to Court to date to approve my remuneration since the date of my appointment on 8 August 2013.

The fifteenth application for the approval of my remuneration for the period 1 November 2020 to 30 April 2021 has been prepared and served on several parties however is yet to be filed or listed for hearing. A copy of the application and relevant material will be placed on the website www.lmfimf.com and the hearing date will be notified to members, shortly. My remuneration claim for this period is in the amount of \$1,383,829.15 (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 previous applications can be found on the website www.lmfimf.com.

In addition to the remuneration previously approved by the Court and the fifteenth application set out above, I calculate that, on a time basis, I have incurred further remuneration of \$96,331.00 (exclusive of GST) plus disbursements of \$7.70 (exclusive of GST) from 1 May 2021 to 31 May 2021 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@lmfimf.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 2021			
		Distribution (\$)	Amounts withheld (\$)	Net Amount Paid (\$)	Net Cents per Unit
CPAIF	120,702,630	5,439,953	2,175,981	3,263,972	2.7
ICPAIF	9,350,802	421,432	168,573	252,859	2.7
WFMIF	99,488,929	4,483,872	520,129	3,963,743	4
Total	229,542,361	10,345,257	2,864,683	7,480,574	



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2021 to 31 May 2021

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	635	37.4	23,749.00	14.4	9,144.00	0.5	317.50	0.6	381.00			21.9	13,906.50
Charles Haines	Associate Director	540	8.0	4,320.00	0.4	216.00	7.3	3,942.00					0.3	162.00
Arthur Taylor	Senior Manager	515	1.7	875.50					1.7	875.50				
Jayden Coulston	Senior Manager	515	0.3	154.50			0.3	154.50						
Ryan Whyte	Senior Accountant	340	105.9	36,006.00	16.3	5,542.00	61.0	20,740.00	28.1	9,554.00			0.5	170.00
Jordan Devery	Accountant	285	17.1	4,873.50			14.0	3,990.00	0.7	199.50	2.4	684.00		
Jacques de Wet	Graduate Accountant	230	105.0	24,150.00			105.0	24,150.00						
Liam Landrigan	Graduate Accountant	230	2.0	460.00			2.0	460.00						
Sarah Cunningham	Accounting Assistant	230	2.2	506.00									2.2	506.00
Laura Hagi	Practice Assistant	185	2.7	499.50									2.7	499.50
Moirra Hattingh	Administration Assistant	110	6.7	737.00									6.7	737.00
TOTALS			289.0	96,331.00	31.1	14,902.00	190.1	53,754.00	31.1	11,010.00	2.4	684.00	34.3	15,981.00
GST				9,633.10										
TOTAL INC GST				105,964.10										
AVERAGE HOURLY RATE				333		479		283		354		285		466

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 May 2021 to 31 May 2021
LM First Mortgage Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	7.70
TOTAL	7.70
GST	0.77
TOTAL INC GST	8.47