

TO THE INVESTOR AS ADDRESSED

22 December 2022

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 40th update to investors, which provides details of the progress made in the winding up of the Fund since my last report to investors dated 30 September 2022. This report should be read in conjunction with my previous reports, which are available on the website www.lmfimf.com.

Subject to the resolution of the application brought by John Park of FTI Consulting, the liquidator of LM Investment Management Ltd (In Liquidation), as detailed at section 2.1.1 below, the winding up is ready to be concluded and after a Finalisation Application has been made to pay a final distribution and finalise the administration.

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

As advised in my last report to members on 30 September 2022, costs were awarded in favour of the first to fourth, sixth and seventh defendants in respect of the proceeding, the appeal and the judicial advice application (Costs). The costs of the seventh defendant, the Liquidators of LMIM, were paid in a fixed amount from the assets of the FMIF pursuant to the Orders of the Court dated 28 February 2020.

On 11 November 2022, a settlement was reached with the first to fourth, and sixth defendants in respect of the Costs (the Settlement).

On 11 November 2022, I notified the Liquidator of LMIM of the Settlement and advised them that I intended to make payment of the settlement sum out of the assets of the FMIF, and that if they objected to this payment being made, they were required to bring an application to prevent this from occurring.

On 17 November 2022, the Liquidators caused LMIM in its own right, and in its capacity as the Responsible Entity of the FMIF, the LM Institutional Currency Protected Australian Income Fund and the LM Currency Protected Australian Income Fund, to bring an application in the Supreme Court of Queensland against me in my capacity as the Court Appointed Receiver of the FMIF (the Application). The Application seeks interlocutory orders for the disclosure of documents relating to the proceedings, the appeal and the

judicial advice application, and seeks substantive relief to the effect that I am prevented from paying the settlement sum out of the assets of the FMIF. The Application is listed for hearing on 1 February 2023. I intend to oppose the orders sought in the Application and to seek to have the matter resolved as soon as possible, so that the Finalisation Application can proceed without further delay.

2.1.2 Claims against guarantors

There is one remaining matter that will be finalised shortly 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 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 was held in a solicitors trust account on an interim basis, protected by certain undertakings given by the solicitor holding the funds.
- The trustee claimed 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 held two mediations with several parties in relation to the dispute and there were ongoing settlement negotiations which culminated in a settlement being reached on 1 September 2021.
- The gross return to the bankrupt estate from the settlement was estimated to be between \$2,882,181 and \$3,832,181, depending upon the outcome of a taxation objection.
- Under the Deed of Indemnity, the Trustee was required to make an application to Court seeking an order giving the FMIF a priority over other creditors. This application was heard on 29 September 2022 with orders made on 16 November 2022 giving priority over other creditors to the FMIF.
- The taxation objection was lodged late last year and after further discussions and submissions were made by the taxpayer the ATO issued a decision rejecting the objection on 23 November 2022.
- After deducting the AFSA realisations charge, repayment of the funding of \$810K to the FMIF, and the Trustee's remuneration and expenses, a further distribution of \$810,000 has been received from the Trustee and a final distribution of approximately \$67,000 will be made shortly to conclude the matter.

2.1.3 Liquidators of LMIM (FTI Consulting)

2.1.3.1 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.

2.1.3.2 Fourth FTI Remuneration Application and Expenses Application

On 15 February 2022, Mr Park filed an application in the Court for approval and payment from the FMIF of his remuneration for the period 1 November 2020 to 30 November 2021 in the sum of \$33,071.31 (including GST), made up of Category 1 remuneration (remuneration that is specifically referable to the FMIF) of \$18,315.00 (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 \$14,756.31 (including GST).

On 7 March 2022, Mr Park filed an application in the Court for approval and payment from the FMIF of expenses totalling \$50,579.73 plus his costs of the application.

Both applications were heard on 6 May 2022 and orders were made approving the remuneration and expenses. Further details can be found on the websites www.lmfimf.com and www.lminvestmentadministration.com.

2.1.3.3 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.

The Liquidator notified me that he has 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).

The Creditor Indemnity Claim made in respect of the claim notified by the Norton Rose Proof in the reduced sum of \$274,209.75 has been paid. The First EY Proof and a second EY Proof have been withdrawn.

2.1.3.4 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 year ended 30 June 2022 are available on the website www.lmfimf.com.

The management accounts for the half-year ending 31 December 2022 will be uploaded to the website www.lmfimf.com by 31 March 2023.

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 11.5 cents per unit as at 30 November 2022, and a total estimated return of 18 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 30 November 2022 (\$)	49,993,150
Benefit of Feeder Fund settlement of amounts withheld*	6,457,028
Total estimated amount available to investors	56,450,028
Total investor units (AUD Equivalent as at date of appointment)	492,125,624
Estimated return in the dollar	11.5 cents
Add: Distributions to date	6.5 cents
Total estimated return in the dollar	18 cents

Please note that the estimate and prior estimates do not take into account future operating costs and future Receiver's fees.

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")	6.1 cents
LM Institutional Currency Protected Australian Income Fund ("ICPAIF")	6.1 cents
LM Wholesale First Mortgage Income Fund ("WFMIF")	9 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 liquidator of LMIM's court application is resolved (refer section 2.1.1), 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 31 March 2023.

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 seventeen applications to Court to date to approve my remuneration since the date of my appointment on 8 August 2013.

The seventeenth application for the approval of my remuneration for the period from 1 November 2021 to 30 April 2022, was heard by the Court on 18 October 2022. The Court ordered that my remuneration claim for this period be fixed in the amount of \$381,555.35 (including 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, including the seventeenth application, can be found on the website www.lmfimf.com.

In addition to the remuneration previously approved by the Court and the seventeenth application set out above, I calculate that, on a time basis, I have incurred further remuneration of \$505,321.00 (exclusive of GST) plus disbursements of \$33,384.98 (exclusive of GST) from 1 May 2022 to 30 November 2022 as detailed in the attached summary. Approval of my current and future remuneration will be sought in my Finalisation Application.

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

A handwritten signature in black ink, appearing to read 'David Whyte', written over a horizontal line.

David Whyte
Receiver



ANNEXURE 1
ESTIMATED RETURN TO FEEDER FUNDS

Feeder Fund	Number of Units	Estimated Return to Feeder Funds as at 30 November 2022			
		Distribution (\$)	Amounts withheld (\$)	Net Amount Paid (\$)	Net Cents per Unit
CPAIF	120,702,630	12,261,716	4,904,686	7,357,030	6.1
ICPAIF	9,350,802	949,912	379,965	569,947	6.1
WFMIF	99,488,929	10,106,698	1,172,377	8,934,321	9
Total	229,542,361	23,318,326	6,457,028	16,861,298	



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2022 to 30 November 2022
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	Appointee	655	132.1	86,525.50	47.2	30,916.00	20.1	13,165.50	50.3	32,946.50			14.5	9,497.50
Craig Jenkins	Partner	575	2.7	1,552.50					2.7	1,552.50				
Clark Jarrold	Partner	575	0.8	460.00					0.8	460.00				
Charles Haines	Director	555	59.5	33,022.50	3.1	1,720.50	46.6	25,863.00			1.4	777.00	8.4	4,662.00
Alastair Raphael	Director	555	0.4	222.00					0.4	222.00				
Jayden Coulston	Senior Manager	530	6.9	3,657.00			6.8	3,604.00					0.1	53.00
Julie Pagcu	Director	495	1.7	841.50					1.7	841.50				
Ryan Whyte	Senior Analyst	390	486.4	189,696.00	1.6	624.00	307.1	119,769.00	151.0	58,890.00	19.1	7,449.00	7.6	2,964.00
Jordan Devery	Senior Analyst	350	57.6	20,160.00			57.6	20,160.00						
Nigel Wenck	Analyst	295	188.8	55,696.00			186.4	54,988.00	1.2	354.00	1.2	354.00		
Sarah Cunningham	Financial Assistant	240	18.1	4,344.00									18.1	4,344.00
Nigel Wenck	Analyst	240	49.7	11,928.00			49.1	11,784.00			0.5	120.00	0.1	24.00
Jay Brown	Undergraduate	195	441.3	86,053.50			440.2	85,839.00	1.1	214.50				
Laura Hagi	Professional Services Support	190	9.3	1,767.00									9.3	1,767.00
Moir Hattingh	Professional Services Support	115	81.7	9,395.50									81.7	9,395.50
TOTALS			1,537.0	505,321.00	51.9	33,260.50	1,113.9	335,172.50	209.2	95,481.00	22.2	8,700.00	139.8	32,707.00
GST				50,532.10										
TOTAL INC GST				555,853.10										
AVERAGE HOURLY RATE			329		641		301		456		392		234	

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 May 2022 to 30 November 2022

LM First Mortgage Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	33,097.88
Photocopy	287.10
TOTAL	33,384.98
GST	3,338.50
TOTAL INC GST	36,723.48