

TO THE INVESTOR AS ADDRESSED

28 March 2024

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

1. Executive Summary/Finalisation Application/Final Distribution to Investors

Now that the proceedings brought by the Liquidator of LM Investment Management Ltd (In Liquidation) (LMIM), discussed further at section 3.1.1 below, have been dismissed, I am taking the necessary steps to conclude the winding up of the Fund and including to pay a final distribution to investors.

Members should ensure their bank details held by the Fund are up to date to allow the final payment to be made electronically. Please refer to section 6.4 below regarding the appropriate form to use and where to send it. Otherwise, any unclaimed/returned monies will be remitted to ASIC. If necessary, please visit the following website for details on how to claim funds paid to ASIC unclaimed monies: <https://asic.gov.au/for-consumers/unclaimed-money/>.

Finalisation Application

I have instructed my legal representatives to prepare and expect to file in the near future an application to Court for orders or directions to enable the finalisation of the winding up of the FMIF, including directions to make a final distribution to FMIF members.

The orders to be sought in the finalisation application will include:

- Orders or directions in relation to the determination of final remuneration and/or expense claims of Mr Park/LMIM and myself;
- Directions to discontinue the claim against LMIM;
- Directions as to whether an audit of the final accounts of the FMIF is required;
- Directions as to steps to be taken to address unpaid hardship redemptions, unpaid or returned income distributions, and returned payments as recorded in certain liability accounts of the FMIF;
- Orders authorising me to make a final distribution to FMIF members;
- Orders discharging and releasing me from my appointments.

Members will be notified of this application, once it has been filed.

2. 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 45th update report to investors. This report is prepared in accordance with the relief granted by the Australian Securities and Investments Commission (ASIC Exemption) on 1 March 2024 in relation to financial reporting obligations of the Fund for the 2024 and 2025 financial years. In this regard, the ASIC Exemption requires a report to be made available to investors for each period of six months starting on 1 July 2023, within three months of the end of each period, which includes the following information (unless disclosure of that information would be prejudicial to the winding up):

- (i) Information about the progress and status of the winding up of the Fund, including details (as applicable) of:
 - A. The actions taken during the period;
 - B. The actions required to complete the winding up;
 - C. The actions proposed to be taken in the next 12 months; and
 - D. The expected time to complete the winding up.
- (ii) The financial position of the Fund as at the last day of the relevant period (based on available information);
- (iii) Financial information about receipts (and payments) of the Fund during the period; and
- (iv) The following information at the end of the period:
 - A. The value of the Fund's property; and
 - B. The potential return to investors.

This report covers, the period 1 July 2023 to 31 December 2023 (the Period). A notice explaining the instrument of relief together with a copy of the ASIC instrument can be found on the home page of the website www.lmfimf.com.

3. Progress and Status of the Winding Up

3.1 Legal Actions/Potential Recoveries

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

I refer to my previous reports to members in relation to this proceeding (BS12317/14), which I caused LMIM as RE of the FMIF to commence against the trustee of the MPF, LMIM and a number of former directors of LMIM.

As advised in my report to members on 29 September 2023, costs were awarded in favour of the first to fourth, sixth and seventh defendants in respect of the proceeding, and the appeal (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, John Park and advised him of the Settlement and that I intended to make payment of the settlement sum out of the assets of the FMIF, and that if he objected to this payment being made, he was required to bring an application to prevent this from occurring.

Proceeding BS14389/2022 (the Proceeding)

On 17 November 2022, the Liquidator 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 (BS14389/2022) against me in my capacity as the Court Appointed Receiver of the FMIF (the Application).

The Application, as amended on 23 December 2022, sought final substantive relief to the following effect:

- declaratory relief that LMIM is not entitled to pay the adverse costs from the property of the FMIF;
- injunctive relief restraining me from paying the adverse costs from the property of the FMIF;
- an order that I pay the adverse costs personally.

On 24 February 2023, the Liquidator caused LMIM in the four different capacities detailed above to file and serve a Statement of Claim (Statement of Claim), seeking relief under section 8 of the Trusts Act 1973 (QLD).

On 6 March 2023, his Honour Justice Kelly ordered the parties to attend a mediation by 31 March 2023, and otherwise made timetabling orders for the hearing of my foreshadowed application to strike out the Statement of Claim.

On 21 March 2023, I attended at a mediation with the Liquidator and our respective legal counsel, conducted by the Honourable John Byrne AO RFD, however no settlement was achieved.

My application to strike out the Statement of Claim was heard before his Honour Justice Kelly on 27 April 2023, with the following orders being made on 16 June 2023:

- The application was dismissed;
- Submissions on costs had to be filed and served by the parties (this has been completed and an order made on 30 June 2023 for the plaintiff's costs of the strike out application to be assessed on the indemnity basis and paid from the FMIF);
- I was directed to file and serve a defence to the amended statement of claim by 18 August 2023;
- The matter was listed for a review on 1 September 2023.

The time for the filing of my Defence was extended by order of the Court.

On 7 September 2023, I filed a defence to the Claim.

A Defence was filed in the Court which redacts references to privileged or confidential matters.

An unredacted version of the Defence and a bundle of critical, confidential or privileged documents, was served on the plaintiff, on a strictly confidential basis.

The Court ordered that the parties attend a further mediation, which was held on 30 October 2023 and was adjourned and was to resume by 13 February 2024, with the matter listed for a review by the Court on 19 February 2024.

The mediation was scheduled to resume on 12 February 2024 but was cancelled by agreement between the parties.

The parties agreed to consent orders to resolve the Proceeding.

On 19 February 2024, the Court made, inter alia, orders to the following effect:

- An order that I be empowered to cause LMIM as RE of the FMIF to carry out the Settlement;
- The Proceeding be dismissed;
- My costs of the Proceeding (including of the Application, the Counterclaim and the strike out application) be paid out of the FMIF;
- The plaintiffs costs of the Proceeding (including of the Application, and the Counterclaim) be paid from the assets of the Fund on the indemnity basis.

The Costs awarded in favour of the first to fourth, sixth and seventh defendants in respect of BS12317/14, and the appeal, have been paid in accordance with the terms of the Settlement.

3.1.2 Liquidators of LMIM (FTI Consulting)

3.1.2.1 Remuneration claim and expenses claim

I refer to my previous reports to investors, which summarise the outcomes of prior remuneration and expenses claims by the Liquidator of LMIM.

The judgement and orders made with respect to FTI's most recent remuneration application and expenses application are summarised in paragraph 2.1.3.2 of my report to investors dated 22 December 2022.

An application is currently being prepared by the Liquidator for payment of his outstanding remuneration and expenses and will cover the period until conclusion of the winding up.

3.1.2.2 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).

I agreed to pay the Creditor Indemnity Claim made in respect of the claim notified by the Norton Rose Proof in the reduced sum of \$274,209.75 with this being paid on 28 September 2022. The First EY Proof and a second EY Proof have been withdrawn.

3.1.2.3 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. An order will be sought to discontinue the proceedings as part of my Finalisation Application which is discussed further at section 1 above.

4. Financial Position of the Fund

The management accounts for the half-year ended 31 December 2023 are available on the website www.lmfimif.com under the tab titled “Financial Statements & Other Key Documents”.

A summary of the financial position of the Fund as at 31 December 2023 is provided below.

Description	31 December 2023
ASSETS	\$
Cash and cash equivalents	58,980,091
Receivables	736,980
TOTAL ASSETS	59,717,070
LIABILITIES	
Payables and accrued expenses	7,675,279
Distributions payable	2,473,374
Total liabilities excluding net assets attributable to unitholders	10,148,653
NET ASSETS	49,568,417

These figures are subject to the disclaimers and qualifications set out in the management accounts.

4.1 Fund Assets

The total assets of the Fund as at 31 December 2023 were \$59,717,070.

The balance includes cash at bank of \$58,980,091 and receivables of \$736,980.

4.2 Fund Liabilities

The total liabilities of the Fund as at 31 December 2023 were \$10,148,653 consisting of payables of \$7,675,279 and distributions payable of \$2,473,374.

The distributions payable balance is made up of:

- \$1,372,036 relates to distributions that appear to have been declared prior to the date of the Court Receiver’s appointment which were not paid, or have not cleared or were returned unclaimed. These

liabilities have not been verified and Court approval or directions may be required before any payment is made.

- \$1,101,338 relates to distributions that were returned/unclaimed from the interim capital distribution to investors paid by BDO in October 2019 in accordance with the Court order dated 2 October 2019.

The Payables and accrued expenses balance of \$7,675,279 primarily consists of an accrual in respect of the cost orders for the Director's proceedings, legal fees, receiver's fees and fees and expenses claimed by FTI, which remained unpaid as at 31 December 2023.

Some of these liabilities have not been verified, or may be subject to Court approval being obtained.

4.3 Net Assets Attributable to Unit Holders

Net assets attributable to unit holders as at 31 December 2023 were \$49,568,418.

The net assets of the Fund and number of units on issue as at 31 December 2023 and 30 June 2023 is detailed in the table below.

Description	31 December 2023	30 June 2023
Estimated net amount of assets available to investors (\$)	49,568,418	50,257,613
Total investor units (# of units)	492,125,624	492,125,624
Estimated net asset amount per unit available to investors as at period end (cents in the dollar)	10.1 cents	10.2 cents

The above table does not include the estimated benefit of the Feeder Funds settlement in the estimated amount of the net amount of assets as at 31 December 2023. Therefore, below is an estimate that includes the estimated benefit of the Feeder Funds settlement in the estimated net amount of assets at 31 December 2023.

Description	31 December 2023
Estimated net amount of assets available to investors as at period end (\$)	49,568,418
Estimated Benefit of Feeder Fund settlement of amounts withheld	6,402,171
Total investor units (AUD Equivalent as at appointment being 8 August 2013)	492,125,624
Estimated return in the dollar	11.4 cents

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 estimated return to the Feeder Funds, as follows:

Feeder Fund	Estimated return
LM Currency Protected Australian Income Fund (“CPAIF”)	6.0 cents
LM Institutional Currency Protected Australian Income Fund (“ICPAIF”)	6.0 cents
LM Wholesale First Mortgage Income Fund (“WFMIF”)	8.9 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 paid from the net cash that is paid to each of the Feeder Funds before distributions are made to Feeder Fund investors.

5. Receipts and Payments of the Fund

All receipts and payments for the Fund since McGrath Nicol’s appointment on 10 July 2013 until their retirement on 10 December 2018 are on the website www.lmfmf.com under Financial Statements & Other Key Documents.

Following McGrath Nicol’s retirement and relinquishment of control of the bank accounts, I took over responsibility for all receipts and payments and will upload copies of the Receipts and Payments lodged with ASIC to the www.lmfmf.com website from time to time.

The receipts and payments of the Fund, for the period 1 July 2023 to 31 December 2023 is summarised in the table below.

Description	\$
Receipts	
Interest	761,690
Total receipts	761,690
Payments	
Custodian fees	(11,000)
Legal and other fees	(162,797)
IT expenses	(58,207)
Printing and stationary	(9,189)
Record management and storage	(15,733)
Total payments	(257,822)
Net receipts/(payments)	503,868

6. Investor Information

6.1 Estimated Return to Investors

6.1.1 Unit Price as at 31 December 2023

The estimated unit price as at 31 December 2023 is 10.1 cents per unit and a total estimated return of 16.6 cents per unit taking into account the interim distribution paid of 6.5 cents per unit.

Description	\$
Total Net Value of Fund Assets	49,568,418
Total Number of Units	492,125,624
Unit Price Estimate	10.1 cents
Add: Distributions to date	6.5 cents
Total estimated return in the dollar	16.6 cents

I *attach* a copy of a letter confirming the unit price as at 31 December 2023, which may be forwarded to Centrelink to assist with the review of investors' pensions.

6.2 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.

As mentioned above, an application to court for me to obtain orders to finalise the winding up and pay the final distribution to members will shortly be lodged and served.

6.3 Ongoing Reporting to Investors

Further correspondence 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 6.4 below. For those investors that do not have an email address, correspondence will continue to be sent to you via post.

6.4 Investors Queries

Arrangements are in place to ensure that any reasonable questions asked by members of the FMIF, about the winding up of the FMIF, will be answered within a reasonable period of time (generally seven days) and without charge to the investor.

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 lmfimf@bdo.com.au 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

7. Receiver’s Remuneration and Expenses

There have been eighteen applications to Court to date to approve my remuneration since the date of my appointment on 8 August 2013. As part of my finalisation application to be submitted soon, I will seek approval for my current and future remuneration. This will include my current remuneration of \$1,073,903 (exclusive of GST) from 1 May 2022 to 29 February 2024 as detailed in the attached summary. Members will be formally notified of my finalisation application after it is lodged and a copy of my application, together with all other relevant documentation will be posted to the website www.lmfimf.com.

8. Actions taken during the Period

I provide below a summary of actions taken during the period from 1 July 2023 to 31 December 2023:

- Work undertaken in relation to the litigation matters detailed at section 3 of this report;
- Maintaining the financial records of the Fund and preparation of management accounts for the year ended 30 June 2023 and the half-year ended 31 December 2023;
- Undertaking the investor management function for approximately 4,600 investors including answering queries on the winding up of the Fund and maintaining the investment database, including any change in details or transfer of units;
- Preparation of unit price calculations as at 30 June 2023 and 31 December 2023; and

- Preparation of reports to investors in September 2023 and December 2023.

9. Proposed actions to be taken to complete the winding up of the Fund and estimated timeframe to complete winding up

I provide below a summary of the proposed actions to be taken to complete the winding up of the Fund:

- Prepare, file and serve the Finalisation Application;
- Attend court for the Finalisation Application;
- Review and consider FTI's final application for remuneration and expenses;
- Undertake the investor management function for approximately 4,600 investors including answering queries on the winding up of the Fund and maintain the investor management database, including any change in details or transfer of units;
- Report to members on a quarterly basis;
- Maintain the financial records of the Fund and prepare management accounts for the year ended 30 June 2024 and the period from 1 July 2024 to conclusion of the winding up;
- Pay the remaining liabilities of the Fund;
- Pay a final distribution and issue final distribution notices to FMIF members;
- Pay any unclaimed monies to ASIC;
- Lodge receipts and payments of the Fund with ASIC; and
- Notify ASIC that the winding up has been completed.

Subject to my finalisation application being heard by 30 June 2024, and not being opposed, I expect the winding up will be concluded by 30 September 2024.

10. Queries

Should unit holders wish to advise of any changes in details or require further information, please contact BDO as follows:

BDO
GPO Box 457
Brisbane QLD 4001
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227
Email: lmfmif@bdo.com.au

Yours faithfully,



David Whyte
Receiver



ANNEXURE 1
ESTIMATED RETURN TO FEEDER FUNDS

Feeder Fund	Number of Units	Further Estimated Return to Feeder Funds as at 31 December 2023			
		Distribution (\$)	Amounts withheld (\$)	Net Amount Paid (\$)	Net Cents per Unit
CPAIF	120,702,630	12,157,543	4,863,017	7,294,526	6.0
ICPAIF	9,350,802	941,842	376,737	565,105	6.0
WFMIF	99,488,929	10,020,833	1,162,417	8,858,417	8.9
Total	229,542,361	23,120,218	6,402,171	16,718,047	



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 May 2022 to 29 February 2024

LM First Mortgage Income Fund (Receiver Appointed)

Employee	Position	Rate	Totals		Task Area													
			hrs	\$	Assets		Creditors		Trade On		Investigations		Dividends		Administration			
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$		
David Whyte	Appointee	690	138.9	95,841.00			0.3	207.00	138.6	95,634.00								
David Whyte	Appointee	655	246.9	161,719.50	47.7	31,243.50	24.5	16,047.50	160.2	104,931.00							14.5	9,497.50
Craig Jenkins	Partner	640	0.6	384.00					0.6	384.00								
Craig Jenkins	Partner	605	1.4	847.00					1.4	847.00								
Charles Haines	Director	585	12.8	7,488.00			10.1	5,908.50	0.3	175.50			0.5	292.50		1.9	1,111.50	
Clark Jarrold	Partner	575	0.8	460.00					0.8	460.00								
Craig Jenkins	Partner	575	2.7	1,552.50					2.7	1,552.50								
Charles Haines	Director	555	78.8	43,734.00	0.3	166.50	63.7	35,353.50	5.4	2,997.00	3.0	1,665.00	0.8	444.00		5.6	3,108.00	
Alastair Raphael	Director	555	0.4	222.00					0.4	222.00								
Jayden Coulston	Senior Manager	555	11.1	6,160.50			6.0	3,330.00	2.4	1,332.00						2.7	1,498.50	
Charles Haines	Director	540	3.0	1,620.00			2.2	1,188.00								0.8	432.00	
Jayden Coulston	Senior Manager	530	27.3	14,469.00			26.7	14,151.00	0.1	53.00						0.5	265.00	
Julie Pagcu	Director	520	4.5	2,340.00					4.5	2,340.00								
Jordan Devery	Manager	515	4.6	2,369.00			4.6	2,369.00										
Julie Pagcu	Director	495	1.7	841.50					1.7	841.50								
Ryan Whyte	Senior Analyst	390	697.9	272,181.00	1.6	624.00	430.1	167,739.00	249.2	97,188.00			8.6	3,354.00		8.4	3,276.00	
Nigel Wenck	Senior Analyst	370	184.9	68,413.00			164.0	60,680.00	7.1	2,627.00			0.1	37.00		13.7	5,069.00	
Jordan Devery	Manager	350	97.4	34,090.00			86.1	30,135.00	11.3	3,955.00								
Matt Burns	Manager	350	11.0	3,850.00			11.0	3,850.00										
Jason Morcom	Analyst	310	11.7	3,627.00			11.7	3,627.00										
Nigel Wenck	Senior Analyst	295	311.3	91,833.50			300.3	88,588.50	6.5	1,917.50			0.5	147.50		4.0	1,180.00	
Mitchell Sallis	Analyst	295	6.2	1,829.00					6.2	1,829.00								
Kimberley Climo	Undergraduate Analyst	265	28.9	7,658.50			28.9	7,658.50										
Luca Finocchiaro	Undergraduate Analyst	265	9.3	2,464.50			9.3	2,464.50										
Caalum Wishart	Undergraduate Analyst	265	19.0	5,035.00			19.0	5,035.00										
Sarah Cunningham	Financial Assistant	255	17.4	4,437.00			0.6	153.00	1.1	280.50						15.7	4,003.50	
Jason Morcom	Analyst	255	123.2	31,416.00			123.2	31,416.00										
Jason Morcom	Analyst	240	183.2	43,968.00			173.5	41,640.00	9.7	2,328.00								
Georgia Frank	Graduate Analyst	240	107.6	25,824.00			80.4	19,296.00	27.2	6,528.00								
Sarah Cunningham	Financial Assistant	240	27.9	6,996.00			0.4	96.00	1.1	264.00						26.4	6,336.00	
Nigel Wenck	Senior Analyst	240	49.7	11,928.00			49.6	11,904.00								0.1	24.00	
Paris Della Mattea	Undergraduate Analyst	205	10.3	2,111.50			10.3	2,111.50										
Miah Clarke	Graduate Analyst	195	34.6	6,747.00			21.7	4,231.50								12.9	2,515.50	
Jay Brown	Undergraduate Analyst	195	475.4	92,703.00			475.4	92,703.00										
Laura Hagi	Professional Services Support	190	0.7	133.00			0.7	133.00										
Moira Hattingh	Administration Assistant	120	24.0	2,880.00												24.0	2,880.00	
Moira Hattingh	Administration Assistant	115	122.0	14,030.00			0.2	23.00								121.8	14,007.00	
TOTALS			3,089.1	1,073,903.00	49.6	32,034.00	2,134.5	652,039.00	638.5	328,686.50	3.0	1,665.00	10.5	4,275.00	253.0	55,203.50		
GST				107,390.30														
TOTAL INC GST				1,181,293.30														
AVERAGE HOURLY RATE			348		646		305		515		555		407		218			

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 May 2022 to 29 February 2024

LM First Mortgage Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	35,791.72
Photocopy	287.10
Admin Fee	12.52
TOTAL	36,091.34
GST	3,609.13
TOTAL INC GST	39,700.47

28 March 2024

TO WHOM IT MAY CONCERN

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

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 provide an update on the estimated unit price of the Fund as at 31 December 2023, calculated as follows:

Description	\$
Total Value of Fund Assets as at 31 December 2023	59,717,070
Less Creditors and Other Payables	10,148,653
Total Net Value of Fund Assets	49,568,417
Total Number of Units	492,125,624
Unit Price Estimate	10.1 cents

Should you have any queries in respect of the above, please contact my office on (07) 3237 5999 or lmfmif@bdo.com.au.

Yours faithfully,



David Whyte
Receiver