

For personal use only



Litigation Capital Management Limited ACN 608 667 509

REPLACEMENT PROSPECTUS

For an offer of up to 21,428,571 New Shares at an issue price of \$0.70 per New Share to raise up to \$15.0 million (before costs) (Offer). The Offer has a Minimum Subscription of \$7.5 million.

Settlement Broker



Financial Adviser

145
Fleet

Lawyers



Investigating Accountant



For personal use only

Important Notices

This is a replacement prospectus dated 17 November 2016 and was lodged with the Australian Securities and Investments Commission (“ASIC”) on that date (“Prospectus”). It replaces the prospectus dated 7 November 2016 (“Original Prospectus”) which was lodged with ASIC on that date.

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the New Shares being offered in accordance with this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

This Prospectus is dated 17 November 2016 and was lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment provided for in this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation contained in this Prospectus may not be relied on as having been authorised by LCM.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary.

No New Shares will be issued pursuant to this Prospectus after the date that is 13 months after the date of the Original Prospectus.

Exposure Period

LCM is prohibited from processing Applications received during the Exposure Period. Application Forms received prior to the expiration of the Exposure Period will, therefore, not be processed until after the Exposure Period. No preference will be conferred on any Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date. The purpose of the Exposure Period is to enable the Original Prospectus to be examined by market participants prior to the raising of proceeds. That examination may result in the identification of deficiencies in the Original Prospectus, in which case any Application may need to be dealt with in accordance with Section 724 of the Corporations Act.

Electronic prospectus

This Prospectus may be viewed online at www.lcmfinance.com. The information on LCM’s website does not form part of this Prospectus.

The Offer made pursuant to the Prospectus is only available to persons receiving this Prospectus in Australia and Institutional Investors located in New Zealand. LCM is entitled to refuse an application for New Shares if it believes that the Applicant did not receive the Prospectus in Australia and is not an Institutional Investor located in New Zealand.

New Shares will only be issued on receipt of an Application Form issued together with the Prospectus whether it be a printed or an unaltered electronic copy of the Prospectus.

During the Offer Period, any person located in Australia or an Institutional Investor located in New Zealand may obtain a paper copy of this Prospectus free of charge by contacting the Settlement Broker on 1800 777 946.

Any references to documents included on LCM’s website are provided for convenience only and none of the documents or other information located on LCM’s website is incorporated by reference into, or forms part of the terms and conditions for the Offer contained in, this Prospectus.

Selling restrictions

The Offer is not being extended to any investor outside Australia other than to certain institutional investors located in Singapore, Hong Kong and New Zealand and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia (including in electronic form) may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions.

This Prospectus may not be distributed to, or relied on by, any person in the United States. In particular, the New Shares have not been, and will not be, registered under the US Securities Act of 1933 (the **US Securities Act**) or the securities laws of any state or other jurisdiction of the United States of America and may not be offered or sold, directly or indirectly, in the United States of America.

See Section 11.11 for more detail on selling restrictions that apply to the offer and sale of New Shares in jurisdictions outside of Australia.

Financial information

Unless otherwise specified, all information contained in this Prospectus is believed to be current as at the date of this Prospectus.

This Prospectus presents financial information in Section 6. Except as otherwise noted, it has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards (**AAS**), although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements and comparative information required by the AAS applicable to annual financial reports prepared in accordance with the Corporations Act. The pro forma historical information has been prepared to illustrate the financial position of LCM as at 30 June 2016 as if the Offer

had occurred prior to that date, including the expenditure of proceeds associated with the Offer.

Forward looking statements

This Prospectus contains certain forward looking statements. Potential investors should note that forward looking statements are only predictions and are subject to inherent uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in those forward looking statements. Such risks, variables and other factors include matters specific to LCM, as well as economic and financial market conditions, legislative, fiscal or regulatory developments and risks associated with the business and the operation of LCM.

None of LCM, any of its officers, any person named in this Prospectus with his or her consent or any person involved in the preparation of this Prospectus makes any representation or warranty (either express or implied) or gives any assurance that the implied values, anticipated results, performance or achievements expressed or implied in forward looking statements contained in this Prospectus will be achieved, and you are cautioned not to place undue reliance on these statements. The forward looking statements contained in this Prospectus only reflect views held as at the date of this Prospectus.

Privacy Act

If you complete an Application Form you will be providing personal information to LCM (directly or indirectly via the Share Registry and/or the Settlement Broker). LCM and the Share Registry collects, holds and will use that information to assess your application, service your needs as a holder of Shares and facilitate the distribution of payments and corporate communications to you as a Shareholder.

The information may also be used and disclosed to persons inspecting LCM's register, bidders for your Shares in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and LCM's Share Registry.

If you do not provide the information requested in the Application Form, your Application Form may not be accepted.

You can access, correct and update the personal information held by or on behalf of LCM or the Share Registry by telephoning or writing to the Share Registry as follows:

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane, QLD 4000
+61 1300 554 474

No cooling off rights

Cooling off rights do not apply to an investment in New Shares offered pursuant to this Prospectus. This means that, unless you are notified by LCM to the contrary, you cannot withdraw your Application.

Miscellaneous

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person in them endorses this Prospectus or its contents or that the assets shown in them are owned by LCM. References in this Prospectus to currency are to Australian dollars unless otherwise indicated.

All data contained in charts, graphs and tables within this Prospectus is based on information available as at the date of this Prospectus unless otherwise stated.

Capitalised terms

Capitalised terms used in this Prospectus have the same meaning ascribed to them in the Glossary contained in Section 12 of this Prospectus.

Governing law

This Prospectus and any contract arising from LCM's acceptance of Applications lodged in accordance with its terms are governed by the laws applicable in the State of New South Wales, Australia and each Applicant submits to the exclusive jurisdiction of the Courts of New South Wales, Australia.

Contents

Key Dates and Offer Information	4
Chairman's Letter	7
Investment Overview	9
Company and Industry Overview	19
Directors, Senior Management and Corporate Governance	27
Financial Information	33
Risks	57
Material Contracts	61
Additional Information	67
Investigating Accountant's Report	71
The Offer	77
Glossary	83
Corporate Directory	86

1

Key Dates and Offer Information

Timetable

Prospectus lodged with ASIC	17 November 2016
Offer opens	22 November 2016
Closing Date for applications under the Offer	2 December 2016
Issue date	7 December 2016
Holding statements dispatched to Applicants under Offer	8 December 2016
Commencement of trading on ASX	13 December 2016

Subject to the ASX Listing Rules and the Corporations Act, the Directors reserve the right to vary these dates.

Key Offer information

	Based on Minimum Subscriptions	Based on Maximum Subscriptions
Offer Price	\$0.70	
Total number of New Shares offered pursuant to this Prospectus	10,714,286	21,428,571
Gross proceeds of the Offer	\$7.5 million	\$15.0 million
Total Shares on issue on completion of the Offer ¹	42,818,961	53,533,246
Market capitalisation ²	\$30.0 million	\$37.5 million
Forecast FY17 Basic EPS ³	10.8 cents	9.9 cents
Forecast FY17 PE Ratio ⁴	6.5x	7.1x

How to invest

Applications for New Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for New Shares are set out in Section 11 and on the back of the Application Form.

Questions

If you have any questions regarding the Offer, please contact the LCM Information Line on 1300 853 781 (from within Australia) or +61 1300 853 781 (from outside Australia) between 8.30am and 5.30pm (AEST) Monday to Friday. If you have any questions about the New Shares being offered in accordance with Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

¹ Does not include 2,866,050 Unquoted Partly Paid Shares, 3,190,116 Unquoted Founder Options and 1,500,000 Unquoted Incentive Options;

² Total Shares on issue on completion of the Offer multiplied by the Offer Price;

³ Forecast FY17 Basic EPS is calculated as the Pro Forma FY17 NPAT of approximately \$4.1 million (Minimum Subscription) or approximately \$4.4 million (Maximum Subscription) (refer to Section 6 for more details) divided by the expected weighted average Shares on issue for FY17 of approximately 38.4 million (Minimum Subscription) Shares or approximately 44.7 million Shares (Maximum Subscription);

⁴ The Forecast FY17 PE Ratio is calculated as the Offer Price divided by the Forecast FY17 Basic EPS;

For more information visit us on www.usc.edu

2

Chairman's Letter

Dear Investor,

The Board is pleased to offer you the opportunity to become a Shareholder in Litigation Capital Management Limited, a business providing litigation financing primarily in the areas of commercial and insolvency matters and class actions.

Since inception in 1998, LCM has, via its wholly owned subsidiaries, managed 46 Litigation Projects (comprising 190 Cases) to Completion,⁵ of which 36 have been profitable.

Historically, LCM has been capital constrained and largely relied on external parties to finance the majority of its Litigation Projects. Under these arrangements, LCM was paid management and performance fees, but the majority of the economic benefit of its Litigation Projects were retained by external parties.

In 2014 the strategic decision was made to transition from a largely externally financed business to an internally financed business so that LCM would retain the full economic benefits of profitable Litigation Projects that have previously been passed through to external capital providers. The additional expenditure associated with this transition, together with several non-recurring expenses, has resulted in LCM incurring losses in the three most recent financial years. LCM has raised capital to facilitate the transition to the internally financed model. LCM currently has a portfolio of 14 Litigation Projects, 11 of these are internally financed and the majority of these Litigation Projects are expected to be Completed in FY18.

In recent years, LCM has invested in its people and systems to position the company to grow. These initiatives have driven growth in the rate of Completed Litigation Projects, with 24 Litigation Projects being Completed in the past five financial years. Of these, 19 Litigation Projects were profitable, delivering a return of \$23.6 million on the total Invested Capital of \$10.3 million, achieving a Return on Invested Capital⁶ of 2.3 times across this portfolio of Litigation Projects, with an average time to Completion of 26 months.

The most recently completed externally financed group of Litigation Projects is known as Fund 2. Fund 2 commenced in March 2012 and the last Litigation Project in Fund 2 completed in June 2016. Fund 2 generated a cash return to Unitholders of 3.0 times. The one remaining external financing arrangement in place is in run-down mode and is expected to complete in FY18.

The net proceeds from the Offer will be dedicated to funding the existing Litigation Projects, the continued expansion of LCM's portfolio of internally financed Litigation Projects, and if the Offer is fully subscribed, paying out the Credit Facility in full. To the extent that the Offer is not fully subscribed, the amount applied towards repaying the Credit Facility will be reduced. If the Minimum Subscription is raised, no proceeds will be applied towards the repayment of the Credit Facility.

This Prospectus contains detailed information concerning the Offer, the historical and forecast financial position of LCM and the material risks associated with an investment in LCM, including those risks summarised in Section 7 of this Prospectus. Accordingly, potential Applicants should consult with their professional advisers before deciding whether to apply for any New Shares pursuant to this Prospectus.

As we begin this exciting chapter in LCM's history, we look forward to welcoming you as a Shareholder.

Yours sincerely,



Dr David King
Chairman

⁵ Completed means a Case or Litigation Project that has been settled, for which there has been a judgment or from which LCM has elected to withdraw from financing (other than at a time prior to financing becoming unconditional) or for which proceedings have been discontinued and the term "Completion" has a corresponding meaning;

⁶ Return on Invested Capital means the proceeds from a settlement or judgment that LCM receives in respect of a LCM managed Litigation Project divided by the Invested Capital on a LCM managed Litigation Project;

For personal use only

3

Investment Overview

This Section provides an overview of some of the important information regarding the Offer. It is not intended to address all of the issues that will be relevant to potential Applicants.

This Section should be read together with the balance of this Prospectus including the Investigating Accountant's Report contained in Section 10 and the summary of risks contained in Section 7.

Topic	Summary	For more information
3.1 Introduction		
Who is LCM?	Litigation Capital Management Limited is in the business of providing litigation financing and ancillary services to enable the recovery of funds from legal claims. LCM, via its wholly owned subsidiaries, has provided litigation financing since 1998 and its wholly owned subsidiary, LCM Litigation Fund Pty Ltd (LCM Litigation) was one of the first professional litigation financiers in Australia.	See Section 4.1 for more information
How does LCM generate its income?	<p>LCM's income is generated from the successful financing and management of Litigation Projects.</p> <p>With externally financed Litigation Projects, LCM may receive management fees and performance fees for its management of Litigation Projects. LCM does not intend to manage any further Litigation Projects for external parties once its existing portfolio of externally financed Litigation Projects has been Completed.</p> <p>For internally financed Litigation Projects, LCM's income model is reflected in each litigation financing agreement it enters into with its clients. A typical litigation financing agreement provides for the following:</p> <ul style="list-style-type: none"> (a) LCM meets all or part of the costs of the litigation. These costs typically include solicitors' fees, barristers' fees, charges of liquidators, charges of independent experts and Court fees; and/or (b) LCM provides an indemnity to the litigant(s) in respect of any adverse costs orders that might be made against the litigant(s) in favour of the defendant, in the event that their litigation is unsuccessful. <p>In exchange, LCM:</p> <ul style="list-style-type: none"> (a) receives a percentage of the gross proceeds of any award or settlement of the litigation, which percentage is generally between 20 and 40% (the percentage can depend on whether LCM agrees to meet all or part of the costs of the litigation or just provides an indemnity to the litigant); and (b) is reimbursed for all of the capital deployed to finance the litigation. 	See Section 4.3 for more information

Topic	Summary	For more information
What are the key drivers of LCM's income?	<p>The key drivers of LCM's income include:</p> <ul style="list-style-type: none"> (a) the size of the Litigation Projects that it finances; (b) the number of Litigation Projects that LCM is financing at any given time; and (c) the profitability of each of the Litigation Projects that LCM finances, including the quantum of funds deployed by LCM to advance the Litigation Project and the extent (if any) of the Recovery received. 	<p>See Section 4.3 for more information</p>
What is LCM's growth strategy?	<p>The key growth strategy for LCM is to continue to increase the number of profitable Litigation Projects that are internally financed by LCM. Proceeds raised from the Offer, together with income generated from LCM's existing portfolio of Litigation Projects, will provide LCM with additional capital to directly finance existing and new Litigation Projects.</p> <p>LCM intends to continue to target Litigation Projects with a Gross Claim Size⁷ of between \$10 million and \$100 million, which, in the Board's opinion, provides an optimal balance between management, economies of scale, volume of Litigation Project opportunities and the capital required to litigate the Litigation Project.</p> <p>LCM currently has 15 Pipeline Projects, with an estimated Gross Claim Size of approximately \$1.4 billion, that are subject to due diligence or for which LCM is in the process of negotiating a financing agreement.</p> <p>LCM has significantly invested in its people, systems and procedures over the last two years to create a scalable platform that the Board considers can accommodate the assessment and management of a material number of additional Litigation Projects.</p> <p>LCM will continue to make selected hires when an appropriate opportunity arises.</p>	<p>See Section 4.10 for more information</p>
How does LCM expect to finance its Litigation Projects?	<p>Due to capital constraints, LCM has to a large extent historically relied on external parties to finance its Litigation Projects. Pursuant to these arrangements, LCM was paid management fees and performance fees, but the majority of the economic benefits of profitable Litigation Projects were retained by the external financiers.</p> <p>With the capital raisings in 2015, the recent Credit Facility and this Offer, LCM will complete the transition to an internally financed model for all future Litigation Projects so as to retain the full economic benefit of profitable Litigation Projects, which it will use to finance new Litigation Projects.</p> <p>If the Offer is fully subscribed, LCM will have net cash of approximately \$14.2 million on completion of the Offer after deducting the costs of the Offer and approximately \$7.0 million if the Minimum Subscription is achieved.</p> <p>LCM also has approximately USD6.665 million owing pursuant to the Credit Facility.</p> <p>It is LCM's intention to repay the Credit Facility in full if the Maximum Subscription is achieved. If the Credit facility is paid out in full LCM's net cash will be approximately \$5.4 million. To the extent that the Offer is not fully subscribed, the amount applied towards repaying the Credit Facility will be reduced. If the Minimum Subscription is raised, no proceeds will be applied towards the repayment of the Credit Facility.</p> <p>If the Credit Facility is not paid out in full on completion of the Offer, LCM expects to have sufficient cash flow to repay the Credit Facility by 14 June 2017 (when it is due for repayment) and to invest in its operations and strategic initiatives.</p> <p>Whilst it is not LCM's current intention to raise additional funds, in the event that LCM's forecast revenue is lower and/or expenses transpire to be materially higher than are forecast, LCM may be required to raise additional funds to repay the Credit Facility and/or invest in its operations and strategic initiatives.</p>	<p>See Section 4.9 more information</p>
Why is the Offer being conducted?	<p>There are significant opportunities for LCM to grow its business and to deploy additional capital to existing and new Litigation Projects. It is the Board's view that, with increased scale, LCM will be able to complete its transformation to an appropriately capitalised financier with a significant Litigation Project portfolio.</p>	<p>See Section 4.10 for more information</p>

⁷ Gross Claim Size means LCM's current best estimate of the aggregate amount for which LCM's client(s) will or have claimed in respect of a Litigation Project. It does not include any assessment of a defendant(s)' ability to satisfy any judgment made against it or the amount that LCM or its client(s) will receive in respect of the Litigation Project;

Topic	Summary	For more information																														
Who are the Directors?	<p>The Directors of LCM are:</p> <p>(a) Dr David King, Non-Executive Chairman</p> <p>A successful businessman, David has substantial experience as a Director of public and private companies, including previous roles as CEO of Beach Petroleum and a Director of Eastern Star Gas and is currently serving as non-executive Chairman of ASX listed Galilee Energy Limited and Cellmid Limited and a non-executive Chairman of Oslo Axess-listed African Petroleum Corporation Limited.</p> <p>David also has significant experience in complex commercial litigation in both Australia and internationally, having been involved in various proceedings as a company Director and executive in Australia, the United States and Europe.</p> <p>(b) Mr Patrick Moloney, Managing Director</p> <p>Patrick is a lawyer with more than 19 years' experience as a legal practitioner, having previously been principal of Moloney Lawyers, which specialised in commercial litigation and acted in more than 200 commercial litigation cases for its clients.</p> <p>Patrick has been a director of LCM since 2003, becoming Joint Managing Director in 2013 and subsequently sole Managing Director in early 2015.</p> <p>(c) Mr Steven McLean, Non-Executive Director</p> <p>Steven has an investment banking background, with over 18 years' experience, including with Ernst & Young Corporate Finance and J.P. Morgan in Australia and Europe, including, most recently, as Head of Origination, Equity Capital Markets.</p> <p>Steven is currently the principal of 145 Fleet, a Corporate Advisory firm providing independent strategic advice on corporate and capital markets transactions.</p>	See Section 5.1 more information																														
What is the total issued capital of LCM upon completion of the Offer?	<p>On completion of the Offer, the capital structure of LCM will be as follows:</p> <p>(a) 53,533,246 Shares if the Offer is fully subscribed and 42,818,961 Shares if the Minimum Subscription is achieved;</p> <p>(b) 2,866,050 Unquoted Partly Paid Shares;⁸</p> <p>(c) 3,190,116 Unquoted Founder Options;⁹ and</p> <p>(d) 1,500,000 Unquoted Incentive Options.¹⁰</p>																															
What will the shareholder structure of LCM look like upon completion of the Offer?	<p>LCM's Existing Shareholders are primarily sophisticated and professional investors who have participated in previous capital raisings undertaken by LCM, as-well as LCM's Directors, Dr David King and Mr Patrick Moloney.</p> <p>The ownership structure of LCM before and after completion of the Offer is set out below.</p> <table border="1"> <thead> <tr> <th colspan="6">Fully Paid Shares¹¹</th> </tr> <tr> <th></th> <th>Qty</th> <th>% Pre Offer</th> <th>% Post Offer completion (Assuming Minimum Subscription is achieved)</th> <th>% Post Offer completion (Assuming Maximum Subscription is achieved)</th> <th></th> </tr> </thead> <tbody> <tr> <td>Board and Management</td> <td>4,814,041</td> <td>15%</td> <td>11.2%</td> <td>9.0%</td> <td></td> </tr> <tr> <td>Other Existing Shareholders</td> <td>27,290,634</td> <td>85%</td> <td>63.7%</td> <td>51.0%</td> <td></td> </tr> <tr> <td>New Shareholders under Offer</td> <td>Nil</td> <td>0%</td> <td>25.0%</td> <td>40.0%</td> <td></td> </tr> </tbody> </table>	Fully Paid Shares ¹¹							Qty	% Pre Offer	% Post Offer completion (Assuming Minimum Subscription is achieved)	% Post Offer completion (Assuming Maximum Subscription is achieved)		Board and Management	4,814,041	15%	11.2%	9.0%		Other Existing Shareholders	27,290,634	85%	63.7%	51.0%		New Shareholders under Offer	Nil	0%	25.0%	40.0%		See Section 11.5 for more information
Fully Paid Shares ¹¹																																
	Qty	% Pre Offer	% Post Offer completion (Assuming Minimum Subscription is achieved)	% Post Offer completion (Assuming Maximum Subscription is achieved)																												
Board and Management	4,814,041	15%	11.2%	9.0%																												
Other Existing Shareholders	27,290,634	85%	63.7%	51.0%																												
New Shareholders under Offer	Nil	0%	25.0%	40.0%																												

8 Issued at an issue price of \$0.17 per Share (wholly unpaid);

9 Exercisable on or before 1 December 2018 at an exercise price of \$0.47 per Option;

10 Exercisable on or before 1 November 2021 at an exercise price of \$1.00 per Option;

11 Does not include 2,866,050 Unquoted Partly Paid Shares and 4,690,116 Unquoted Options;

Topic	Summary	For more information												
What interests in LCM will the Directors have?	Following the close of the Offer, the Directors will hold (directly or indirectly) the following securities in LCM.	See Section 5.3 for more information												
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #002060; color: white;">Director</th> <th style="background-color: #002060; color: white;">Shares or Options held</th> <th style="background-color: #002060; color: white;">% of Shares and Options held</th> </tr> </thead> <tbody> <tr> <td>Dr David King</td> <td>(a) 1,601,484 Shares;¹² (b) 600,000 Unquoted Incentive Options.¹³</td> <td>(a) 3.0% of the Shares assuming the Offer is fully subscribed and 3.7% of the Shares assuming the Minimum Subscription is achieved; (b) 40% of the Unquoted Incentive Options.</td> </tr> <tr> <td>Mr Patrick Moloney</td> <td>(a) 3,212,557 Shares;¹⁴ (b) 1,433,022 Unquoted Partly Paid Shares;¹⁵ (c) 1,595,058 Unquoted Founder Options;¹⁶ (d) 900,000 Unquoted Incentive Options.¹⁷</td> <td>(a) 6.0% of the Shares assuming the Offer is fully subscribed and 7.5% of the Shares assuming the Minimum Subscription is achieved; (b) 50% of the Unquoted Partly Paid Shares; (c) 50% of the Unquoted Founder Options; (d) 60% of the Unquoted Incentive Options.</td> </tr> <tr> <td>Mr Steven McLean</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table>		Director	Shares or Options held	% of Shares and Options held	Dr David King	(a) 1,601,484 Shares; ¹² (b) 600,000 Unquoted Incentive Options. ¹³	(a) 3.0% of the Shares assuming the Offer is fully subscribed and 3.7% of the Shares assuming the Minimum Subscription is achieved; (b) 40% of the Unquoted Incentive Options.	Mr Patrick Moloney	(a) 3,212,557 Shares; ¹⁴ (b) 1,433,022 Unquoted Partly Paid Shares; ¹⁵ (c) 1,595,058 Unquoted Founder Options; ¹⁶ (d) 900,000 Unquoted Incentive Options. ¹⁷	(a) 6.0% of the Shares assuming the Offer is fully subscribed and 7.5% of the Shares assuming the Minimum Subscription is achieved; (b) 50% of the Unquoted Partly Paid Shares; (c) 50% of the Unquoted Founder Options; (d) 60% of the Unquoted Incentive Options.	Mr Steven McLean	Nil	Nil
	Director		Shares or Options held	% of Shares and Options held										
	Dr David King		(a) 1,601,484 Shares; ¹² (b) 600,000 Unquoted Incentive Options. ¹³	(a) 3.0% of the Shares assuming the Offer is fully subscribed and 3.7% of the Shares assuming the Minimum Subscription is achieved; (b) 40% of the Unquoted Incentive Options.										
	Mr Patrick Moloney		(a) 3,212,557 Shares; ¹⁴ (b) 1,433,022 Unquoted Partly Paid Shares; ¹⁵ (c) 1,595,058 Unquoted Founder Options; ¹⁶ (d) 900,000 Unquoted Incentive Options. ¹⁷	(a) 6.0% of the Shares assuming the Offer is fully subscribed and 7.5% of the Shares assuming the Minimum Subscription is achieved; (b) 50% of the Unquoted Partly Paid Shares; (c) 50% of the Unquoted Founder Options; (d) 60% of the Unquoted Incentive Options.										
Mr Steven McLean	Nil	Nil												
The Directors will also be entitled to receive Directors' fees and/or salary entitlements as follows:														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #002060; color: white;">Director</th> <th style="background-color: #002060; color: white;">Remuneration per annum (including Superannuation)</th> </tr> </thead> <tbody> <tr> <td>Mr Patrick Moloney</td> <td style="text-align: right;">\$475,000</td> </tr> <tr> <td>Dr David King</td> <td style="text-align: right;">\$75,000</td> </tr> <tr> <td>Mr Steven McLean</td> <td style="text-align: right;">\$50,000</td> </tr> </tbody> </table>	Director	Remuneration per annum (including Superannuation)	Mr Patrick Moloney	\$475,000	Dr David King	\$75,000	Mr Steven McLean	\$50,000						
Director	Remuneration per annum (including Superannuation)													
Mr Patrick Moloney	\$475,000													
Dr David King	\$75,000													
Mr Steven McLean	\$50,000													
Will any Shares be subject to restrictions on disposal?	<p>Yes.</p> <p>Approximately 68.1% of the Shares currently on issue, being approximately 40.9% of the Shares on issue on completion of the Offer if the Offer is fully subscribed and 51.1% if the Minimum Subscription is achieved, will be subject to restrictions on transfer. This will comprise the following:</p> <p>(a) 6.0% of the Shares on issue on completion of the Offer if the Offer is fully subscribed, and 7.5% of the Shares on issue on completion of the Offer if the Minimum Subscription is achieved, will be subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules following LCM's Shares becoming Quoted; and</p>	See Section 9.3 for more information												

¹² Of which, 60% are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules following LCM's Shares becoming Quoted, and 40% will be subject to a voluntary escrow until audited financial statements for the financial year ending 30 June 2017 are released to the ASX;

¹³ All of which are subject to a two year escrow following LCM's Shares becoming Quoted;

¹⁴ Of which 15% of these Shares are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules following LCM's Shares becoming Quoted, and 85% are subject to voluntary escrow until audited financial statements for the financial year ending 30 June 2017 are released to the ASX;

¹⁵ 60% of these Partly Paid Shares are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules from the date that LCM's Shares become Quoted;

¹⁶ Exercisable on or before 1 December 2018, at an exercise price of \$0.47 per Option. These are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules from the date that LCM's Shares become Quoted;

¹⁷ All of which are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules following LCM's Shares becoming Quoted;

Topic	Summary	For more information
	(b) 34.8% of the Shares on issue on completion of the Offer if the Offer is fully subscribed, and 43.5% of the Shares on issue on completion of the Offer if the Minimum Subscription is achieved, will be subject to a voluntary escrow ending on the date that LCM's audited financial statements for the financial year ending 30 June 2017 are released to the ASX.	
3.2 Key strengths		
Established player with recognised capability and network	<p>LCM has a proven track record and a longstanding operation in the litigation financing industry in Australia, having provided litigation financing to 46 Completed Litigation Projects (comprising 190 Cases) since 1998.</p> <p>LCM has an established network for the referral of Litigation Projects within the legal profession and with insolvency practitioners.</p>	See Section 4.2 for more information
Profitable Litigation Project History	<p>Whilst LCM has made statutory losses in each of the three most recent financial years, LCM has a strong track record of successfully managing profitable Litigation Projects to Completion:</p> <p>Litigation Project performance - 1998 to 2016</p> <p>LCM has a demonstrated track record of successfully managing profitable Litigation Projects over its 18 year history.</p> <ul style="list-style-type: none"> ■ LCM has managed 46 Litigation Projects to Completion since 1998. ■ 36 of these Litigation Projects (78%) have been profitable. <p>Litigation Project performance – last five financial years</p> <ul style="list-style-type: none"> ■ LCM has managed 24 Litigation Projects to Completion in the five financial years ending 30 June 2016. ■ 19 of these Litigation Projects (79%) were profitable. ■ The Return on Invested Capital¹⁸ across the 24 Litigation Projects during this period was 2.3 times at an IRR of 79%. ■ The average time to Completion was 26 months.¹⁹ <p>Fund 2 performance</p> <ul style="list-style-type: none"> ■ Fund 2 commenced in March 2012 and the last Litigation Project in Fund 2 completed in June 2016. ■ In aggregate a total of \$1.75 million was contributed by Unitholders and a total of \$5.21 million was returned to Unitholders. ■ The cash return for Unitholders was 3.0 times at an IRR of 42%. <p>Prospective investors should be aware that these figures reflect the profitability of the Litigation Projects. Whilst the success of LCM's business is primarily dependent on the successful management of profitable Litigation Projects, the above figures are distinct from LCM's financial performance. For more information on LCM's historical and forecast financial performance, see Sections 3.4 and 6.</p>	See Section 4.8 for more information
Litigation Project selection and active management	<p>When considering new Litigation Projects LCM applies a rigorous selection criteria, referred to as LCM's Five Pillars.</p> <p>Once a Litigation Project has passed this initial selection criteria, LCM then applies an established investment approval process to manage and mitigate the risks associated with its Litigation Projects.</p>	See Section 4.7 for more information

¹⁸ Return on Invested Capital means the proceeds from a settlement or judgment that LCM receives in respect of a LCM managed Litigation Project divided by the Invested Capital on a LCM managed Litigation Project; Invested Capital means capital actually deployed by LCM on a cash basis in respect of costs and expenses relating to a Litigation Project, including Court filing fees, solicitors', barristers', liquidators' and experts' fees, travel and accommodation costs and, where applicable, the costs of any security provided, but does not include LCM's internal overhead costs;

¹⁹ Time to Completion is measured from the date of entering into a litigation financing agreement with the relevant Client(s);

Topic	Summary	For more information
Established Litigation Project portfolio	<p>As at the date of this Prospectus, LCM's current Litigation Project portfolio includes 14 Litigation Projects that have an aggregate Gross Claim Size²⁰ of approximately \$379 million. This comprises commercial Litigation Projects (95% of Gross Claim Size) and insolvency Litigation Projects (5% of Gross Claim Size).</p> <p>The anticipated date for Completion of the Litigation Projects in LCM's current portfolio is weighted towards FY18, 64.0% by Gross Claim Size,²¹ with FY17 at 36.0% by Gross Claim Size.</p>	See Section 4.9 for more information
3.3 Key risks		
Poor Litigation Project selection	<p>LCM's business model relies on the ability to select successful Litigation Projects to finance and to actively manage the progress of those Litigation Projects to achieve a commercially successful outcome. Poor Litigation Project selection may result in material loss to LCM as a result of being required to finance a client's legal expenses and/or pay a successful defendant's costs (if applicable).</p>	See Section 7 for more information
Litigation Project management	<p>LCM's primary expense items are solicitor's and barrister's fees, costs of liquidators and the costs of independent experts.</p> <p>If LCM fails to control these costs on individual Litigation Projects beyond the budgeted cost of progressing a Litigation Project, or these Litigation Projects take materially longer than originally anticipated, then LCM may suffer loss in the event that a Litigation Project is not successful. These costs are, however, reimbursed to LCM from any amount recovered in the event of a successful outcome.</p>	See Section 7 for more information
Litigation Project timing risk	<p>The successful operation of LCM's business requires that revenue recognition from the settlement or resolution of Litigation Projects is accurate. The timing of those revenue inflows depends to a significant degree upon factors outside LCM's control such as delays in the Court system. If LCM's assumptions relating to the timing of revenue receipts is incorrect, the receipt of that revenue may be delayed which may result in forecast revenue moving from one financial year to the next.</p> <p>LCM is forecasting that six Litigation Projects will Complete in FY17. In the event that one or all of the Litigation Projects do not Complete in FY17, LCM's revenue and profit forecast for FY17 may not be achieved.</p>	See Section 7 for more information
International Partner default	<p>It is possible that LCM's International Partner may default in respect of its obligations. Should this occur, it may affect LCM's cash flow, as, if LCM chooses not to terminate the relevant litigation financing agreement(s), it will be required to itself finance the costs of those Litigation Projects managed on behalf of the International Partner. This has the potential to cause short term liquidity difficulties for LCM. However, should this occur, LCM would be entitled to receive all of the International Partner's benefits and entitlements (but not the obligations) relating to those Litigation Projects in order to satisfy any of the International Partner's outstanding obligations, following which the International Partner shall be entitled to be repaid any amounts actually disbursed by it in satisfaction of its obligations.</p>	See Section 7 for more information
Competition	<p>There are currently a number of providers in the Australian litigation financing market, with a number of new entrants announcing their intention to provide litigation financing services in Australia. As litigation financing becomes more widespread, increased competition may impact on the financial performance of LCM.</p>	See Section 7 for more information

20 Gross Claim Size means LCM's current best estimate of the aggregate amount for which LCM's client(s) will or have claimed in respect of a Litigation Project. It does not include any assessment of any defendant(s) ability to satisfy any judgment made against it or the amount that LCM will receive in respect of the Litigation Project;

21 The anticipated date for Completion is based on LCM's current best estimate of the date on which a Litigation Project may be Completed, either by way of settlement or judgment being delivered in favour or against LCM's client(s), which may occur sooner or later than is currently anticipated by LCM;

Topic	Summary	For more information
Government regulation	<p>To date, the Courts have generally found in favour of litigation financing arrangements in Australia.</p> <p>The Commonwealth and State governments have not announced any present intention to further regulate the litigation financing industry, however, changes to legislation in Australia and/or overseas may have an adverse effect on LCM's business and financial performance.</p> <p>It is possible that statute law or the interpretation of the common law may change in a way that is adverse to the interests of LCM and its clients. There are now numerous Court decisions in Australia and elsewhere (both single Judge and Courts of Appeal) supporting the business model of LCM, but it is possible that a different view may be taken by superior Courts in the future which may impact adversely on LCM's business model.</p>	See Section 7 for more information
Capital constraints	Litigation financing is a capital intensive business. Accordingly, additional proceeds may be required to meet LCM's business and operational plans in the future, and to meet any unanticipated liabilities or expenses incurred.	See Section 7 for more information
Defendant default	It is possible that during its due diligence, LCM may fail to properly undertake an assessment of a defendant's ability to satisfy a judgement, or an assessment undertaken is found to be incorrect or changes. Should this happen, a defendant may not be able to satisfy a judgement. This may affect LCM's cash flow and may cause material loss to LCM.	
Credit Facility default	If an event of default were to occur under LCM's Credit Facility, the Lender may demand repayment of the amounts owing to it. Accordingly, there is risk that, if such an event of default did occur, LCM may be unable to refinance the Credit Facility or that it is unable to do so on favourable terms, which may have a significant adverse effect on LCM's operations and/or financial position.	See Section 7 for more information
Insurance default	If LCM were unable to insure itself against the risk of adverse costs, be unable to obtain insurance on satisfactory terms, or should any insurance obtained not apply as a consequence of a policy being breached or not otherwise satisfied, LCM may be liable to meet the costs of the defendant in relation to the proceedings. This may affect LCM's cash flow and may cause material loss to LCM.	
Reliance on key personnel	LCM is heavily reliant on the expertise and judgement of its Managing Director, senior management and key personnel to oversee the day-to-day operations. There can be no assurance given that there will be no detrimental impact on LCM if one or more Directors or employees cease their employment with LCM.	See Section 7 for more information
Foreign exchange rate risk	<p>LCM's income is reported, and the majority of its expenses are incurred, in Australian dollars. As at the date of this Prospectus, several actions are being financed in Australia in respect of which losses were incurred in United States dollars. Accordingly, LCM may be exposed to fluctuations and volatility in the difference between Australian dollars and United States dollars (in respect of a small number of Litigation Projects), which may adversely or beneficially affect LCM's results.</p> <p>LCM's Credit Facility is denominated in United States dollars and the repayment from the proceeds of the IPO will require a conversion of some Australian dollars to United States dollars in order to repay the loan.</p>	See Section 7 for more information
Lack of multi-case Litigation Projects	It is possible that there may be a lack of access to multi-case Litigation Projects, which may impact LCM's IRR performance, causing it to be weaker than observed historically.	

Topic	Summary	For more information																							
3.4 Key financial information																									
What is LCM's historical and forecast financial performance?	<p>LCM's historical and forecast results are set out in Section 6.</p> <p>A high level summary of some of the key financial highlights is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">AUD 000</th> <th colspan="2">LCM Litigation</th> <th>LCM</th> <th colspan="2">LCM</th> </tr> <tr> <th>FY14 Audited</th> <th>FY15 Audited</th> <th>FY16 Audited</th> <th>FY17 - \$7.5m Forecast</th> <th>FY17 - \$15m Forecast</th> </tr> </thead> <tbody> <tr> <td>EBITDA</td> <td>(696)</td> <td>(2,782)</td> <td>(3,095)</td> <td>7,884</td> <td>7,924</td> </tr> <tr> <td>Net profit/(loss) for the year</td> <td>(498)</td> <td>(1,887)</td> <td>(2,213)</td> <td>4,134</td> <td>4,425</td> </tr> </tbody> </table> <p>LCM made statutory losses in each of the three most recent financial years and is forecasting a profit of between approximately \$4.1 million and \$4.4 million in FY17.</p> <p>This transition from these recent statutory losses to the forecast profit in FY17 is primarily as a result of the transition to an internally financed model and the upfront costs incurred as a result of this, absent the receipt of the corresponding revenue from those internally financed Litigation Projects given the lead time associated with the pursuit of those Litigation Projects, together with several non-recurring expenses.</p> <p>The forecast financial statements for FY17 are based on a number of assumptions and there is no certainty that such results and/or levels of profitability will be achieved, either in FY17 or any subsequent financial year.</p>	AUD 000	LCM Litigation		LCM	LCM		FY14 Audited	FY15 Audited	FY16 Audited	FY17 - \$7.5m Forecast	FY17 - \$15m Forecast	EBITDA	(696)	(2,782)	(3,095)	7,884	7,924	Net profit/(loss) for the year	(498)	(1,887)	(2,213)	4,134	4,425	See Section 6
AUD 000	LCM Litigation		LCM	LCM																					
	FY14 Audited	FY15 Audited	FY16 Audited	FY17 - \$7.5m Forecast	FY17 - \$15m Forecast																				
EBITDA	(696)	(2,782)	(3,095)	7,884	7,924																				
Net profit/(loss) for the year	(498)	(1,887)	(2,213)	4,134	4,425																				
What is LCM's debt profile?	<p>LCM will have net cash of approximately \$14.2 million on completion of the Offer (after deducting the costs of the Offer) if the Offer is fully subscribed and approximately \$7.0 million if the Minimum Subscription is achieved.</p> <p>LCM also has approximately USD6.665 million owing pursuant to the Credit Facility.</p> <p>It is LCM's intention to repay the Credit Facility in full if the Maximum Subscription is achieved. If the Credit facility is paid out in full LCM's net cash will be approximately \$5.4 million. To the extent that the Offer is not fully subscribed, the amount applied towards repaying the Credit Facility will be reduced. If the Minimum Subscription is raised, no proceeds will be applied towards the repayment of the Credit Facility.</p> <p>If the Credit Facility is not paid out in full on completion of the Offer, LCM expects to have sufficient cash flow to repay the Credit Facility by 14 June 2017 (when it is due for repayment) and to invest in its operations and strategic initiatives.</p>	See Section 6																							
What is LCM's dividend policy?	<p>The Directors currently intend to use surplus cash to finance LCM's Litigation Project portfolio and any resulting development, production and generation of new Litigation Project opportunities, rather than distributing these funds as dividends.</p> <p>Once LCM is able to generate a sustainable level of cash flow after discharging its commitments, the Directors intend to review this policy and, possibly, initiate a revised dividend policy.</p> <p>However, the Directors can give no assurance as to the amount, timing, franking or payment of any future dividends by LCM. The capacity to pay dividends will depend on a number of factors including future earnings, capital expenditure requirements and the financial position of LCM.</p>	See Sections 6.8 and 7.4 and 9.7 for more information																							
3.5 Overview of the Offer																									
What is the Offer?	The Offer is an initial public offer to raise up to \$15.0 million (before costs), with a Minimum Subscription of \$7.5 million.	See Section 11.1 for more information																							
Is there a minimum subscription?	Yes, the Offer has a minimum subscription of \$7.5 million.	See Section 11.10 for more information																							

Topic	Summary	For more information																		
What will the proceeds of the Offer be used for?	<p>The table below sets out the proposed use of proceeds from the issue of Shares under the Offer assuming the Offer is fully subscribed.</p> <table border="1"> <thead> <tr> <th>Use of Proceeds</th> <th>\$ Amount</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Financing for existing Litigation Projects</td> <td>\$1.5 million</td> <td>10%</td> </tr> <tr> <td>Repayment of part of the Credit Facility</td> <td>\$7.5 million²²</td> <td>50%</td> </tr> <tr> <td>Financing for new Litigation Projects and working capital</td> <td>\$3.9 million</td> <td>26%</td> </tr> <tr> <td>Costs of the Offer</td> <td>\$2.1 million</td> <td>14%</td> </tr> <tr> <td>Total</td> <td>\$15.0 million</td> <td>100%</td> </tr> </tbody> </table> <p>To the extent that the Offer is not fully subscribed, the amount applied towards repaying the Credit Facility will be reduced. If the Minimum Subscription is raised, no proceeds will be applied towards the repayment of the Credit Facility.</p>	Use of Proceeds	\$ Amount	%	Financing for existing Litigation Projects	\$1.5 million	10%	Repayment of part of the Credit Facility	\$7.5 million ²²	50%	Financing for new Litigation Projects and working capital	\$3.9 million	26%	Costs of the Offer	\$2.1 million	14%	Total	\$15.0 million	100%	See Section 11.3 for more information
Use of Proceeds	\$ Amount	%																		
Financing for existing Litigation Projects	\$1.5 million	10%																		
Repayment of part of the Credit Facility	\$7.5 million ²²	50%																		
Financing for new Litigation Projects and working capital	\$3.9 million	26%																		
Costs of the Offer	\$2.1 million	14%																		
Total	\$15.0 million	100%																		
Will the New Shares be listed on the ASX?	An application will be made to ASX for admission to ASX's official list and Quotation of the New Shares offered pursuant to this Prospectus within 7 days of the date of this Prospectus. If ASX does not grant Quotation of the New Shares offered pursuant to this Prospectus within three months after the date of the Original Prospectus (or such period as varied by ASIC), LCM will not issue any New Shares and will repay all application money for the New Shares within the time prescribed under the Corporations Act, without interest.	See Section 11.6 for more information																		
Is the Offer underwritten?	No, the Offer is not underwritten. In the event that the Minimum Subscription is not obtained LCM will not proceed with the Offer.	See Section 11.10 for more information																		
What is the minimum and maximum Application size under the Offer?	The minimum Application amount is 3,000 New Shares, being an amount of at least \$2,100 worth of New Shares, with no maximum amount that may be applied for under the Offer.	See Section 11.6 for more information																		
How is the Offer Structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> (a) the Broker Firm Offer, which is open to persons located in Australia and that are retail clients of Brokers who are located in Australia and have received a firm allocation from their Broker; and (b) the Institutional Offer, which consists of an invitation to bid for New Shares made to Institutional Investors in Australia, Singapore, Hong Kong and New Zealand. 	See Section 11.6 for more information																		
How can I apply?	If you are an Eligible Investor, you may apply for New Shares by completing a valid Application Form (attached to or accompanying this Prospectus) in accordance with the instructions contained within. To the extent permitted by law, an Application made under the Offer is irrevocable.	See Section 11.6 for more information																		
When will I receive confirmation that my Application has been successful?	<p>Initial holding statements and confirmation statements are expected to be dispatched to successful Applicants on 8 December 2016.</p> <p>If you sell New Shares before receiving an initial holding statement or confirmation statement, you do so at your own risk, even if you have obtained details of your holding from your Broker.</p>																			
How can I obtain further information?	If you have any questions regarding the Offer, please contact the LCM Information Line on 1300 853 781 (from within Australia) or +61 1300 853 781 (from outside Australia) between 8.30am and 5.30pm (AEST) Monday to Friday.	See Section 11.20 for more information																		

²² As the Credit Facility and funds advanced to LCM Litigation pursuant to it (including interest) are denominated in USD, this amount has been calculated based on a AUD/USD exchange rate of 0.7668 and is therefore exposed to fluctuations and volatility in the difference between AUD and USD between the date of this Prospectus and the date of repayment of the Credit Facility;

For personal use only

4

Company and Industry Overview

4.1 Overview and history of LCM

LCM is in the business of providing litigation financing and ancillary services to enable the recovery of funds from legal claims. LCM, via its wholly owned subsidiaries, has provided litigation financing since 1998 and was one of the first professional litigation financiers in Australia. Initially, LCM focussed on financing insolvency claims but has expanded to financing large scale commercial claims and class actions.

Since inception in 1998, LCM has managed 46 Litigation Projects to Completion.²³ Some of those Litigation Projects involved multiple individual Cases. 36 of these Litigation Projects have been profitable. LCM has managed a total of 190 individual Cases since it commenced in 1998.

During the previous five financial years,²⁴ LCM has managed 24 Litigation Projects to Completion, with 19 of those Litigation Projects being profitable. The Return on Invested Capital during this period for the 24 Litigation Projects was 2.3 times at an IRR²⁵ of 79%.

LCM has experienced significant growth in recent years, with the aggregate Gross Claim Size²⁶ of its portfolio of Litigation Projects²⁷ increasing from approximately \$257 million in mid-2014 to approximately \$379 million as at the date of this Prospectus. Completion of LCM's current portfolio of Litigation Projects is significantly weighted towards FY18 (by Gross Claim Size). During the previous

three years, LCM has transformed its business model to create a platform for scalable growth by investing in its people, processes and systems. LCM has also actively transitioned its financing model to a direct investment model rather than a model which relies on LCM managing Litigation Projects on behalf of external parties. Following this investment, the use of a Credit Facility and the completion of this Offer, LCM will be firmly positioned to capitalise on its track record of selecting and managing profitable Litigation Projects by deploying additional proceeds directly to finance Litigation Projects on its own behalf.

As a result of this business transformation there have been several areas of improvement in LCM's operational performance.

During FY16, LCM was able to close one of the two remaining external financing arrangements, being Fund 2. The cash return for Unitholders in Fund 2 was 3.0 times at an IRR of 42%. Unitholders of Fund 2 contributed, in aggregate, \$1.75 million over the history of the fund and received \$5.21 million in aggregate distributions.

²³ Completed means a Case or Litigation Project that has been settled, for which there has been a judgment or from which LCM has elected to withdraw from financing (other than at a time prior to financing becoming unconditional) or for which proceedings have been discontinued and the term "Completion" has a corresponding meaning;

²⁴ Five financial years ending 30 June 2016;

²⁵ For the 24 Litigation Projects Completed;

²⁶ Gross Claim Size means LCM's current best estimate of the aggregate amount for which its client(s) will or have claimed in respect of a Litigation Project. It does not include any assessment of a defendant(s)' ability to satisfy any judgment made against it or the amount that LCM will receive in respect of the Litigation Project;

²⁷ LCM's portfolio of Litigation Projects includes Litigation Projects which it is financing directly itself and Litigation Projects that it is managing on behalf of other external parties;

LCM History	
1998	Inception of LCM and litigation financing business
2003	Patrick Moloney appointed as a Non-Executive Director
2006	Expands into financing commercial Litigation Projects (in addition to insolvency Litigation Projects)
2009	Establishes first satellite fund investing in a specific pool of Litigation Projects
2011	Establishes further satellite fund investing in a specific pool of Litigation Projects
Early 2013	Enters into external financing arrangement with International litigation financier
Late 2013	Patrick Moloney and Patrick Coope appointed on a full-time basis as Joint Managing Directors
Early 2014	Equity raising of \$1.4 million to invest in systems and people
2014	Three investment managers and two finance professionals appointed
	Equity raising of \$3.9 million for continued investment in people and systems and to strengthen the LCM balance sheet for direct investment in Litigation Projects
2015	Patrick Coope ceases to be a Director and Patrick Moloney becomes the sole Managing Director
	Equity raising of \$5 million to strengthen the LCM balance sheet for direct investment in Litigation Projects and to position LCM for IPO
2016	Fund 2 is completed delivering an IRR to Unitholders of 42.1%
	Secures bridging Credit Facility for US\$5.665 million (if the Offer is fully subscribed, the Credit Facility will be repaid in full on completion of the Offer)
Current	Portfolio of 14 Litigation Projects with an aggregate Gross Claim Size of approximately \$379 million
	Advanced pipeline of potential Pipeline Projects, comprising 15 Litigation Projects with an aggregate Gross Claim Size of approximately \$1.4 billion

4.2 Overview of the Australian litigation financing industry

(a) Introduction

Litigation financing involves the financing of third parties' legal claims in exchange for receiving a share of any amounts recovered from those claims. Litigation financing started in Australia in the 1990s as financing for liquidators of insolvent companies to bring claims vested in the liquidators or in those companies. Litigation financing remains an emerging alternative asset class with returns determined by the skill of selecting and managing profitable Litigation Projects. In the Directors' opinion, the financial return from a successful Litigation Project is more a function of Gross Claim Size under management than the cost to pursue the claims.

Since 2006 there has been significant growth of the industry and expansion beyond insolvency claims to commercial claims and class actions. In early 2013, the litigation market in Australia was estimated to be larger than \$20 billion per annum.²⁸ Ongoing growth of the Australian litigation financing market is likely to be fostered by the prohibitive cost of large scale litigation, the desire to avoid the significant risks and the recognition of the value of professional management of litigation which financiers provide.

In the Directors' opinion, successful litigation financing requires expertise in sourcing suitable Litigation Projects, assessing Litigation Projects on their legal merits and managing cash flow levels over varying time periods. Strong referral networks are an advantage in sourcing new Litigation Projects.

Financiers need to have dependable access to capital in order to finance Litigation Projects, which has resulted in a number of financiers seeking to list on the ASX.

(b) Common types of legal claims

(1) Insolvency claims

Insolvency claims include unfair preference claims, claims against former Directors for insolvent trading and breaches of their statutory duties as well as other claims brought by liquidators of insolvent companies. This market typically has counter cyclical characteristics due to the correlation between economic downturns and an increase in the number of insolvency events.

(2) Commercial claims

Commercial claims include breach of contract, negligence and misrepresentation. The Directors consider that this market segment is benefitting from

²⁸ Baillieu Holst Research Report (IMF Australia) (13 February 2013), page 4;

a growing trend for companies to outsource the risk capital and management of litigation claims so as to quarantine business interruption both from a financial and time management perspective for key executives.

(3) Class actions

Class actions include shareholder claims, product liability, investment claims and event based claims (such as bushfires, floods, etc.). Whilst typically larger in claim size, they are less common than insolvency and commercial claims.

(c) Competitive Landscape

Currently, there are a limited number of competitors in the Australian litigation financing market that have an established track record within the jurisdiction, with the largest litigation financier being IMF Bentham. In recent times, a small number of new participants have entered the market, including offshore litigation financiers.

There are also a number of specialised participants which focus on niche segments within the litigation financing industry, such as disbursement financing or family law.

(d) Regulatory Environment

In Australia, litigation financiers are not currently subject to any mandatory licensing or prudential oversight requirements and the benefit provided by litigation financiers has consistently been upheld in Australian Courts over a number of years.

Specifically, in 2006, the beneficial role of litigation financing was affirmed by the High Court in *Campbells Cash and Carry Pty Limited v Fostif Pty Ltd*, where it was held that litigation financing is not an abuse of the Court process.

The role of litigation financing was further affirmed with the introduction of the Corporations Amendment Regulation 2012 (No. 6),²⁹ which provided litigation financiers with relief from a High Court decision, which would have imposed additional regulatory oversight on litigation financiers, provided that (among other things) litigation financiers maintain adequate practices for managing any conflict of interest that may arise in relation to litigation that they finance.

More recently, the report of the Productivity Commission into Access to Justice Arrangements³⁰ found that:

■ *“Private financing can provide an important avenue for accessing justice for litigants who lack (liquid) financial resources but have meritorious claims.”*

■ *“Since funders choose cases based on commercial viability, their involvement favours cases with relatively high costs, large payouts and low risk.”*

However, the Commission also identified the possibility of imposing additional regulation on litigation financiers to ensure that they have sufficient financial capacity to meet all of their concurrent financial obligations, with the Productivity Commission recommending that this be achieved by requiring litigation financiers to be licensed and be subject to some form of prudential oversight.

While LCM considers that as an established and long standing litigation financier in Australia, such oversight would be beneficial to LCM's business model, it is possible that future regulation may impose additional obligations on LCM.

4.3 Business model

LCM enters litigation financing agreements with client(s) who have legal claims that meet LCM's investment criteria.

A typical LCM litigation financing agreement provides for the following:

(a) LCM:

- (1) meets all of the costs of litigation. These costs generally include solicitors' fees, barristers' fees, liquidators' fees, charges of independent experts and Court fees; and/or
- (2) provides an indemnity to its client(s) in respect of any costs orders that might be made against them in favour of the defendant, in the event that their litigation is unsuccessful.

(b) In exchange, LCM:

- (1) receives a percentage of the gross proceeds of any award or settlement of the litigation, which percentage is generally between 20 and 40%; and
- (2) is reimbursed for all of the capital deployed to finance the litigation.

(c) A right for LCM to terminate the litigation financing agreement at any stage by providing written notice to its client(s), following which LCM will cease to be liable for any costs or adverse costs orders arising in respect of the period following termination.

Under this model, the success of a Litigation Project is assessed by LCM's ability to obtain a cost-effective resolution for its clients.

Accordingly, this will often mean that Litigation Projects are settled before judgment is delivered, either in circumstances where LCM's clients receive payment of an amount of less than the original claimed amount or where the parties agree to each bear their own (or the other parties') costs.

Whether this occurs will depend on a variety of factors including LCM's assessment of the reasonableness of any settlement offer made (if any), the emergence of new facts or circumstances that were not known at the time of agreeing to fund the Litigation Project, the anticipated costs to further progress the matter (ie. to final determination or by way of appeal) and/or whether there have been any changes in law arising subsequent to the date of agreeing to finance a Litigation Project.

LCM seeks to mitigate the risk of being required to meet any adverse costs orders by obtaining after the event insurance in respect of some Litigation Projects, which will insure LCM against the costs of being required to meet any adverse costs order up to a specified value.

²⁹ As amended by the Corporations Amendment Regulation 2012 (No. 6) Amendment Regulation 2012 (No. 1);

³⁰ Productivity Commission Enquiry Report Volume 2 No.72, 5 September 2014, pages 602 and 607;

4.4 LCM's approach to accounting for Litigation Projects

LCM only capitalises the costs of litigation that are recoverable in the event of a successful outcome. All non-recoverable expenses, such as LCM staff expenses, are expensed through LCM's income statement as incurred. Further, LCM does not 'mark to market' Litigation Project assets.

Upon Completion, the carrying value of the relevant Litigation Project is fully expensed. Only in the event of an overall positive award or settlement (ie. an amount in excess of the carrying value of the relevant Litigation Project) is a net revenue item reflected in the income statement.

4.5 Litigation Projects vs Cases

A Litigation Project may include either a single set of proceedings (Case) or a number of individual Cases in relation to the same subject matter or cause of action. For example, unfair preference claims brought by a liquidator may involve numerous separate Cases, however LCM will assess these as one Litigation Project when considering financial profitability and risk and the likely outcome and return on investment.

The economic return of the individual Cases is, therefore, aggregated as a single Litigation Project given that LCM considers the capital requirement for running a Litigation Project in aggregate.

Historically there have been 190 Completed individual Cases, with 41 of those Cases being single case Litigation Projects and 149 Cases being within 5 multiple Case Litigation Projects.

4.6 Litigation Project sourcing

LCM sources the majority of its Litigation Projects through established referral networks within the Australian legal, accounting and insolvency sectors. Insolvency practitioners represent a consistent source of work as do solicitors within leading Australian firms who refer insolvency and commercial claims to LCM. LCM also receives direct applications.

LCM continues to focus on building its reputation as an efficient and nimble litigation financier, having not historically relied upon any form of direct marketing and, instead, relying on word of mouth and reputation to source Litigation Projects.

Historically, LCM has received materially more applications for financing than it has been able to finance. Recently LCM has seen an increase in the potential Gross Claim Size of new financing applications.

4.7 Litigation Project selection

The success of LCM's business is primarily dependant on its ability to select and manage profitable Litigation Projects so as to achieve a cost-effective resolution for its clients.

With improved access to capital, LCM intends to target Litigation Projects with a Gross Claim Size of between \$10 million and \$100 million. LCM has, however, historically provided financing for Litigation Projects of lower amounts and considers itself flexible as to the Gross Claim Size and financing terms that it may choose to pursue. LCM will finance Litigation Projects outside that range although its focus will be on the \$10 million to \$100 million range.

(a) LCM's five key pillars of litigation financing

LCM undertakes a rigorous selection criteria when considering Litigation Projects, which are summarised in its five key pillars of profitable litigation financing:

1. Clear legal principles

LCM will generally only finance Litigation Projects where the legal principles involved are clear and accepted, as Litigation Projects which involve the testing of legal principles carry a higher degree of risk and are more likely to result in appeals being made.

2. Documentary evidence

LCM prefers not to finance Litigation Projects which are entirely reliant on the acceptance by the Court of oral testimony. Litigation Projects founded largely on documentary evidence generally carry far less risk as they are not entirely reliant on the acceptance by the Court of a witness's oral testimony.

3. Ability to recover

LCM undertakes investigations to satisfy itself that a defendant may have the financial capacity to meet any judgment that may be made against it or may otherwise have the financial capacity to settle a Litigation Project. To this end, LCM undertakes asset searches and considers any relevant insurance policies as well as the risk of an insurer seeking to avoid honouring these policies.

For personal use only

4. Cost/benefit Analysis

When considering whether to finance a Litigation Project, LCM will undertake detailed analysis of the quantum of the Gross Claim Size and potential Recovery as compared to the likely costs and financing commitment required. As part of this, LCM may obtain after the event insurance to mitigate the risk of being required to meet any adverse costs order.

LCM will also closely manage these costs throughout the duration of a Litigation Project to ensure that the Litigation Project does not become uneconomic.

5. Active Litigation Project management

LCM takes an active role in managing all Litigation Projects with the goal of adding value for its client(s) and acting diligently to manage and protect LCM's capital.

LCM has an internal team of five professionals with combined experience of over 96 years. This includes three investment managers all from a commercial litigation background who are responsible for managing approved Litigation Projects from inception to Completion.

LCM selects and appoints solicitors and barristers to litigate each Litigation Project and seeks to ensure that all necessary work is done on time, efficiently and cost effectively.

(b) LCM investment approval process

If a Litigation Project aligns with the five key pillars, LCM then undertakes a formal approval process that can be summarised as follows:

1. Preliminary due diligence by the investment manager

- Investment manager considers applications for financing against LCM's five key pillars
- Request and consider all relevant documents
- Make enquires as to prospects of successful Recovery and request the budget for the Litigation Project

2. Investment committee review

- Review by committee of three investment managers (and if necessary a senior independent legal professional)
- This level of review results in the rejection of a large proportion of Litigation Projects
- Suggestions made by committee as to how to progress Litigation Project which may be accepted
- Recommendation may be made to accept a Litigation Project

3. Board review and approval

- Preparation of a formal Litigation Project analysis document.
- May require independent opinion from Queens Counsel/Senior Counsel (QC/SC)
- May require further assessment on the quantum of the Litigation Project or likely Recovery
- May approve entry into conditional financing agreement

4. Conditional financing agreement

Common conditions may include:

- Further independent QC/SC opinion that the Litigation Project has good prospects
- Budget provided and solicitors' retainer agreement signed
- Proceedings to commence and claim is prepared to be filed

5. Additional due diligence

- LCM meets costs of further due diligence but, if it elects to proceed to unconditional financing, these costs are recoverable from the outcome of the Litigation Project

6. Unconditional financing agreement

- Once LCM is satisfied, LCM issues notice that the financing is unconditional, which will result in LCM being required to pay all costs and may be required to provide an indemnity and/or security for any adverse cost order that may be made against LCM's client(s) in respect of the Litigation Project

4.8 Litigation Project performance

Prospective investors should be aware that the below figures reflect the profitability of the Litigation Projects managed by LCM. Whilst the success of LCM's business is primarily dependent on the successful management of profitable Litigation Projects, the below figures are distinct from LCM's financial performance. For more information on LCM's historical and forecast financial performance, see Section 6.

(a) Litigation Project performance summary

As a result of the ongoing transformation of LCM's business model since 2014, there have been several areas of improvement in LCM's operating performance.

The table below and the following charts highlight LCM's recent Litigation Project performance.

	FY12 - FY16 ³¹
Total number of Litigation Projects Completed	24
Number of profitable Litigation Projects	19
Return on Invested Capital (times)³²	2.3
Average time to Completion (months from the date of signing litigation financing agreement)	26
IRR (for the 24 Litigation Projects Completed)³³	79%

For illustrative purposes, the table below shows the Litigation Projects Completed by LCM during the last five financial year period ending 30 June 2016.

Litigation Project	Litigation Project type	Return on Invested Capital (as a multiple) ³⁴	Time to Completion (months) ³⁵
1	Commercial	2.4	13
2	Commercial	10.8	1
3	Commercial	2.4	7
4	Commercial	3.6	7
5	Commercial	0.3	73
6	Commercial	3.1	16
7	Insolvency	Cannot be defined (no cash actually deployed)	6
8	Commercial	0.3	79
9	Insolvency	11.3	32
10	Commercial	2.3	12
11	Commercial	3.4	6
12	Commercial	2.6	14
13	Commercial	0.1	33
14	Commercial	26.3	68
15	Insolvency	40.4	21
16	Insolvency	Cannot be defined (no cash actually deployed)	6
17	Commercial	2.1	29
18	Commercial	3.0	28
19	Commercial	1.8	15
20	Commercial	1.2	16
21	Commercial	(1.0)	23
22	Commercial	7.5	19
23	Commercial	1.9	50
24	Commercial	1.6	57

³¹ Last five financial years from FY12 up to and including FY16;

³² For the 24 Litigation Projects Completed;

³³ IRR means the internal rate of return for LCM's portfolio of Litigation Projects that are managed to Completion;

³⁴ Return on Invested Capital means the proceeds from a settlement or judgment that LCM receives in respect of a LCM managed Litigation Project divided by the Invested Capital on a LCM managed Litigation Project;

³⁵ Time to Completion from the date of entry into litigation financing agreement with LCM's Client(s);

For personal use only

LCM received an aggregate amount of \$23.6 million in respect of the above Litigation Projects, on Invested Capital of \$10.3 million, achieving a Return on Invested Capital of 2.3 times across this portfolio of Litigation Projects, with an average time to Completion of 26 months.

(b) Fund 2 performance

Fund 2 commenced in March 2012 and the last Litigation Project in Fund 2 completed in June 2016. In aggregate a total of \$1.75 million was contributed by Unitholders and a total of \$5.21 million was returned to Unitholders.

Net of fees each Unitholder received \$3.00 for each \$1.00 they contributed at an IRR of 42%.

4.9 Current Litigation Project portfolio

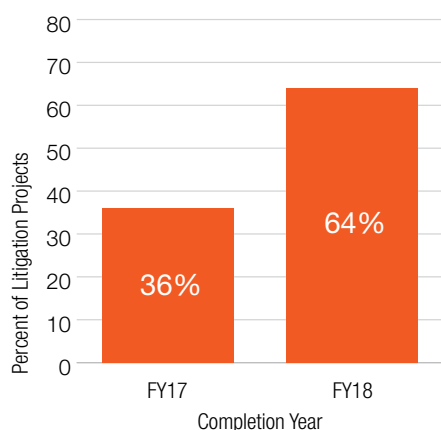
As at the date of this Prospectus, LCM's current Litigation Project portfolio includes 14 Litigation Projects that have an aggregate Gross Claim Size³⁶ of approximately \$379 million. Three of these Litigation Projects are managed by LCM but are externally financed through the International Partner Financing Arrangement. The other eleven are internally financed and managed by LCM.

The average Gross Claim Size of the Litigation Projects managed by LCM but financed by the International Partner Financing Arrangement is \$56.1 million which is materially

higher than the average Gross Claim Size of the Litigation Projects managed and financed by LCM, which is \$19.1 million.

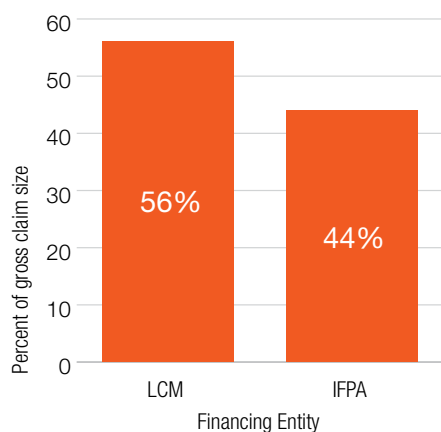
With increased access to capital LCM intends to finance and manage Litigation Projects with a higher Gross Claim Size, which, in the Board's opinion, provides an optimal balance between management's time commitment, economies of scale, volume of Litigation Project opportunities and the capital required to litigate the Litigation Project.

Gross Claim Size by Completion year³⁷



- Only 36% of LCM's Litigation Projects (by Gross Claim Size) are expected to Complete in FY17.
- The balance of LCM's Litigation Projects, 64% by Gross Claim Size, are expected to Complete in FY18.

Gross Claim Size by financing entity

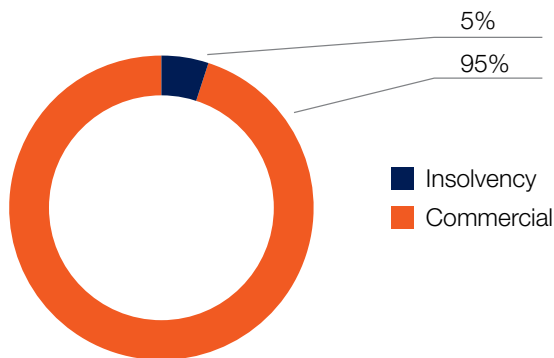


- LCM Litigation Projects represent 56% of total Gross Claim Size.
- LCM is entitled to retain 100% of its share of any Recovery received in respect of these Litigation Projects. All financing for the costs and liabilities of these claims is provided by LCM.
- International Partner Litigation Projects represent 44% of total Gross Claim Size.
- LCM is entitled to performance and completion fees subject to meeting certain requirements (see Section 8.3). All financing for the costs and liabilities of these claims is provided by the International Partner.

³⁶ Gross Claim Size means LCM's current best estimate of the aggregate amount for which LCM's client(s) will or have claimed in respect of a Litigation Project. It does not include any assessment of any defendant(s) ability to satisfy any judgment made against it or the amount that LCM will receive in respect of the Litigation Project;

³⁷ The anticipated Completion year is based on LCM's current best estimate of the date that a Litigation Project may be Completed, either by way of settlement or judgment being delivered in favour or against LCM's client(s). This may occur sooner or later than is currently anticipated by LCM;

Litigation Projects in portfolio by Litigation Project type



- Commercial Litigation Projects represent 95% of total Gross Claim Size.
- The balance of 5% are insolvency Litigation Projects.

4.10 Growth pipeline

As at 17 November 2016, LCM's portfolio of Litigation Projects³⁸ had an aggregate Gross Claim Size of approximately \$379 million consisting of commercial claims and insolvency claims.

Proceeds raised from the Offer, together with income generated from LCM's existing portfolio of Litigation Projects, will provide LCM with additional capital to directly finance existing and new Litigation Projects.

LCM is currently reviewing 15 Pipeline Projects, with an estimated Gross Claim Size of \$1.4 billion and an estimated budget of \$35 million, that are either subject to due diligence or for which LCM is in the process of negotiating financing agreements. As these Pipeline Projects are subject to due diligence or are in the negotiation stage, not all (if any) of these Pipeline Projects will progress to become funded

Litigation Projects, it may transpire that the Gross Claim Size is lower and/or the estimated budgets may be materially higher than is currently anticipated. LCM has seen a material increase in the levels of enquiry over the last 12 months which it attributes partially to an increased awareness of litigation financing as an attractive source of financing.

LCM does not see any reason as to why this present situation should abate. Moreover, LCM expects as a result of heightened awareness of litigation financing to see an ongoing increase in litigation financing opportunities, particularly from the corporate sector.

LCM's investment managers have capacity to assess and manage new Litigation Projects however LCM will continue to make key hires when an appropriate opportunity arises.

³⁸ LCM's portfolio of Litigation Projects includes Litigation Projects which it is financing directly itself and Litigation Projects that it is managing on behalf of other external parties;

5

Directors, Senior Management and Corporate Governance

5.1 Board of Directors

Dr David King, PhD, MSc, FAusIMM, FAICD

(Non-Executive Chairman) (Independent)

David is an experienced and successful businessman, with substantial experience as a Senior Executive and/or Director of public and private companies. David is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists.

David was the founder and non-executive director of Sapex Ltd, Gas2Grid Ltd and Eastern Star Gas Ltd and previously served as managing director of North Flinders Mines Ltd and CEO of Beach Petroleum and Claremont Petroleum.

David also has significant experience in complex litigation in both Australia and internationally, having served as CEO of Beach Petroleum and Claremont Petroleum when those companies successfully prosecuted multi-million dollar proceedings against former directors and others for frauds against those companies in Australia, the United States and Europe in the 1990s.

David currently serves as a non-executive Chairman of ASX listed Galilee Energy Limited and Cellmid Limited and is a non-executive Chairman of Oslo Axess-listed African Petroleum Corporation Limited.

David was appointed as a Director of LCM on 9 October 2015 (ie. on incorporation) and was appointed as a Director of LCM Litigation in February 2014.

Mr Patrick Moloney, LLB

(Managing Director)

Patrick Moloney has been a Director of LCM Litigation since 2003. In 2013 he became Joint Managing Director and in 2015 he became sole Managing Director.

As the Managing Director of LCM, Patrick is responsible for overseeing all Litigation Projects in which LCM has an investment and (as a board member) for approving new Litigation Projects for financing. Patrick is also involved in all aspects of the business including devising strategy for future growth, investor relations and corporate affairs.

Patrick was previously the principal of Moloney Lawyers, which he established in 2003 and has 19 years' experience as a legal practitioner. Moloney Lawyers specialised in commercial litigation and acted in more than 200 commercial litigation cases for its clients.

Patrick was appointed as a Director of LCM on 9 October 2015.

Mr Steven McLean, BEc

(Non-Executive Director)

Steven has an investment banking background, with over 18 years' experience, commencing with Ernst & Young Corporate Finance before moving to J.P. Morgan both in Australia and Europe.

Steven has led equity transactions which have raised in excess of \$50 billion for corporates across various countries including Australia, USA, UK, Switzerland, Finland, Holland, Austria, France, Russia, Singapore and Bermuda.

Prior to his current role as Principal of corporate advisory firm 145 Fleet, Steven's most recent position was with J.P. Morgan as Head of Origination, Equity Capital Markets.

Steven was appointed as a Director of LCM on 9 November 2015.

5.2 Senior Management

LCM employs three investment managers whose responsibilities are to manage existing Litigation Projects, undertake preliminary assessment of applications for financing for economically viable Litigation Projects and to engage in business development activities. These investment managers are each highly experienced solicitors from commercial litigation backgrounds.

LCM also employs a financial accountant, whose role includes financial management, audit and treasury as well as compliance for LCM and associated entities.

This team has a collective experience of 96 years with an acute understanding of LCM's business and is highly proficient in selecting Litigation Projects which are likely to be profitable and managing those Litigation Projects through to successful Completion.

The current team has the capacity to effectively manage a material increase in the number of Litigation Projects however LCM will continue to make key hires when appropriate opportunities arise.

5.3 Directors Interests

(a) Relevant interest

The following table sets out the relevant interest in LCM's securities that each of the Directors will have following completion of the Offer:

Director	Number of securities or rights to acquire securities directly held	Number of securities or rights to acquire securities indirectly held	% on completion of Offer
Dr David King	Nil	(a) 1,601,484 Shares, registered in the name of Seistend Pty Ltd; ³⁹ and (b) 600,000 Unquoted Incentive Options. ⁴⁰	(a) 3.0% of the Shares assuming the Offer is fully subscribed and 3.7% of the Shares assuming the Minimum Subscription is achieved; and (b) 40% of the Unquoted Incentive Options.
Mr Patrick Moloney	(d) 1,595,058 Unquoted Founder Options. ⁴¹	(a) 3,212,557 Shares, registered in the name of Kanamex Pty Ltd; ⁴² (b) 1,433,022 ⁴³ Unquoted Partly Paid Shares, registered in the name of Kanamex Pty Ltd; ⁴⁴ and (c) 900,000 Unquoted Incentive Options. ⁴⁵	(a) 6.0% of the Shares assuming the Offer is fully subscribed and 7.5% of the Shares assuming the Minimum Subscription is achieved; (b) 50% of the Unquoted Partly Paid Shares; (c) 60% of the Unquoted Incentive Options; and (d) 50% of the Unquoted Founder Options.
Mr Steven McLean	Nil	Nil	Nil

(b) Remuneration

LCM's Constitution provides that LCM may remunerate each Director as the Board decides, provided that the total amount payable to Non-Executive Directors may not exceed:

- (i) the amount fixed by LCM in general meeting for that purpose; or
- (ii) if no amount has been fixed by LCM in general meeting for that purpose, \$200,000 per annum.

³⁹ Of which, 60% are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules following LCM's Shares becoming Quoted, and 40% are subject to voluntary escrow until audited financial statements for the financial year ending 30 June 2017 are released to the ASX;

⁴⁰ All of which are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules following LCM's Shares becoming Quoted;

⁴¹ Exercisable on or before 1 December 2018, at an exercise price of \$0.47 per Option. All of these Unquoted Founder Options are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules from the date that LCM's Shares become Quoted;

⁴² Of which 15% are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules following LCM's Shares becoming quoted, and 85% are subject to voluntary escrow until audited financial statements for the financial year ending 30 June 2017 are realised to the ASX;

⁴³ Issued at an issue price of \$0.17 per Share, wholly unpaid;

⁴⁴ 60% of these Partly Paid Shares are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules from the date that LCM's Shares become Quoted;

⁴⁵ All of which are subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules following LCM's Shares becoming Quoted;

Accordingly, as no amount has yet been fixed by LCM in general meeting, the total amount payable to Non-Executive Directors may not exceed \$200,000 per annum. Any change to this amount must be approved by Shareholders.

LCM must also pay travelling and other expenses that a Director properly incurs in respect of LCM's business. If a Director performs extra or special services for LCM, LCM may pay to the Director any special remuneration the Directors decide, in addition to the Director's normal remuneration.

The following table details the total compensation each Director is entitled to receive at the date of this Prospectus in relation to their duties as a Director and/or their annual remuneration in relation to employment with LCM or one of its subsidiaries (as applicable):

Director	Directors' Fees (including superannuation)	Remuneration (including superannuation)
Dr David King	\$75,000 ⁴⁶	Nil
Mr Patrick Moloney	Nil	\$475,000
Mr Steven McLean	\$50,000	Nil

(c) Indemnity

LCM has entered into deeds of indemnity, insurance and access with each Director, which provide:

- (i) that each Director has a right of access to certain books and records of LCM; and
- (ii) the terms on which LCM has agreed to indemnify the Director for liability incurred as an officer of LCM and its subsidiaries, to the maximum extent permitted by law.

LCM may also arrange and maintain Directors and officers insurance for its Directors to the extent permitted by law.

(d) Other interests

145 Fleet

As disclosed in detail in Section 11.13, LCM is party to an agreement with 145 Fleet as LCM's Financial Adviser in relation to the Offer, including assisting with the structure of the Offer, in consideration for which 145 Fleet and its affiliates are expected to receive approximately \$560,000 (excluding GST and expenses). Mr McLean is the sole Director of 145 Fleet.

The agreement with 145 Fleet was entered into prior to Mr McLean's appointment to the Board of LCM, and it was a result of this assistance provided by Mr McLean that the Directors (other than Mr McLean) considered that he would be a suitable candidate as a Director of LCM. Accordingly, the Directors of LCM (other than Mr McLean who makes no statement of opinion), consider that the agreement with 145 Fleet was entered into on an arms' length basis.

LCM Unit Trust

As disclosed in Section 5.4, in early 2014 LCM Litigation assigned its interest in any completion fees and performance fees to be received as part of the International Partner Financing Arrangement to the LCM Unit Trust, a unit trust in which LCM is the holder of approximately 60% of the issued units.

Mr Moloney has an interest in approximately 20% of the issued units in the LCM Unit Trust. See Sections 5.4 and 8.3 for further information.

5.4 Corporate Structure

Litigation Capital Management Limited (**LCM**) was registered in Queensland as a public company limited by shares on 9 October 2015.

Following incorporation, LCM acquired all of the shares and options to acquire shares issued by LCM Litigation Fund Pty Ltd (now a wholly owned subsidiary of LCM) (**LCM Litigation**) in consideration for the issue of new Shares and Options in LCM on 2 November 2015.

Historically, in addition to undertaking Litigation Projects on its own account, LCM undertook Litigation Projects using external financing with different groups of external financiers.

Further details regarding these entities and other historical related entities are contained below.

LCM's business model is now to undertake all Litigation Projects directly on its own account. The purpose of the Offer is to raise additional capital to further develop this business model without needing to rely on, and share the proceeds of any potential Litigation Project success with, external parties.

Fund 2

LCM Litigation Investment Fund Unit Trust (**Fund 2**) was an entity, through which LCM, via its wholly owned subsidiary, LCM Litigation Management Pty Ltd (**LCM Litigation Management**), earned management and performance fees for the management of Litigation Projects on behalf of external investors.

The last of the Litigation Projects managed by Fund 2 was Completed in June 2016 and this vehicle is in the final stages of being wound up.

International Partner

In order to access additional capital to progress its Litigation Projects, LCM entered into arrangements with an international litigation financier (**International Partner**) in early 2013. The terms of this arrangement provided the International Partner with a first right of refusal to finance Litigation Projects that met certain prescribed criteria until 31 March 2015.

⁴⁶ Comprising a base fee of \$50,000 and a fee of \$25,000 for the role of Chairman;

Under these arrangements LCM was entitled to receive performance and completion fees in respect of the Litigation Projects that it managed on behalf of the International Partner. In early 2014, LCM assigned its interest in the completion fees and the performance fees to the LCM Unit Trust, a unit trust in which LCM is the holder of approximately 60% of the issued units.⁴⁷

Further details regarding the arrangements with the International Partner are contained in Section 8.3.

Other related entities

In addition to the arrangement with the International Partner and Fund 2, LCM historically operated other financing arrangements via a number of other wholly owned subsidiaries.

5.5 Corporate Governance

LCM's corporate governance framework is structured with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) with 2014 Amendments (**Principles and Recommendations**).

This Section 5.5 outlines how the Board intends to oversee the management of LCM's business in accordance with those Principles and Recommendations.

Except as noted below, the Board does not expect that it will depart from the Principles and Recommendations as they apply on Listing. However, the Board may elect to do so in the future if it believes that such departure would be reasonable in the circumstances.

Principle 1 – Lay solid foundations for management and oversight

Broadly, the Board is responsible for the overall governance of LCM, including providing overall strategic guidance to LCM, providing effective oversight of management and monitoring the operational and financial position of LCM.

LCM has adopted various charters and policies that outline and support the Board in the performance of this role, and ensure that there is an appropriate corporate governance framework in place, some of which will take effect from Listing. LCM's key policies and the charters of the Board and each of its committees are summarised below and are otherwise available from LCM's website at www.lcmfinance.com.

Management's role is to implement the policies and strategies as set by the Board.

Given the size of LCM's operations, LCM does not comply with Recommendation 1.4 as LCM's Company Secretary reports to the Board through the Managing Director, although all Directors are free to communicate directly with the Company Secretary who can also speak to any member of the Board direct in relation to any matter.

Principle 2 – Structure the Board to add value

LCM has a three-member Board comprising two Non-Executive Directors and one Executive Director. Together, the Directors have a broad range of experience and expertise relevant to LCM and its business. LCM believes it is in its best interests to maintain a small but efficient Board with at least two Non-Executive Directors.

Dr King is considered to be independent as the Directors (other than Dr King) consider that he is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere, with the independent exercise of his judgement. Given 145 Fleet's role as Financial Adviser to the Offer, Mr McLean is not currently considered to be independent (as that term is applied in the Principles and Recommendations).

The Board considers that LCM is not currently of a sufficient size to justify the formation of a separate Nomination Committee, so the Board as a whole performs the role of a Nomination Committee in accordance with an established nomination and evaluation process outlined in LCM's Board Charter.

Each Non-Executive Director is party to a written letter of appointment and each senior executive and/or Executive Director is party to a written employment contract with LCM or one of its subsidiaries.

Principle 3 – Promote ethical and responsible decision making

The Board has adopted a code of conduct for LCM, which outlines the expectations of LCM's Directors and employees, the legal obligations of LCM and the responsibility of investigating and reporting unethical practices.

The Board has also developed a policy governing Director and employee dealing in LCM's securities, the purpose of which is to guide Directors and employees in the performance of their duties and to define the circumstances in which Directors and LCM's employees, and their respective associates, are permitted to deal in LCM's securities. LCM has also adopted a diversity policy which seeks to promote diversity amongst the Directors and employees.

Principle 4 – Safeguard integrity in financial reporting

The Board has established an Audit and Risk Committee to undertake the selection and proper application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems.

Recommendation 4.1 is not followed as Patrick Moloney and Steven McLean are members of the Audit and Risk Committee and, therefore, not all members are independent. Dr King is also the Chair of this Committee as well as being LCM's Chairman.

⁴⁷ Approximately 40% of the issued units are held by Heli-Saw Holdings Pty Ltd (20%) (as trustee for the Remembrance Foundation), being an entity associated with Patrick Moloney, and Australian Insolvency Group Pty Ltd (20%), being an entity associated with a former Director of LCM Litigation, Mr Patrick Coope;

Principle 5 – Make timely and balanced disclosure

The Board has adopted a Continuous Disclosure Policy to support compliance with the disclosure requirements of the ASX Listing Rules.

Principle 6 – Respect the rights of shareholders

LCM is committed to providing regular communication to Shareholders about the financial performance of LCM and its business and operations. The Board intends to communicate with Shareholders regularly by electronic means as well as by physical post. Shareholders are encouraged to attend and participate in general meetings. LCM's auditor will attend the annual general meeting and will be available to answer Shareholders' questions.

Principle 7 – Recognise and manage risk

The Audit and Risk Committee oversees LCM's risk profile. Significant matters of concern to the Committee are escalated to the Board. The financial position of the Group and matters of risk are considered by the Board on a frequent basis.

LCM does not have any material exposure to economic, environmental and social sustainability risks.

LCM does not have an internal risk function, but the assessment of the effectiveness of the Groups' internal risk management and internal control processes is regularly considered by the Audit and Risk Committee and the Board.

Principle 8 – Remunerate fairly and responsibly

The objective of LCM's remuneration framework is to ensure reward for performance is competitive and appropriate to the results delivered and LCM seeks to align executive reward with the creation of value for Shareholders.

The Board considers that LCM is not currently of a sufficient size to justify the formation of a separate Remuneration Committee and, therefore, the Board as a whole performs the role of a Remuneration Committee, LCM does not currently satisfy Recommendation 8.1.

Committees

To assist the Board in appropriately discharging its responsibilities, the Board may, from time to time, establish committees to assist it as it considers fit.

As at the date of this Prospectus, the Board has resolved to establish one Committee (subject to Listing), being an Audit and Risk Committee.

The role of Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing, financial reporting and risk management responsibilities, including oversight of, the integrity of LCM's external financial reporting and financial statements, the effectiveness of LCM's system of risk management and internal controls.

Given the size and makeup of the Board, LCM has not established a separate Nominations Committee. However, the Board itself will review the effectiveness of the Board and

the process for the appointment of members to the Board in accordance with the Nominations Committee Charter adopted for this purpose.

Currently, Dr David King, Patrick Moloney and Steven McLean are members of the Audit and Risk Committee. Dr David King will act as Chairperson of the Audit and Risk Committee.

Key Policies

(a) Board Charter

The Board Charter sets out the role, structure and responsibilities of the Board. The charter seeks to promote good governance and protect the interests of LCM for the benefit of its Shareholders, employees, customers and the broader community.

(b) Code of Conduct

The Code of Conduct sets out LCM's values, guiding principles and expected standards of the Board and all employees and contractors of the Group. The Code of Conduct outlines requirements in respect of a range of issues including dealing with conflicts of interest, bullying, harassment and discrimination.

(c) Audit and Risk Committee Charter

The Audit and Risk Committee Charter details the role of the internal committee which is to oversee the processes for financial reporting and compliance, risk management and external audit.

(d) Remuneration and Nominations Committee

The Board Charter outlines the procedure and role of any relevant internal committee(s) in reviewing and making recommendations in relation to the appointment of new Directors (both executive and non-executive), senior executives, the structure of remuneration packages to attract and motivate its employees and the design of any equity-based initiative plans or other employee benefit programs implemented from time to time.

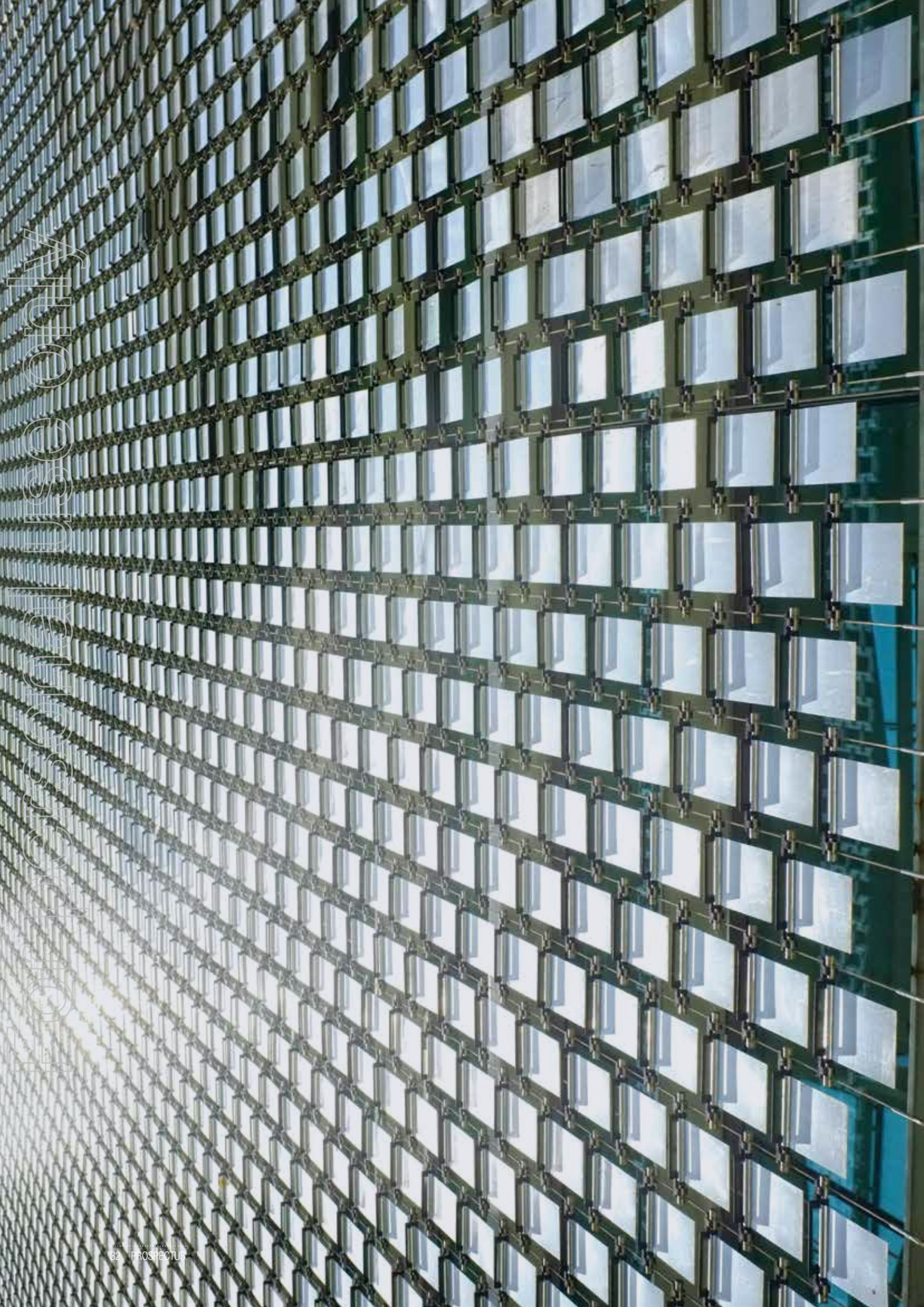
(e) Continuous Disclosure Policy

The Continuous Disclosure Policy sets out how LCM will comply with the continuous disclosure requirements of the ASX Listing Rules and how shareholders are to be informed of all material developments in respect of LCM.

(f) Diversity Policy

The Diversity Policy recognises the benefits of diversity and expresses LCM's commitment to diversity. It further provides a framework for LCM to set measurable objectives for achieving diversity and sets out LCM's strategies to achieve diversity.

ALFONSO
D'AMICO
FUND
MANAGEMENT



6

Financial Information

6.1 Introduction

The historical financial information (**Historical Financial Information**) and forecast financial information (**Forecast Financial Information**) of LCM (together, the **Financial Information**) contained in this Section 6 have been prepared by the Directors of LCM.

The Historical Financial Information comprises:

- (a) The audited Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income of LCM Litigation for the financial years ended 30 June 2014 (FY14) and 30 June 2015 (FY15) and of LCM for the financial year ended 30 June 2016 (FY16) (Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income);
- (b) The audited Historical Consolidated Statements of Cash Flows of LCM Litigation for the financial years ended 30 June 2014 (FY14) and 30 June 2015 (FY15) and of LCM for the financial year ended 30 June 2016 (FY16) (Historical Consolidated Cash Flow Statements);
- (c) The audited Historical Consolidated Statements of Financial Position of LCM as at 30 June 2016 (FY16) (Historical Consolidated Statements of Financial Position);
- (d) The reviewed Pro Forma Consolidated Statement of Financial Position as at 30 June 2016 (FY16) of LCM (Pro Forma Consolidated Statement of Financial Position);

The Forecast Financial Information comprises:

- (e) The Forecast Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ending 30 June 2017 (FY17) of LCM (Forecast Consolidated Statement of Profit or Loss and Other Comprehensive Income).

Also summarised in this Section 6 are:

- (f) Basis of preparation and presentation of the Financial Information (Section 6.2);

- (g) Management Discussion & Analysis – Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income (Section 6.6);
- (h) Forecast Financial Information commentary and assumptions (Section 6.7);
- (i) Sensitivity Analysis (Section 6.7);
- (j) Dividend Policy (Section 6.8);
- (k) Notes to the Financial Information (Section 6.9).

The Financial Information has been reviewed by BDO Corporate Finance (SA) Pty Ltd (BDO), whose Investigating Accountant's Report is contained in Section 10. Potential investors should note the scope and limitations of the Investigating Accountant's Report.

The information in this Section 6 should be read in conjunction with the risk factors set out in Section 7 and other information contained in this Prospectus.

LCM operates on a financial year ending 30 June and a half year ending 31 December. Unless stated otherwise, all figures within this Section are as at 30 June 2016.

All amounts disclosed in the tables are presented in Australian dollars, and unless otherwise noted, are rounded to the nearest thousand dollars.

6.2 Basis of Preparation and Presentation of the Financial Information

- (a) Overview

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of LCM, together with Forecast Financial Information for FY17.

The Statutory Financial Information presented in this Prospectus has been prepared in accordance with

the recognition and measurement principles of the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the significant accounting policies set out in Section 6.9.

The Pro Forma Financial Information presented in this Prospectus has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the AASB and the significant accounting policies set out in Section 6.9 other than the impact of certain transactions in the Financial Information.

The Pro Forma Information does not represent the actual financial results of LCM for the periods indicated. However, LCM believes that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance of its business presented on a consistent basis with the Forecast Financial Information and the future operations of the business.

The Financial Information is presented in an abbreviated form and does not contain all the disclosures and comparative information that are usually provided in an annual report prepared in accordance with the Australian Accounting Standards and the Corporations Act. In the Directors' view, the omitted disclosures would provide no more relevant information to a potential investor in LCM.

Additionally, given the recent restructure of LCM's business and transition towards an internally financed model, LCM does not consider that disclosure of any additional historical financial information would provide potential investors with any more relevant information.

(b) Preparation of Historical Financial Information

Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income have been compiled based on the audited Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income of LCM Litigation for FY14 and FY15 and LCM for FY16.

Historical Consolidated Statements of Cash Flows have been compiled based on the audited Historical Consolidated Statement of Cash Flows of LCM Litigation for FY14 and FY15 and LCM for FY16.

Historical Consolidated Statements of Financial Position have been compiled based on the audited Historical Consolidated Statements of Financial Position of LCM as at 30 June 2016 (FY16).

The Pro Forma Consolidated Statement of Financial Position is a compilation of:

- (1) The Historical Consolidated Statement of Financial Position; and
- (2) Pro Forma Adjustments as per the Directors' best estimate to reflect:
 - (i) Capital raised as a result of the Offer;
 - (ii) Transaction costs;
 - (iii) Part repayment of the Credit Facility (Maximum Subscription only).

The Pro Forma Adjustments aim to reflect the effect on LCM as if the above Pro Forma Adjustments occurred on 30 June 2016.

Investors should note that past results are not a guarantee of future performance.

(c) Preparation of Forecast Financial Information

The Directors believe that the Forecast Financial Information has been prepared with due care and attention, and considers all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus.

The Forecast Financial Information has been prepared based on numerous assumptions, including the best estimate assumptions set out in Section 6.7. This information is intended to assist potential investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on LCM's actual financial performance or financial position.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Historical Financial Information.

6.3 Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income and Forecast Financial Performance

Set out below is a summary of the Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income and Forecast Financial Performance of LCM Litigation and LCM.

Table 1: Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income and Forecast Financial Performance

AUD '000	LCM Litigation Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income		LCM Historical Consolidated Statements of Profit or Loss and Other Comprehen- sive Income	LCM Forecast Financial Performance	
	FY14	FY15	FY16	FY17 - \$7.5m	FY17 - \$15.0m
Revenue					
Management fee	42	42	42	-	-
Performance fee	367	445	511	624	624
Total revenue	409	487	553	624	624
Other income					
Sundry income	152	-	-	115	119
Interest income	8	30	12	100	136
Net profit on derecognition of intangible assets					
Litigation contracts in progress					
- Settlements and judgments	-	-	840	15,618	15,618
- Expense	-	-	(620)	(5,328)	(5,328)
- Written down	-	-	(112)	-	-
Total net profit on derecognition of intangible assets	-	-	108	10,290	10,290
Total other income	160	30	120	10,505	10,545
Total income	569	517	673	11,129	11,169
Expenses					
Corporate and office expenses	(399)	(665)	(924)	(929)	(929)
Legal and professional fees		(692)	(1,614)	(105)	(105)
Employment expenses	(824)	(1,436)	(1,230)	(2,211)	(2,211)
Finance costs	(6)	(1)	(102)	(1,979)	(1,603)
Depreciation	(3)	(11)	(5)	-	-
Net loss on derecognition of intangible assets					
Litigation contracts in progress					
- Settlements and judgments	855	1,353	-	-	-
- Expense	(514)	(746)	-	-	-
- Written down	(383)	(1,113)	-	-	-
Total net loss on derecognition of intangible assets	(42)	(506)	-	-	-
Profit/(loss) before tax	(705)	(2,794)	(3,202)	5,905	6,321
Income tax (expense)/benefit	207	907	989	(1,772)	(1,896)
Net profit/(loss) for the year	(498)	(1,887)	(2,213)	4,134	4,425

Net profit/(loss) on derecognition of intangible assets consist of the surplus of the litigation funder's entitlement to settlements and judgments under the relevant causes of action, less the accumulated Litigation Project expenses and accumulated Litigation Project costs written down, refer to Section 6.6(a).

6.4 Historical Consolidated Cash Flow Statements

Set out below are the Historical Consolidated Cash Flow Statements of LCM Litigation and LCM.

Table 2: Historical Consolidated Cash Flow Statements

AUD '000	LCM Litigation Historical Consolidated Cash Flow Statements		LCM Historical Consolidated Cash Flow Statements
	FY14	FY15	FY16
Payments to suppliers and employees	(938)	(1,507)	(3,124)
Receipts from customers	409	487	553
Interest received	8	30	12
Interest and other finance costs paid	(6)	(1)	(102)
Net cash from/(used in) operating activities	(527)	(991)	(2,661)
Proceeds from settlements	855	580	1,613
Payments for litigation funding and capitalised supplier costs	(1,193)	(3,337)	(4,246)
Payment of security costs	(237)	(343)	-
Payments for property, plant and equipment	(3)	(7)	(12)
Net cash from/(used in) investing activities	(578)	(3,107)	(2,645)
Proceeds from issue of shares	1,400	8,374	541
Proceeds from borrowings	66	-	7,505
Share issue transaction costs	(194)	(458)	-
Income and capital distributions paid – non controlling interests	(149)	(658)	(159)
Dividends paid	-	-	-
Repayment from related party loans	-	(238)	-
Net cash from/(used in) financing activities	1,123	7,020	7,887
Net (decrease)/Increase in cash	18	2,922	2,581
Cash at beginning of financial year	398	416	3,338
Cash at end of financial year	416	3,338	5,919

6.5 Historical Consolidated Statement of Financial Position and Pro Forma Consolidated Statement of Financial Position

(a) Overview

Set out below are the Historical Consolidated Statement of Financial Position and the Pro Forma Consolidated Statement of Financial Position of LCM.

Table 3: Historical Consolidated Statement of Financial Position and Pro Forma Consolidated Statement of Financial Position

As at 30 June 2016	LCM			LCM				
	Historical Consolidated Statement of Financial Position	Subsequent Events	Pro Forma Adjustments	Pro Forma Consolidated Statement of Financial Position				
AUD '000			Note	\$7.5m	\$15.0m	Note	\$7.5m	\$15.0m
Assets								
Cash and cash equivalents	5,919	-	b(1), b(2)	5,745	5,356	3	11,664	11,275
Trade and other receivables	673	-		-	-	4	673	673
Intercompany loans	-	-		-	-		-	-
Intangible assets – Litigation contracts	3,574	-		-	-	6	3,574	3,574
Total current assets	10,166	-		5,745	5,356		15,911	15,522
Plant and equipment	13	-		-	-	5	13	13
Intangible assets – Litigation contracts	2,920	-		-	-	6	2,920	2,920
Deferred tax asset	5,125	264	b(2)	527	643	7	5,916	6,032
Total non-current assets	8,058	264		527	643		8,849	8,965
Total assets	18,224	264		6,272	5,999		24,760	24,487
Liabilities								
Trade and other payables	3,076	-		-	-	9	3,076	3,076
Employee benefits	85	-		-	-	10	85	85
Borrowings	7,505	879		-	(7,619)	11	8,384	765
Provisions	-	-		-	-		-	-
Total current liabilities	10,666	879		-	(7,619)		11,545	3,926
Deferred tax	1,948	-		-	-	8	1,948	1,948
Employee benefits	-	-		-	-		-	-
Total non-current liabilities	1,948	-		-	-		1,948	1,948
Total Liabilities	12,614	879		-	(7,619)		13,493	5,874
Net assets	5,610	(615)		6,272	13,618		11,267	18,613
Equity								
Issued capital	11,547	-	b(1), b(2)	6,272	13,499	12	17,819	25,046
Share based payments reserve	95	-		-	-		95	95
Accumulated losses	(6,072)	(615)	b(3)	-	119	13	(6,687)	(6,568)
Non-controlling interest	40	-		-	-		40	40
Total equity	5,610	(615)		6,272	13,618		11,267	18,613

The accompanying notes set out in Section 6.9 form part of the Financial Information.

(b) Pro Forma Adjustments

(1) Capital raised

The Pro Forma Adjustment reflects the net increase in LCM's share capital of approximately \$7.5 million (Minimum Subscription) or approximately \$15.0 million (Maximum Subscription) less transactions costs detailed below.

(2) Transaction costs

Transaction costs of approximately \$1.8 million (Minimum Subscription) or approximately \$2.1 million (Maximum Subscription) based on the capital raised in relation to advisers, listing and other costs associated with the Offer have been offset against issued capital with the respective Deferred Tax Asset of \$0.53 million (Minimum Subscription) or \$0.64 million (Maximum Subscription).

(3) Financing facilities

The Pro Forma Adjustments reflect the AUD\$7.5 million (USD\$5.75 million)⁴⁸ part repayment of the Credit Facility.

6.6 Management Discussion and Analysis - Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

The management discussion and analysis (MD&A) below relates to the Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income. The MD&A addresses the key factors which affected LCM's operating and financial performance in the historical periods.

(a) Explanation of key concepts

Historically and during the forecast period, LCM derived and will derive income from management fees, performance fees and completion fees relating to its externally financed financing arrangements with Fund 2 and the International Partner Financing Arrangement (refer Section 8.3). With the transition to an internally financed business model, LCM is not expected to earn revenue from these sources given the finalisation of Fund 2 in FY16 and the International Partner Financing Arrangement (expected to be finalised in FY18). LCM's profitability will at that point be determined by whether it can realise a profit on its internally financed Litigation Projects.

For internally financed Litigation Projects, LCM realises a net profit or loss from derecognition of intangible assets for each Litigation Project. This is calculated as LCM's entitlement to settlements and judgments under the relevant causes of action, less the accumulated Litigation Project expenses and accumulated Litigation Project costs written down.

LCM capitalises Litigation Project costs as an intangible asset (identified as litigation contracts) as they are incurred. These costs include solicitors' fees, barristers' fees, charges of independent experts, fees paid to liquidators and Court fees.

(b) FY14 commentary

Litigation Project Performance

In FY14, LCM Litigation managed five Litigation Projects to completion with four being profitable and one incurring a loss. Settlement proceeds from these Litigation Projects were \$3.75 million with incurred costs against these Litigation Projects of \$1.57 million. These Litigation Projects were financed as follows:

- (1) two Litigation Projects financed by LCM Litigation, realising proceeds from settlement of \$251,000 against Litigation Project costs incurred of \$129,000;
- (2) two Litigation Projects financed by Fund 2, realising proceeds from settlement of \$1.39 million against Litigation Project costs incurred of \$0.41 million;⁴⁹ and
- (3) one Litigation Project financed through the International Partner Financing Arrangement, realising proceeds from settlement of \$2.11 million against Litigation Project costs incurred of \$1.00 million.⁵⁰

Profit & Loss

FY14 revenue consisted of:

- (1) management fees of \$42,000 paid in accordance with the Fund 2 management agreement; and
- (2) performance fees of \$367,000, of which \$167,000 related to Fund 2 and \$200,000 related to the International Partner Financing Arrangement. The performance fees resulted from the successful management of Litigation Projects for Fund 2 and the International Partner Financing Arrangement as set out above.

Sundry income of \$152,000 related to one-off gains from foreign exchange of \$8,000 and \$144,000 gain on forgiveness of a liability to a funding entity in accordance with the financing arrangement.

With respect to Litigation Projects financed and managed by LCM Litigation which Completed during the period, LCM Litigation realised a net loss on derecognition of intangible assets of \$42,000 consisting of:

- (3) completed components of one Litigation Project, proceeds from settlement of \$604,000 against Litigation Project costs incurred of \$385,000;
- (4) the two Completed Litigation Projects funded by LCM Litigation discussed above; and

48 The Pro Forma Adjustments assume foreign exchange rates between AUD and USD remaining at approximately current levels. As at 3 November 2016 the AUD:USD exchange rate was 0.7668;

49 Net proceeds from Litigation Projects managed by LCM for Fund 2 are to the benefit of unitholders in Fund 2;

50 Net proceeds from Litigation Projects managed by LCM for the International Partner are to the benefit of the International Partner. LCM may be entitled to a performance fee with respect to the Litigation Projects funded by the International Partner in the event that it satisfies the criteria set out in Section 8.3;

- (5) write down of Litigation Project costs of \$383,000 in respect of costs invested in two cases that were components of Litigation Projects where those components were not expected to realise any Recovery.

(c) FY15 commentary

Litigation Project Performance

In FY15, LCM Litigation managed eight Litigation Projects to Completion with six being profitable and two Litigation Projects incurring a loss. Settlement proceeds from these Litigation Projects were \$12.29 million with incurred costs against these Litigation Projects of \$6.53 million. These Litigation Projects were financed as follows:

- (1) four Litigation Projects financed by LCM Litigation, realising proceeds from settlement of \$1.01 million against Litigation Project costs incurred of \$0.66 million and write down of Litigation Project costs of \$0.93 million (see note 11);
- (2) one Litigation Project financed by Fund 2, realising proceeds from settlement of \$2.02 million against Litigation Project costs incurred of \$0.10 million;⁵¹
- (3) two Litigation Projects financed through the International Partner Financing Arrangement, realising proceeds from settlement of \$6.35 million against Litigation Project costs incurred of \$3.47 million;⁵² and
- (4) one Litigation Project financed through another historical externally financed financing arrangement, realising proceeds from settlement of \$2.91 million against Litigation Project costs incurred of \$1.37 million.

Profit & Loss

FY15 revenue consisted of:

- (1) management fees of \$42,000 paid in accordance with the Fund 2 management agreement; and
- (2) performance fees of \$445,000, of which \$242,000 related to Fund 2 and \$203,000 related to the International Partner Financing Arrangement. The performance fees resulted from the successful management of Litigation Projects for Fund 2 and the International Partner Financing Arrangement as set out above.

Employment expenses and overheads increased in FY15 due to the employment of three investment managers and two finance professionals, expansion of the Adelaide and Sydney offices and the establishment of a Brisbane office.

With respect to Litigation Projects financed and managed by LCM Litigation which Completed during the period, LCM Litigation realised a net loss on derecognition of intangible assets of \$506,000 consisting of:

- (3) completed components of one Litigation Project, proceeds from settlement of \$323,000 against Litigation Project costs incurred of \$86,000;
- (4) completed components for one Litigation Project, proceeds from settlement of \$20,000 with no Litigation Project costs incurred;
- (5) the four Completed Litigation Projects financed by LCM Litigation discussed above;
- (6) write down of Litigation Project costs of \$182,000 in respect of costs invested in two cases that were components of Litigation Projects where those components were not expected to realise any Recovery; and
- (7) write down of Litigation Project costs of \$750,000 in respect of costs invested in one Litigation Project where LCM Litigation has taken the decision to terminate the financing of one Litigation Project, and provision for an onerous contract in the sum of \$181,000. Although LCM Litigation has rights to recover costs in certain circumstances, the Directors consider that they do not expect to realise any recovery.

In addition to this, there were legal costs of \$692,000 incurred as a result of senior management changes.

(d) FY16 commentary

Litigation Project Performance

In FY16, LCM managed three Litigation Projects to Completion with all three being profitable. Settlement proceeds from these Litigation Projects were \$7.98 million with incurred costs against these Litigation Projects of \$4.45 million. These Litigation Projects were financed as follows:

- (1) two Litigation Projects financed by Fund 2, realising proceeds from settlement of \$5.9 million against Litigation Project costs incurred of \$3.97 million;⁵³
- (2) one Litigation Project financed through the International Partner Financing Arrangement, realising proceeds from settlement of \$2.08 million against Litigation Project costs incurred of \$0.48 million.⁵⁴

51 Net proceeds from Litigation Projects managed by LCM for Fund 2 are to the benefit of unitholders in Fund 2;

52 Net proceeds from Litigation Projects managed by LCM for the International Partner are to the benefit of the International Partner. LCM may be entitled to a performance fee with respect to the Litigation Projects funded by the International Partner in the event that it satisfies the criteria set out in Section 8.3;

53 Net proceeds from Litigation Projects managed by LCM for Fund 2 are to the benefit of unitholders in Fund 2;

54 Net proceeds from Litigation Projects managed by LCM for the International Partner are to the benefit of the International Partner. LCM may be entitled to a performance fee with respect to the Litigation Projects funded by the International Partner in the event that it satisfies the criteria set out in Section 8.3;

Profit & Loss

FY16 revenue consisted of:

- (1) management fees of \$42,000 paid in accordance with the Fund 2 management agreement; and
- (2) performance fees of \$511,000, of which \$357,000 related to Fund 2 and \$154,000 related to the International Partner Financing Arrangement. The performance fees resulted from the successful management of Litigation Projects for Fund 2 and the International Partner Financing Arrangement as set out above.

Legal expenses significantly increased due to the expenditure incurred in legal proceedings related to senior management changes. While LCM was ultimately successful, at both trial and on appeal, and has been awarded a costs judgment, the quantification of those entitlements is yet to be determined. The total legal costs incurred as a result of extraordinary activities were \$1.61 million.

With respect to Litigation Projects financed and managed by LCM which Completed during the period, LCM realised a net loss on derecognition of intangible assets of \$108,000 consisting of:

- (3) completed components of one Litigation Project, proceeds from settlement of \$804,000 against Litigation Project costs incurred of \$513,000;
- (4) completed components for one Litigation Project, proceeds from settlement of \$36,000 against Litigation Project costs incurred of \$80,000, with the prospect of a further recovery;
- (5) expensed components of Litigation Projects not undertaken totalling \$27,000; and
- (6) write down of Litigation Project costs of \$112,000 in respect of costs invested to undertake due diligence on new Litigation Projects. In the event these Litigation Projects result in an unconditional litigation financing agreement (LFA), these costs will form part of the Litigation Project's defined action costs and become recoverable as part of any successful action.

(e) FY17 forecast commentary

Litigation Project Performance

In FY17, LCM expects to manage six Litigation Projects to Completion. These Litigation Projects are financed as follows:

- (1) five Litigation Projects financed by LCM; and
- (2) one Litigation Project financed through the International Partner Financing Arrangement.⁵⁵

Settlement proceeds from the five Litigation Projects financed by LCM are forecast to be approximately \$15.62 million with incurred costs forecast against these Litigation Projects of \$5.33 million.

Profit & Loss

FY17 is forecast to include:

- (3) performance fees of \$624,000 relating to the International Partner Financing Arrangement. These performance fees are expected to be received based upon the successful management of Litigation Projects for the International Partner Financing Arrangement as set out above;
- (4) employment expenses are expected to increase substantially due to the creation of new positions whilst overheads are expected to remain relatively consistent with FY16; and
- (5) material increase in costs due to the existence of the Credit Facility.

LCM is forecasting to realise a net profit on derecognition of intangible assets of \$10.29 million consisting of the five Litigation Projects financed by LCM discussed above which are expected to complete during FY17.

Sundry income related to a foreign exchange gain of \$115,000 (Minimum Subscription) or \$119,000 (Maximum Subscription) associated with the repayment of the Credit Facility.

Further information on the forecast assumptions is set out in Section 6.7.

(f) Commentary beyond the forecast period

LCM expects to achieve a statutory net profit after tax in FY17, based on an increased number of internally financed Litigation Projects expected to be realised, pursuant to which LCM would enjoy the full economic benefits from any profitable Litigation Projects.

The International Partner Financing Arrangement is expected to complete in FY18, at which time, there may be a Completion Fee payable to LCM, subject to performance (as described in Section 8.3).

(g) Financial impact of historical financing structure

LCM historically undertook Litigation Projects using external financing models. These financing models included satellite funds with various investors and a financing arrangement with an international litigation financier (International Partner Financing Arrangement). Only the International Partner Financing Arrangement is still in place and is expected to run off and finalise during FY18. As a result of the capital raisings undertaken since February 2014 and having obtained the Credit Facility, LCM is substantially now in a position to internally finance its current portfolio of Litigation Projects. The proceeds raised through the IPO will further enable LCM to self-fund Litigation Projects and therefore retain the full economic exposure of the net proceeds of profitable Litigation Projects.

⁵⁵ Net proceeds from Litigation Projects managed by LCM for the International Partner are to the benefit of the International Partner. LCM may be entitled to a performance fee with respect to the Litigation Projects funded by the International Partner in the event that it satisfies the criteria set out in Section 8.3;

International Partner Financing Arrangement

The International Partner Financing Arrangement was established in April 2013 to provide financing for Litigation Projects with a damages quantum exceeding \$5 million. Under this Financing Arrangement, LCM acts as the litigation manager of the Litigation Projects and bears all internal administrative costs. The International Partner Financing Arrangement finances all third party costs associated with running the Litigation Projects.

Upon completion of a Litigation Project, a 'performance fee' of 10% of the amount received above the aggregate of all amounts repaid or reimbursed by the International Partner under all Litigation Projects that have been Finally Determined,⁵⁶ is payable to the LCM Unit Trust, a unit trust in which LCM is the holder of approximately 60% of the issued unit.⁵⁷

A 'Completion Fee' is also payable to the LCM Unit Trust when the last Litigation Project subject to the Financing Arrangement has been Finally Determined.

A full summary of the details of these arrangements are set out in Section 8.3.

The International Partner Financing Arrangement is closed to new Litigation Projects and has one active Litigation Project which is expected to finalise during FY17 and a further two expected to finalise during FY18.

6.7 Forecast Financial Information

The Forecast Financial Information is based on various best estimate assumptions, including those set out below. The Directors believe that they have prepared the forecast with due care and attention and consider all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus.

However, the actual results are likely to vary from the forecast and any variation may be materially positive or negative. The forecast assumptions on which it is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of LCM and its Directors, and are not reliably predictable.

Accordingly, neither LCM or its Directors nor any other person can give any assurance that the forecast or any economically viable statement contained in this Prospectus will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with a material consequential impact on the forecast.

Investors are advised to review the best estimate assumptions set out below in conjunction with the description of the basis of preparation of the Forecast Financial Information above, the sensitivity analysis set out below and the risk factors set out in this Prospectus.

(a) General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- (1) No change in applicable Australian Accounting Standards or the Corporations Act (Cth) 2001 that would have a material effect on LCM's financial performance and the way in which they are reported;
- (2) No material change in the competitive operating environment, particularly in Australia;
- (3) No significant change in the legislative regimes and regulatory environments in the jurisdictions in which LCM or its key customers operate in;
- (4) No material amendment to any material agreement relating to LCM's business;
- (5) No significant delays in the performance of any major contracts;
- (6) No material losses of customers or contracts;
- (7) No significant disruptions to the continuity of operations of LCM and no other material changes in LCM's business;
- (8) No material contract disputes, contingent liabilities or unanticipated litigation involving LCM;
- (9) No loss of key staff or management personnel;
- (10) No material business acquisitions or disposals; and
- (11) No significant increase in capital expenditure requirements.

(b) Forecast Financial Information

The Forecast Financial Information is based on various best estimate assumptions, of which the Directors' best estimate assumptions are set out below. The assumptions below are a summary only and do not represent all factors that will affect LCM's forecast financial performance. This information is intended to assist potential investors in assessing the reasonableness and likelihood of these assumptions occurring, and is not intended to be a representation that the assumptions will occur.

⁵⁶ Finally Determined means, in relation to a Litigation Project, settlement or judgment and enforcement and recovery of any judgment and either the completion or expiration of all and any periods for any appeal;

⁵⁷ Heli-Saw Holdings Pty Ltd (as trustee for the Remembrance Foundation), being an entity associated with Mr Patrick Moloney, is the holder of approximately 20% of the issued units in the LCM Unit Trust, with the other 20% being held by Australian Insolvency Group Pty Ltd, being an entity associated with a former Non-Executive Director of LCM Litigation, Mr Patrick Coope;

In preparing the Forecast Financial Information, the Directors have reviewed each current Litigation Project and determined an estimate for each of the following key assumptions:

Gross Claim Size	<p>The Directors have forecast the Gross Claim Size based upon the various heads of claim in respect of which rights have been assigned under signed litigation financing agreements, the information available to the Directors, including advice received from solicitors, counsel and experts as at the date of this report and any known assets or insurance held by a defendant that may respond to the relevant claim.</p> <p>The Gross Claim Size of all Litigation Projects under management is \$378.5 million in FY17 and beyond.</p>
Settlement income	<p>The Directors have estimated the aggregate recovery that may be received by way of judgment or settlement in respect of each Litigation Project having regard to, among other things, the uncertain nature of litigation, the possibility that recovered amounts are less than claimed amounts, advice from solicitors and counsel, the Gross Claim Size, the financial viability of a defendant and the existence of any relevant insurance that may respond to the relevant claim, as well as a qualitative analysis of the particular Litigation Project.</p>
LCM's share of amounts recovered	<p>The Directors have estimated the amount of a claim that is Recovered based upon the executed litigation financing agreements in place at the date of this report and the expected date for Completion for each of its Litigation Projects.</p> <p>Upon successfully completing a Litigation Project the relevant litigation financier's share of any Recovery pursuant to the relevant causes of action are reported as settlement income, unless an appeal is lodged within the requisite period.</p> <p>LCM's share of amounts recovered is \$15.6 million in FY17.</p>
Timing of revenue	<p>The Directors have forecast the Litigation Projects that they believe will Complete during FY17 based on the current status of the Litigation Project, advice from solicitors and counsel, the complexity of the Litigation Project and the Court's current expected availability to consider the matter. For the past five financial years, the average timeframe for a Litigation Project to Complete is within 26 months of the execution of the litigation financing agreement.</p> <p>The Directors' estimate for the time to Complete Litigation Projects for FY17 are more conservative than historically at an average of 33 months based on a qualitative analysis of each particular Litigation Project, and the quantum and size of current Litigation Projects being larger than our historical Litigation Projects.</p>
Number of Litigation Projects	<p>The Directors have forecast that six Litigation Projects will Complete during FY17, five of which are Litigation Projects that are managed and financed by LCM and one Litigation Project that is externally financed pursuant to the International Partner Funding Arrangement.</p> <p>This number of Litigation Projects is consistent with the number of Litigation Projects Completed in recent years, including four in FY14, eight in FY15 and three in FY16.</p>

On the basis of these estimates for each current Litigation Project, the Directors have then made the following best estimate assumptions in preparing the Forecast Financial Information.

Income assumptions	
Performance fees	<p>Performance fees are forecast to be \$624,000, based on the following key assumptions:</p> <ul style="list-style-type: none"> ■ The Litigation Project assumptions set out above; and ■ The terms of the International Partner Financing Arrangement
Net profit from derecognition of intangible assets	<p>Net profit from derecognition of intangible assets is forecast to be \$10.29 million, based on the following key assumptions:</p> <ul style="list-style-type: none"> ■ Settlements and judgments income of \$15.62 million based upon the casebook review and the Litigation Project assumptions; and ■ Litigation Project costs against these settlements and judgments of \$5.33 million based upon Litigation Project costs incurred to date plus the Directors' best estimate, knowledge of the Litigation Projects, historical experience and enquiry with the solicitors running the litigation. These costs include solicitors' fees, barristers' fees, charges of independent experts, fees paid to liquidators and Court fees.
Interest Income	<p>Interest income is forecast to be \$100,000 (Minimum Subscription) or \$136,000 (Maximum Subscription). This is based on their assessment of funds available at an interest rate of 2.1% per annum.</p>

For personal use only

Sundry Income	Sundry income is forecast to be \$115,000 (Minimum Subscription) or \$119,000 (Maximum Subscription) relating to a foreign exchange gain associated with the repayment of the Credit Facility. The Directors' forecast assumes foreign exchange rates between AUD and USD remaining at approximately current levels. As at 3 November 2016 the AUD:USD exchange rate was 0.7668.
Expenditure assumptions	
Employment expenses	Employment expenses are forecast to be \$2.21 million based on the Directors' forecast annual wages and on costs of employees of each individual. Employment expenses include such items as wages and on costs.
Corporate and office expenses	Corporate and office expenses are forecast to be \$0.93 million based on the Directors' forecast assessment and existing agreements. Corporate costs include accounting/audit fees, office rent, travel, legal expenses, other overheads and other costs associated with an ASX listed company.
Finance expenses	Finance expenses are forecast to be \$1.98 million (Minimum Subscription) or \$1.60 million (Maximum Subscription) based on the Directors' forecast assessment and existing agreements.
Fixed assets	The Directors do not expect a material fixed asset addition during FY17. Depreciation expense has not been considered for the FY17 Forecast Financial Information. Based on the carrying balance of property, plant & equipment, the depreciation expense is expected to be immaterial.

These assumptions should be read in conjunction with the MD&A discussed above.

(c) Sensitivity analysis

The Forecast Financial Performance is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of LCM, its Directors and management.

Set out below is a summary of the sensitivity of the FY17 Statutory Forecast Financial Performance to changes in a number of key variables. These key variables are not intended to be indicative of the complete range of variations that may be experienced.

Also, the selected sensitivity range for each sensitivity is not intended to be indicative or predictive of the likely range of outcomes that may occur.

Care should be taken in interpreting these sensitivities. The sensitivity analysis set out below treats each movement in the variables in isolation, in order to illustrate the likely impact on the forecast. In reality, the movements could be interdependent, the effects of these movements may offset each other or may be additive and it is likely that LCM management may respond to any adverse change in these variables to minimise the net effect on LCM's earnings.

Table 4: Sensitivity Analysis

Assumption	Variance	Impact	Impact
		\$7.5m	\$15.0m
Settlements and judgements of LCM	+/-5%	0.781	0.781
Performance fee of IPFA	+/-10%	0.062	0.062
Corporate and office expense	+/-10%	-0.093	-0.093
Employment expense	+/-10%	-0.221	-0.221
Litigation Project costs written down	+/-5%	0.000	0.000
Litigation Project costs expense	+/-5%	-0.266	-0.266

The estimated impact of changes in each of the variables has been calculated in isolation in order to illustrate the impact for FY17 Statutory Forecast Financial Performance. In practice, changes in variables may offset each other or may be cumulative.

6.8 Dividend Policy

The Directors currently intend to use surplus cash to finance LCM's Litigation Project portfolio and any resultant development, production and generation of new opportunities, rather than distributing these funds as dividends.

Once LCM is able to generate a substantial and sustainable level of cash flow after commitments, the Directors intend

to review this policy and possibly initiate a revised dividend policy.

The Directors can give no assurance as to the amount, timing, franking or payment of any future dividends by LCM. The capacity to pay dividends will depend on a number of factors including future earnings, capital expenditure requirements and the financial position of LCM.

6.9 Notes to the Financial Information

Significant accounting policies which have been adopted in the preparation of the Financial Information are:

(a) Basis of preparation

The Financial Information set out in the Prospectus has been prepared in accordance with the accounting policies of LCM and the recognition and measurement principles (but not all the disclosure requirements) prescribed by the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board.

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have also been prepared on a historical basis. Non-current assets are measured at the lower of carrying amounts and fair value less costs to sell.

The Financial Information set out in the Prospectus covers the consolidated entity consisting of LCM and its subsidiaries. LCM is a for-profit entity for the purpose of preparation the financial statements.

The financial statements are presented in Australian dollars.

(b) Principles of consolidation

Subsidiaries

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Performance fees

Performance fees are recognised on the settlement of a Litigation Project to the extent of the commission agreed upon in the contract for that Litigation Project.

(d) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- (1) when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- (2) when the taxable temporary difference is associated with interests in subsidiaries, associates

or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

LCM ("head entity") and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(3) Cash and cash equivalent

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(g) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

- (1) Plant and equipment: 2 to 13 years;
- (2) The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date; and
- (3) An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(h) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(i) Intangible assets

Litigation Contracts in Progress

Litigation Contracts in Progress represent future economic benefits controlled by the consolidated entity. As Litigation Contracts in Progress may be exchanged or sold, the consolidated entity is able to control the expected future economic benefits, hence meeting the definition of intangible assets.

Litigation Contracts in Progress are measured at cost on initial recognition and are not amortised as the asset is not available for use until a successful judgment or settlement relating to the Litigation Project has been determined. It is at this point that the asset is derecognised.

Gains or losses arising from derecognition of Litigation Contracts in Progress are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

When litigation is outstanding and pending a determination, Litigation Contracts in Progress are carried at cost. Subsequent expenditure is capitalised when it meets the following criteria:

- (1) the consolidated entity has the ability and intention to complete the litigation;
- (2) the asset is expected to generate a future economic benefit;
- (3) adequate, technical, financial and other resources are available to complete the litigation; and
- (4) the expenditure attributable to the litigation during its duration can be measured reliably.

When the litigation has been determined in favour of the consolidated entity or a positive settlement has been agreed, this constitutes a derecognition of the intangible asset and accordingly a gain or loss is recognised in the Statement of Comprehensive Income.

Any future costs relating to the defence of an appeal process are expensed when incurred.

Unsuccessful judgment

Where the litigation is unsuccessful at trial, this is a trigger for impairment of the intangible asset and the asset is written down to its recoverable amount. If the claimant, having been unsuccessful at trial, appeals against the judgment, then future costs of the appeal are expensed as incurred.

(j) Impairment of non-financial assets

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(m) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with

terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(n) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The

standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard

to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. Although the directors anticipate that the adoption of AASB 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- (p) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The only amendment to Australian Accounting Standards that is mandatory for the first time for the financial year beginning 1 July 2015 is AASB 2015-4 Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent. In line with the exemption in AASB 10 Consolidated Financial Statements for Australian intermediate parent entities to be able to use the consolidation exemption if the ultimate Australian parent entity prepares consolidated financial statements that comply with IFRS, this amendment, which is merely an Australian 'housekeeping' matter, similarly requires that the ultimate Australian parent entity will need to apply the equity method in order to obtain the exemption for intermediate parent entity equity accounting at a lower level in the group. There is no impact on amounts recognised in the current period or any prior period financial statements because Litigation Capital Management Limited does not have a foreign parent.

- (q) Critical accounting estimates

The preparation of the financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. This process includes an assessment of each Litigation Project as to whether it is likely to be successful, the cost and timing of completion and the ability of the defendant to pay upon completion.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future income, operating costs and capital expenditure.

Impairment of intangibles with indefinite useful lives

The consolidated entity determines whether intangible assets with indefinite useful lives are impaired at least on an annual basis.

- (r) Parent entity information

These financial statements present the results of the consolidated entity only.

- (s) Borrowings

All loans and borrowings are initially recognised at fair value, including transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method. Fees paid for establishing loan facilities are recognised as transaction costs if it is probable that some or all of the

facility will be drawn down, and deferred until the draw down occurs. If it is not probable that the facility will be drawn down, fees are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract has been discharged, cancelled or expires.

The difference between the carrying amount of the borrowing derecognised and the consideration paid is recognised in profit or loss as other income or finance costs.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(t) Borrowing costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate on the Group's borrowings outstanding during the year, being 24% (2015: 0%).

(u) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

1. Expenses

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Finance costs			
Interest expense	102	102	102
	102	102	102
Rental expense relating to operating leases			
Minimum lease payments	326	326	326
Employment expense			
Employee benefits expense	1,082	1,082	1,082
Superannuation	85	85	85
Provision for employee entitlements	42	42	42
Payroll tax	21	21	21
	1,230	1,230	1,230

2. Income tax expense

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Current tax expense	-	-	-
Income tax (expense)/benefit	989	989	989
	989	989	989
<i>Prima facie income tax expense</i>			
Profit/(loss) for the year	(3,202)	(3,202)	(3,202)
Tax at the Australian tax rate of 30%	(961)	(961)	(961)
Non-deductible expenses:			
Fines and penalties	-	-	-
Other non-deductible expenses	(4)	(4)	(4)
Non-assessable distributions to non-controlling interest	(24)	(24)	(24)
	(989)	(989)	(989)

3. Cash and cash equivalent

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Cash	5,919	11,664	11,275
<i>Pro forma adjustments:</i>			
Capital raised		7,500	15,000
Transaction costs		(1,755)	(2,144)
Repayment of Credit Facility		-	(7,500)
		5,745	5,356

4. Trade and other receivables

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Trade receivables	-	-	-
Less: Provision for impairment of receivables	-	-	-
Other receivables	644	644	644
Security deposit	29	29	29
	673	673	673

5. Property, plant and equipment

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Furniture and fittings at cost	101	101	101
Accumulated depreciation	(88)	(88)	(88)
	13	13	13
<i>Movement in carrying amount</i>			
Opening balance at 1 July 2015	6	6	6
Additions	12	12	12
Depreciation expense	(5)	(5)	(5)
Closing balance at 30 June 2016	13	13	13

6. Intangible assets – Litigation Project contracts

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Current	3,574	3,574	3,574
Non-current	2,920	2,920	2,920
	<u>6,494</u>	<u>6,494</u>	<u>6,494</u>
<i>Movement in carrying amount</i>			
Opening balance at 1 July 2015	2,575	2,575	2,575
Additions	4,651	4,651	4,651
Expense of litigation contracts in progress	(620)	(620)	(620)
Write-down of litigation contracts in progress	(112)	(112)	(112)
Closing balance at 30 June 2016	<u>6,494</u>	<u>6,494</u>	<u>6,494</u>

Intangible assets consist of Litigation Contracts in Progress. The Carrying value of Litigation Contracts in Progress includes capitalisation of external costs of funding the Litigation Projects, such as solicitors' fees, counsels' fees and experts' fees.

7. Deferred tax asset

	Audited Consolidated		Pro Forma \$7.5m		Pro Forma \$15.0m	
AUD '000	30 June 2016		30 June 2016		30 June 2016	
<i>Amount recognised in Equity</i>						
Transaction costs on share issue		109		636		752
<i>Subsequent events adjustment</i>						
Finance costs				264		264
<i>Pro forma adjustments:</i>						
Transaction costs on share issue				527		643
	Opening balance 1 July 2015	(Charged)/credited to profit or loss	(Charged)/credited to equity		Closing balance 30 June 2016	
			\$7.5m	\$15.0m	\$7.5m	\$15.0m
<i>Amount recognised in profit or loss</i>						
Property, plant and equipment	1	-	-	-	1	1
Employee benefits	13	12	-	-	25	25
Other provisions	55	(55)	-	-	-	-
Accrued expenses	7	28	-	-	35	35
Tax losses carried forward	2,736	2,219	-	-	4,955	4,955
<i>Amount recognised in equity</i>						
Transaction costs on share issue	149	-	(40)	(40)	109	109
	2,961	2,204	(40)	(40)	5,125	5,125
<i>Subsequent events:</i>						
Finance costs	-	264	-	-	264	264
<i>Pro forma adjustments:</i>						
Transaction costs on share issue	-	-	527	643	527	643
	2,961	2,468	487	603	5,916	6,032

8. Deferred tax liability

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m	
AUD '000	30 June 2016	30 June 2016	30 June 2016	
Deferred tax liability	1,948	1,948	1,948	
	1,948	1,948	1,948	
<i>Amount recognised in profit or loss</i>				
Intangible assets – Litigation contracts	1,948	1,948	1,948	
	1,948	1,948	1,948	
	Opening Balance 1 July 2015	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Closing Balance 30 June 2016
<i>Amount recognised in profit or loss</i>				
Intangible assets – Litigation contracts	772	1,176	-	1,948
	772	1,176	-	1,948

9. Trade and other payables

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Trade payables	2,849	2,849	2,849
Distribution payables	33	33	33
Other payables	194	194	194
	3,076	3,076	3,076

10. Employee benefits

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Current liabilities			
Employee benefits	85	85	85
Total current employee benefits	85	85	85

11. Borrowings

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Secured current borrowings	7,505	8,384	765
<i>Subsequent events adjustment:</i>			
Finance costs		879	879
<i>Pro forma adjustments:</i>			
Foreign exchange variation			(119)
Repayment of Credit Facility			(7,500)
			<u>(7,619)</u>

12. Issued capital

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Issued capital	11,547	17,819	25,046
<i>Pro forma adjustments:</i>			
Capital raised		7,500	15,000
Transaction costs (net of tax)		(1,228)	(1,501)
		<u>6,272</u>	<u>13,499</u>

13. Controlling interest

	Audited Consolidated	Pro Forma \$7.5m	Pro Forma \$15.0m
AUD '000	30 June 2016	30 June 2016	30 June 2016
Issued capital	11,547	17,819	25,046
Accumulated losses	(6,072)	(6,072)	(5,953)
	<u>5,475</u>	<u>11,747</u>	<u>19,093</u>
<i>Pro forma adjustments:</i>			
Capital raised		7,500	15,000
Transaction costs (net of tax)		(1,228)	(1,501)
		<u>6,272</u>	<u>13,499</u>
Foreign exchange variations			119

For personal use only



7 Risks

7.1 Introduction

An investment in LCM is not risk free and the Directors strongly recommend that potential investors consider the risk factors described below, together with information contained elsewhere in this Prospectus, and consult their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.

In addition to the specific risks that relate directly to LCM, there are also other general risks, many of which are largely beyond the control of LCM and the Directors, that investors should consider. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of LCM and the market price of any New Shares issued pursuant to this Prospectus.

7.2 Company and industry Risks

(a) Poor Litigation Project selection

LCM's business primarily requires that it select successful Litigation Projects to finance and that it actively manages the progress of those Litigation Projects so as to achieve a commercially successful outcome for its clients. Poor Litigation Project selection may result in material loss to LCM through the payment of client(s)' legal expenses and/or payment of the successful defendant's costs (if applicable).

In some instances, Litigation Projects are found to be less economically viable as the litigation progresses due to a deterioration of the defendant's financial capacity to satisfy a judgment, either because of changes in law arising subsequent to the date of agreeing to finance a Litigation Project and/or the emergence of new facts or circumstances that were not known at the time of agreeing to finance a Litigation Project. While LCM has a right of termination under its financing agreements, LCM may suffer material loss if it expends capital on a Litigation Project which subsequently transpires to be less economically viable than initially anticipated.

Part of the Litigation Project selection process involves an assessment of a defendant's ability to satisfy any award that may be made against it if the Litigation Project is successful. If LCM does not properly assess a defendant's ability to pay, or that ability deteriorates

after LCM has agreed to provide financing, this may cause material loss to LCM even if the Litigation Project is successful.

(b) Litigation Project management

LCM's primary expense items are solicitors', barristers', experts' and liquidators' fees.

If LCM fails to actively monitor the progress of a Litigation Project and participate in the active management of the Litigation Project it may result in a less favourable outcome. In addition, if LCM fails to manage the economics and budgets of a Litigation Project there is risk of budget overruns which may reduce Litigation Project profitability.

Sometimes, after LCM conducts its initial assessment, a Litigation Project may turn out to be less economically viable or more complex than originally anticipated as the litigation proceeds. While LCM has a right of termination under its financing agreements, if LCM fails to terminate such financing or does so after expending material expenses then LCM may suffer loss.

(c) Litigation Project Timing Risk

The successful operation of LCM's business requires that revenue recognition from the settlement or resolution of Litigation Projects is accurate. The timing of those revenue inflows depends to a significant degree upon factors outside LCM's control such as delays in the Court system. If LCM's assumptions relating to the timing of revenue receipts is incorrect the receipt of that revenue may be delayed which may result in forecast revenue moving from one financial year to the next.

LCM is forecasting that six Litigation Projects will Complete in FY17. In the event that one or all of the Litigation Projects do not Complete in FY17, LCM's revenue and profit forecast for FY17 may not be achieved.

(d) International Partner Default

While LCM does not intend to finance future Litigation Projects in reliance on the historic arrangements with the International Partner, there are currently three Litigation Projects which remain subject to these arrangements.

It is possible that the International Partner may default in respect of these arrangements, including in relation to the International Partner's obligations to indemnify LCM in respect of particular costs or expenses incurred.

Should this occur, it has the potential to affect LCM's cash flow, as, if LCM chooses not to terminate the relevant litigation financing agreement(s), it will be required to finance the costs of the Litigation Projects for which the International Partner would otherwise be liable. This could cause significant short term liquidity difficulties for LCM. However, should this occur, LCM would be entitled to receive all of the International Partner's benefits and entitlements (but not the obligations) relating to these Litigation Projects in order to satisfy any of the International Partner's outstanding obligations arising in respect of them, including third party costs, funding obligations and LCM's entitlement to any performance fee or completion fee, and to otherwise repay the International Partner for any amounts actually disbursed by it in satisfaction of its obligations under the all Litigation Projects.

(e) Competition

Currently, there are a number of providers in the Australian litigation financing market, with a number of new entrants announcing their intention to provide litigation financing services in Australia. As litigation financing becomes more widespread, further competition is likely to develop.

The largest litigation financier in Australia, IMF Bentham, has also recently started providing litigation financing to claims of a smaller size to those that it historically pursued and which are of a similar size to that which LCM intends to target.

Increased competition, both from traditional litigation financiers and new financiers, may limit LCM's ability to secure new Litigation Projects on commercially attractive terms, which may materially impact LCM's performance.

(f) Government regulation

To date, the Courts have generally found in favour of litigation financing arrangements in Australia.

Further, while the Commonwealth and State governments have not announced any present intention to further regulate the litigation financing industry, changes to legislation in Australia and/or overseas may have an adverse effect on LCM's business and financial performance.

It is possible that statute law or the interpretation of the common law may change in a way that is adverse to the interests of LCM and its clients. There are now numerous Court decisions in Australia and elsewhere (both single Judge and Courts of Appeal) supporting the business model of LCM, but it is possible that a different view may be taken by superior Courts in the future which may impact adversely on LCM's business model.

(g) Capital constraints

Litigation financing is a capital intensive business. Accordingly, the proceeds to be raised under the

Offer are considered sufficient to meet LCM's near term objectives, however additional proceeds may be required to meet LCM's business and operational plans in the future, and to meet any unanticipated liabilities or expenses incurred.

This may occur as a result of any significant unanticipated liabilities or expenses arising and/or any unexpected delays in the anticipated date of settlement for any one or more Litigation Projects.

(h) Defendant default

As part of LCM's due diligence when considering a new Litigation Project, LCM undertakes an assessment of the ability of any defendant(s) to enter into settlement negotiations and/or satisfy a judgment if LCM's client(s) are successful in their claim, including the existence and extent of any available insurance coverage that may respond to the claim. If LCM fails to properly undertake that assessment or that assessment is subsequently found to be incorrect or changes after LCM has agreed to finance a Litigation Project, then this has the potential to significantly affect LCM's cash flow and may cause material loss to LCM.

(i) Credit Facility default

There is a risk that, as a result of an event of default, the Lender may demand repayment of the amounts owing to it and cancel the Credit Facility provided to LCM Litigation.

As a result, LCM is subject to the risk that it may be unable to refinance the Credit Facility upon such an event of default or that it is unable to do so on favourable terms.

Any equity financing undertaken to refinance the Credit Facility will dilute existing Shareholders and there is no guarantee that LCM will be able to secure any such funding.

This may also require that LCM reduce the scope of its operations and/or dispose of some of its interest in one of more of its assets to an external party.

(j) Insurance default

Often LCM will obtain after the event insurance to mitigate against adverse costs orders in circumstances where a Case may be unsuccessful. There is a risk that LCM may, in the future, be unable to insure itself against this risk or may be unable to obtain insurance coverage on satisfactory terms.

There is also a risk that, in the event that a Case is unsuccessful, any after the event insurance policy obtained may not respond as a result of a condition to a policy being breached or not otherwise being satisfied. If this occurs, LCM will lose the value of its investment and may be liable to meet the costs of the defendant to the relevant proceedings. Should this occur, it has the potential to significantly affect LCM's cash flow and may cause material loss to LCM.

(k) Reliance on key personnel

LCM is heavily reliant on the expertise and judgment of its Managing Director, senior management and key personnel to oversee the day-to-day operations.

There can be no assurance given that there will be no detrimental impact on LCM if one or more Directors or employees cease their employment with LCM. This risk may increase as LCM's portfolio of Litigation Projects grows.

(l) Foreign exchange rate risk

LCM's income is reported in and the majority of its expenses incurred in Australian dollars. However, from time to time, LCM finances litigation in which loss has been incurred and any potential damages claim is calculated in a foreign currency, including, as at the date of this Prospectus, several actions in respect of which the losses were suffered in United States dollars. Therefore, LCM may be exposed to fluctuations and volatility in the difference between the currency in which losses were incurred and Australian dollars.

Further, the Credit Facility and the funds advanced to LCM Litigation pursuant to it (including interest) are denominated in United States dollars.

Accordingly, movements in these exchange rates may adversely or beneficially affect LCM's results and/or cash flows.

(m) Lack of multi-case Litigation Projects

A potential material contributing factor to the IRR performance of LCM going forward is access to multi-case Litigation Projects. Multi-case Litigation Projects, given the potential for them to distribute cash periodically during the period to Completion, can reduce the amount of cash that LCM itself needs to deploy directly to third party costs. As such a lack of access to multiple-case Litigation Projects may result in LCM's future IRR performance being weaker than that observed historically.

7.3 General risk

(a) Economic and market conditions

Share market conditions may affect the value of LCM's quoted securities regardless of LCM's operating performance. Share market conditions are affected by many factors such as:

- (1) general economic outlook;
- (2) commodity prices;
- (3) interest rates and inflation rates;
- (4) changes in investor sentiment toward particular market sectors;
- (5) the demand for, and supply of, capital; and
- (6) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for securities in general. Neither LCM nor the Directors warrant the future performance of LCM or any return on an investment in LCM.

(b) Reputational risk

LCM relies heavily on its reputation and its ability to assist in achieving commercially successful resolution of the Litigation Projects it finances. Any adverse customer experience, including one or more unsuccessful Litigation Projects and/or any inappropriate behaviours of employees, management, Board members, could negatively affect LCM's reputation.

(c) Information technology/privacy

LCM relies heavily on its own computer systems and those of third party service providers to store and manage private and confidential information. A malicious attack on LCM's systems, processes or people from external or internal sources could put the integrity and privacy of LCM's clients and other data at risk. If LCM's efforts to combat any malicious attack are unsuccessful or LCM has actual or perceived vulnerabilities, LCM's business reputation and brand name may be harmed, potentially having a material adverse effect on LCM's operations and financial position.

(d) Potential future financing issues

LCM's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional proceeds. There can be no guarantee that any such equity or debt financing will be available to LCM on favourable terms or at all. If adequate proceeds are not available on acceptable terms, LCM may not be able to take advantage of opportunities or otherwise respond to competitive pressures.

(e) Risk of shareholder dilution

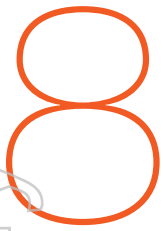
LCM may seek to issue Shares to raise capital for either working capital or to finance acquisitions within the constraints of the ASX Listing Rules (other than where exceptions apply). This may result in the dilution of existing Shareholders.

7.4 Speculative investment

The above risk factors ought not to be taken as exhaustive of the risks faced by LCM or by investors in LCM. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of LCM and the value of the New Shares offered in accordance with this Prospectus.

Therefore, the New Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares. Potential investors should consult their professional advisers before deciding whether to apply for any New Shares pursuant to this Prospectus.

For personal use only



Material Contracts

8.1 Financing Agreements

LCM, via its subsidiary entities, is party to various litigation financing agreements with its clients in relation to Litigation Projects that it is financing.

The key terms of the litigation financing agreements between LCM and its client(s) are generally as follows:

Litigation Financing and technical assistance	<p>In addition to providing technical support for the management of a Litigation Project, LCM may provide financial assistance to pay for any one or more of the following:</p> <ul style="list-style-type: none">(a) the costs associated with prosecuting the relevant claim (e.g. solicitors', barristers' and experts' fees);(b) any adverse costs orders that may be made against LCM's client(s) and/or an indemnity in respect of such costs; and/or(c) any security required to be provided by LCM's client(s) in respect of any adverse costs order. <p>In some instances, LCM may only provide security and LCM's client(s) may pay for the costs of the litigation itself.</p>
Due Diligence and Work Program	<p>LCM's liability in respect of paying the costs associated with prosecuting a claim are generally subject to LCM undertaking preliminary due diligence on a Litigation Project, including its prospects and the financial viability of the defendant, and, until such time as LCM is satisfied with the outcome of that due diligence, LCM's liability to pay costs will be limited to an agreed 'work program' which includes a defined budget.</p>
Fees and expenses	<p>LCM is generally entitled to receive a share of any amount received by its client(s) from the relevant Litigation Project, whether by way of settlement or Court order. While this will often depend on the nature and quantum of the financial assistance provided by LCM, including whether LCM is required to pay for the costs incurred in respect of the Litigation Project, whether it provides security and/or whether it provides an indemnity in relation to any adverse costs order, this will typically be the higher of:</p> <ul style="list-style-type: none">(a) between 20% and 40% of any amount received by LCM's client(s) in relation to the relevant action (Interests). This will depend on how long the Litigation Project takes to achieve resolution and/or the amount recovered; and/or(b) a multiple (generally 3 times) of all amounts paid by LCM in respect of the action, including any adverse costs and the dollar value of any security provided by LCM (Recovery Premium). <p>LCM will also be reimbursed for certain expenses incurred, including any costs incurred in prosecuting the relevant claim, satisfying any adverse costs order and financing any security for costs order.</p>

Involvement in proceedings	While LCM's clients retain control of their claim, LCM is entitled to receive information regarding the development of the Litigation Project and LCM's clients are prevented from undertaking certain actions without LCM's prior agreement, including entering into settlement negotiations, changing solicitors engaged in the Litigation Project and, if requested by LCM, the client(s) must obtain an opinion from the solicitors or a barrister in relation to any aspect of the claim.
Termination	<p>LCM may, at any time, elect to terminate a financing agreement, generally by giving 15 days prior written notice. If this occurs, LCM will generally be:</p> <ul style="list-style-type: none"> (a) required to pay all amounts payable, including in respect of any adverse costs incurred, for the period up to the date of termination; and (b) entitled to be reimbursed all amounts expended by it pursuant to the Project from any amount recovered from the proceedings. <p>Where LCM terminates the financing agreement as a result of a material breach by LCM's client(s) of their obligations, LCM will also generally retain the right to be paid the Recovery Premium and/or the Interests.</p>

8.2 Material Employment Contracts

LCM, via its wholly owned subsidiary, LCM Litigation, is party to an employment agreement with Patrick Moloney for the performance of his role as Managing Director. The key terms of the employment agreement are as follows:

Entitlements	A salary of \$450,000 per annum plus \$25,000 superannuation and is entitled to six weeks paid annual leave per year.
Term	Term of 5 years (commencing on 1 December 2013) with an automatic extension for a further 5 years unless notice is given at least 1 year before the expiry of the initial term that the agreement will not be extended.
Termination	<p>LCM can terminate the agreement at any time without cause by making payment of the total remuneration and benefits for the unexpired period of the term, unless the remaining term of the agreement is less than 12 months, in which case the agreement may be terminated by 12 months' notice in writing or payment in lieu of notice.</p> <p>LCM may also terminate the agreement for cause (ie. serious misconduct, conviction of criminal offence etc.) immediately on notice.</p> <p>Mr Moloney may terminate the agreement on providing 12 months' written notice to LCM.</p>
Restraints	Restraint of trade for directly or indirectly engaging in certain prohibited activities within Australia, including engaging in any business that competes with any part of LCM's business, for a period of up to 12 months following termination.

8.3 International Partner - Deed of Assignment and Administration Agreement

As noted in Section 5.4, in 2013 LCM, via LCM Litigation, entered into an arrangement with an international litigation financier (**International Partner**), who provided additional financing to LCM to finance its Litigation Projects (**International Partner Financing Arrangement**).

These arrangements are contained in three inter-related agreements, a Deed of Assignment, an Administration Agreement and a Security by Title Transfer Agreement.

Broadly, under this arrangement, LCM was required to assign its interest in its litigation financing agreements (**LFAs**) for Litigation Projects that met certain prescribed criteria (as

to Litigation Project size, nature of Litigation Project etc.) that were accepted by the International Partner as forming part of the arrangement, in exchange for the International Partner providing financing in respect of those Litigation Projects. LCM is entitled to continue to manage those Litigation Projects assigned to the International Partner. As security for the performance of the International Partner's obligations, the Security by Title Transfer Agreement provides for the assignment of the International Partner's entitlements in LFA's (but not the obligation) that have been assigned to it, to be assigned back to LCM.

Other key terms of these arrangements are as follows:

Assignment	LCM was required to offer the International Partner a first right of refusal to undertake Litigation Projects that met certain prescribed criteria until 31 March 2015. If the International Partner agreed to accept and provide financing in respect of Litigation Projects offered to it, LCM was required to assign all of its interest in the relevant LFA to the International Partner.
Management of Litigation Projects	LCM would continue to manage the Litigation Projects assigned to the International Partner, however, LCM and the International Partner were each prevented from exercising certain rights in respect of an assigned Litigation Project without the other party's prior written consent, including in relation to any proposed replacement of the solicitors engaged, consenting to the issuance of proceedings, any settlement of a claim and/or the lodgement of any appeal.
Fees and expenses	<p>In consideration for continuing to manage the Litigation Projects assigned to the International Partner, LCM is entitled to receive:⁵⁸</p> <p>(a) a 'performance fee' equal to 10% of the amount received by the International Partner on the completion of a Litigation Project that is above the aggregate of all amounts repaid or reimbursed by the International Partner at that time under all LFAs that have been Finally Determined⁵⁹ (Performance Fee); and</p> <p>(b) a 'completion fee' (CF) calculated as follows</p> $CF = ((f - a - b - d - e) / 2) - c$ <p>Where:</p> <ul style="list-style-type: none"> a = the aggregate of all amounts actually paid by the International Partner in respect of all LFAs on account of action costs, adverse costs and any security provided (Aggregate LFA Financing); b = two (2) times the aggregate of the highest amount that is actually paid by the International Partner under an LFA that exceeds all amounts repaid or reimbursed to the International Partner on or prior to that time under the LFA during the term of the Administration Agreement; c = all Performance Fees paid by the International Partner to LCM; d = all amounts paid by the International Partner to LCM as a reimbursement of fees incurred; e = Excess Running Costs;⁶⁰ and f = all amounts received by or paid to or to be paid to the International Partner or the Funder (as that term is described or defined in the LFAs) under all LFAs. <p>The Performance Fee is payable within 5 Business Days of the receipt by the International Partner (or payment into a solicitor's trust account) of any funds received in respect of a Litigation Project and the Completion Fee is payable within 10 Business Days of the last Litigation Project having been Finally Determined.⁶¹</p>

58 As outlined in Section 5.4, in early 2014, LCM Litigation assigned its interest in the Completion Fees and the Performance Fees arising under the International Partner Financing Arrangement to the LCM Unit Trust, a unit trust in which LCM, is the holder of approximately 60% of the issued units. Heli-Saw Holdings Pty Ltd (as trustee for the Remembrance Foundation) (an entity associated with Mr Patrick Moloney), is the holder of approximately 20% of the issued units in the LCM Unit Trust, with the other 20% being held by Australian Insolvency Group Pty Ltd, (an entity associated with a former non-executive Director of LCM Litigation, Mr Patrick Coope);

59 Finally Determined means, in relation to a Litigation Project, settlement or judgment and enforcement and recovery of any judgment and either the completion or expiration of all and any periods for any appeal;

60 Excess Running Costs means any amount by which the International Partner's costs and expenses reasonably incurred in maintaining its registered office exceed forty thousand pounds sterling in any given calendar year;

61 Finally Determined means, in relation to a Litigation Project, settlement or judgment and enforcement and recovery of any judgment and either the completion or expiration of all and any periods for any appeal;

Funds held on trust and priority	<p>LCM and the International Partner are required to ensure that all funds received in respect of an LFA (ie. as a result of a judgment or settlement) are paid out in a prescribed order of priority, including that:</p> <p>(a) the International Partner is entitled to first be reimbursed for any amounts paid by it in respect of a Litigation Project which has been Finally Determined and which has not previously been reimbursed to the International Partner; and</p> <p>(b) the International Partner is entitled to first receive an amount equal to two (2) times the Aggregate LFA Financing Amount, prior to payment of the Completion Fee (if any) to LCM.</p>
Indemnity	<p>To facilitate these arrangements, the Deed of Assignment and Administration Agreement include indemnities:</p> <p>(a) in favour of LCM against all actions, proceedings, costs etc. that LCM or a counterparty to the LFA may suffer or incur by reason of breach or non-performance by the International Partner of its obligations in respect of an LFA; and</p> <p>(b) from the International Partner in favour of LCM against any expenses, losses, damages or costs that LCM may incur as a result of:</p> <p>(1) anything done by LCM in accordance with the Administration Agreement; or</p> <p>(2) a breach by the International Partner of the Administration Agreement.</p>
Default	<p>Should certain events occur in respect of the International Partner (ie. insolvency events or default events that are not remedied within a prescribed period or cannot be remedied) then the International Partner may be liable to forfeit its rights under an LFA (including to receive any moneys in respect of an LFA).</p> <p>To secure satisfaction of the International Partner's obligations, the Security by Title Transfer Agreement provides for the assignment back to LCM of the International Partner's interest in the LFAs assigned to it, which entitle (among other things) LCM to sell that interest or to set off the value of those assets in discharge of the International Partner's outstanding obligations.</p>
Term and Termination	<p>The Administration Agreement terminates:</p> <p>(a) once the last Litigation Project the subject of the International Partner Financing Arrangement has been Finally Determined and all amounts payable to LCM have been paid; or</p> <p>(b) in the event that certain standard 'default events' occur (ie. insolvency events, material breach etc.).</p>

8.4 Credit Facility

LCM, via LCM Litigation, is party to a facility agreement and ancillary security documentation (Facility Agreement) with Hattie Investments Limited (Lender), pursuant to which it has advanced LCM Litigation a principal amount of USD\$5,665,000 to LCM (Facility Agreement).

The key terms of the Facility Agreement are as follows:

Maturity	<p>LCM Litigation is required to repay the USD\$5,665,000 advanced to it, together with all other debts and liabilities owing to the Lender (including any accrued or capitalised interest) (Secured Money) on or before 14 June 2017 (Maturity Date), unless repaid earlier (either voluntarily or as a result of a mandatory repayment event).</p>
Interest	<p>Interest accrues on the principal amount of the loan outstanding at a rate of 24% per annum, which capitalises on a monthly basis unless LCM Litigation provides notice in writing that it would like to pay that interest prior to the end of the interest period.</p> <p>A default interest rate of 36% per annum applies at any time that an event of default is subsisting.</p>

Repayment	<p>LCM Litigation must repay all Secured Money immediately on the occurrence of a change of control of LCM Litigation or the sale of all or substantially all of the assets of LCM Litigation and must repay to the Lender:</p> <ul style="list-style-type: none"> (a) an amount (if any) equal to the net amount that it receives in excess of \$200,000 in any 12 month period in accordance with a litigation financing agreement (after deducting reasonable costs and expenses and any tax incurred in respect of such agreement); and (b) an amount equal to any cash distributions received pursuant to the arrangements with its International Partner or the LCM Unit Trust. <p>LCM Litigation may also prepay the whole or part of the loan at any time, in which case it is also required to pay an early prepayment fee of US\$1,000,000, less the total amount of interest accrued and all other similar amounts previously paid to the Lender as a prepayment fee.</p>
Security	<p>LCM Litigation has granted the Lender security in all of LCM Litigation's before and after acquired property.</p>
Default Events	<p>The Facility Agreement includes various events of default which are customary for facilities such as the Facility Agreement, following the occurrence of which the Lender may require repayment of all or part of the loan, together with any accrued interest and other Secured Money is immediately due and payable, including where:</p> <ul style="list-style-type: none"> (a) LCM Litigation fails to make payment of any amount payable pursuant to the Credit Facility by the due date; (b) any representation or statement provided in connection with the Credit Facility is or proves to have been incorrect or misleading in any material respect; (c) LCM Litigation fails to comply with any provision, condition of waiver or consent; (d) any litigation, arbitration, administrative proceedings or similar actions are commenced against LCM Litigation which are likely to be adversely determined; (e) an event or circumstance(s) occurs that the Lender reasonably believes has or is likely to have a material adverse effect on LCM Litigation's business, property or prospects or the ability of LCM Litigation to perform its obligations, or the validity or enforceability of the Credit Facility; and (f) Mr Patrick Moloney ceases to be employed by LCM Litigation or to devote substantially all of his business time to the business of LCM Litigation or his employment agreement is terminated or either party becomes entitled to terminate it.
Other ongoing Obligations	<p>LCM Litigation is also subject to a number of ongoing obligations, including that it:</p> <ul style="list-style-type: none"> (a) provide the Lender with certain specified information, including, annual financial statements, quarterly accounts and the like; (b) must not, subject to certain exceptions, declare or pay any dividend or similar distribution or pay other similar fees to a director or manager without the Lender's consent; (c) acquire any assets or shares or other securities or invest in any other business or company (including a joint venture) other than in the ordinary course of its business; (d) not enter into any transaction other than on arm's length terms; or (e) ensure that there is no substantial change to the general nature of its business.
Representations and warranties	<p>The Facility Agreement includes various representations and warranties made by LCM Litigation that are common for a facility such as the Facility Agreement, including in respect of:</p> <ul style="list-style-type: none"> (a) the power and authority of LCM Litigation to enter into the documents required by the Credit Facility and their validity; (b) LCM Litigation's corporate structure, financial position and activities; (c) the ranking of security granted by LCM Litigation pursuant to the Credit Facility; and (d) the accuracy of the information disclosed to the Lender and the non-occurrence of any event that may make such information untrue or misleading in any material respect.
Indemnity	<p>LCM Litigation has agreed to indemnify the Lender for any costs, expenses, losses or liabilities incurred in relation to various matters including as a result of any default of LCM Litigation's obligations, any enquiry, investigation or litigation in respect of LCM Litigation or the transactions contemplated by or finance under the Facility Agreement.</p>

For personal use only

Additional Information

9.1 Rights and liabilities attaching to Shares

Shares issued pursuant to the Offer will have the same rights and liabilities as LCM's existing Shares on issue as at the date of this Prospectus. The full details of the rights attaching to Shares are set out in the Constitution, a copy of which may be inspected at LCM's registered office or on LCM's website (www.lcmfinance.com). A summary of the rights and liabilities attaching to the Shares is set out below:

(a) Voting rights

At a general meeting every Shareholder present in person by proxy, attorney or representative has one vote on a show of hands and every Shareholder present in person or by proxy, attorney or representative has one vote for each Share on a poll.

The Constitution enables the Board to determine that Shareholders who are entitled to vote at a meeting may do so by way of direct vote and to make regulations, rules and procedures regarding such direct votes.

(b) Dividends

Dividends are declared by the Directors at their discretion and are paid to Shareholders according to their rights and interest in the profits at the time of entitlement to the dividend.

(c) Transfer of Shares

Generally, the Directors will not refuse to register a transfer unless the ASX Settlement Operating Rules or the ASX Listing Rules permit it to do so, the transfer would result in more than three persons being registered as joint holders or LCM has a lien on the Shares.

(d) Future increases in capital

The issue of any Shares of LCM is under the control of the Directors who may, subject to the Corporations Act and the ASX Listing Rules, issue them on such conditions as they see fit.

(e) Variation of rights

The rights and privileges attaching to Shares can be altered by a special resolution of Shareholders or the written consent of three fourths of Shareholders. A special resolution is a resolution passed by a majority of not less than 75% of those present and voting.

(f) Rights on winding up

In the event of a winding up of LCM:

- (1) any surplus will be divided among the Shareholders in the proportion that the amount paid up on the Shares bears to the total amount paid up on all Shares of LCM on issue; and
- (2) surplus assets in kind may, with the sanction of a special resolution, be divided among Shareholders in such proportion as the liquidator may determine.

(g) Directors' remuneration

The Constitution provides that LCM may remunerate each Director as the Directors decide, but the total amount of the remuneration of non-executive Directors may not exceed:

- (1) the amount fixed by LCM in general meeting for that purpose; or
- (2) if no amount has been fixed by LCM in general meeting for that purpose, \$200,000 per annum.

(h) Shareholder liability

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(i) Proportional takeover provisions

The Constitution contains provisions requiring member approval in relation to any proportional takeover bid, being an off-market takeover bid for a specified proportion of securities in the bid class.

The provisions must be renewed by a special resolution of members entitled to vote, three years from the date the provisions were adopted or last renewed, otherwise the provisions will lapse.

(j) Marketable Parcels

The Constitution includes provisions which entitle LCM to require that a Shareholder who holds less than a "marketable parcel" (as defined in the ASX Listing Rules) to increase its shareholding to a marketable parcel or notify LCM that it wishes to retain its share, failing which LCM and each of its Directors will be authorised to sell the Shareholders' shares.

(k) Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of

Shareholders present and voting at the general meeting. A special resolution is a resolution passed by a majority of not less than 75% of those present and voting.

9.2 Partly Paid Shares

In addition to LCM's fully paid shares, LCM has issued 2,866,050 Unquoted Partly Paid Shares which are held by entities associated with LCM's Managing Director, Patrick Moloney, and a former Non-Executive Director of LCM Litigation.

These Unquoted Partly Paid Shares will not be Quoted until they become fully paid, and have the following terms:

- (a) were issued at an issue price of \$0.17 (wholly unpaid) and will become fully paid upon payment to LCM of \$0.17 per Share;
- (b) do not carry the right to participate in new issues of securities (including bonus issues) made to Shareholders, but are entitled to receive dividends and distributions in the proportion which the amount paid

bears to the total amounts paid and payable;

- (c) holders are entitled to receive notice of any meeting of the holders of LCM's Shares and to attend and vote at such meetings, provided that the number of votes a holder has shall be in proportion to the amount paid on the Unquoted Partly Paid Shares bears to the total amounts paid and payable;
- (d) in the event of a winding up of LCM, any surplus will be divided among all Shareholders in the proportion that the amount paid up on the Shares held bears to the total amount paid up on all Shares of LCM on issue; and
- (e) except as otherwise provided by the Corporations Act and the ASX Listing Rules, holders have no obligation to meet a call made by LCM.

9.3 ASX Restriction Agreements and Voluntary Escrow

LCM will enter into voluntary escrow agreements with various initial Shareholders (**Voluntary Escrow Shareholders**) and mandatory restriction agreements with certain Shareholders (being entities affiliated with LCM's Directors and other promoters of LCM) (**Mandatory Restriction Shareholders**). Together, the mandatory restriction agreements and voluntary escrow agreements are in respect of approximately 68.1% of all Shares currently on issue. This will be approximately

40.9% of the Shares on issue on completion of the Offer if the Offer is fully subscribed, and approximately 51.1% of the Shares on issue on completion of the Offer if the Minimum Subscription is achieved.

Subject to certain exceptions set out below, those agreements prohibit those Shareholders disposing of the following Shares for the period specified below:

Shareholder	Number of Shares	% of all Shares on completion of Offer assuming Minimum Subscription is achieved	% of all Shares on completion of Offer assuming Maximum Subscription is achieved	Restriction/ Escrow Period
Voluntary Escrow	18,644,294	43.5%	34.8%	Until the date that LCM's audited financial statements for the financial year ending 30 June 2017 are released to the ASX.
Mandatory Restriction	3,225,113	7.5%	6.0%	24 months from the date LCM's Shares are Quoted.
Total	21,869,407	51.1%	40.9%	

In addition to the Shares set out above, all of the Options held by Mr Patrick Moloney and Dr David King, together with 859,886 Unquoted Partly Paid Shares held by Kanamex Pty Ltd (being an entity associated with Mr Patrick Moloney) are also subject to a restriction on disposal for a period of 24 months from the date LCM's Shares are Quoted on the same terms as the Mandatory Restriction Shareholders.

The restrictions on disposal are subject to certain usual exceptions, including that they will not apply where there is a takeover bid for LCM's Shares in respect of which more than 50% of the Shares are not subject to a voluntary escrow arrangement (which becomes unconditional or for which there are no conditions) or if a scheme of arrangement for

LCM's Shares is approved by the Court.

Additionally, for Voluntary Escrow Shareholders, these restrictions will not apply if, in the case of a natural person, following their death, serious disability or permanent incapacity or to a related entity who is bound by an agreement on substantially the same terms.

These restrictions do not, however, affect any rights of the holder of Shares or their rights to receive or participate in any dividends, rights issue(s), bonus issue, return of capital or other distributions in connection with the relevant Shares.

9.4 Litigation

In July 2015, LCM Litigation was successful in proceedings brought in respect of the termination by LCM Litigation of the employment of its former Joint Managing Director, Mr Patrick Coope, as a result of Mr Coope engaging in serious misconduct in breach of his duties to LCM Litigation by failing to disclose to LCM Litigation that he was seeking employment in competition to LCM Litigation (**Termination Proceedings**). LCM Litigation is, accordingly, entitled to be reimbursed its costs in respect of those proceedings, which as disclosed in Section 6.6 of this Prospectus, have not yet been determined.

LCM Litigation was, however, unsuccessful in ancillary contempt of Court proceedings brought by it against Mr Coope in respect of undertakings that he had given to the Court that he would not compete with LCM Litigation in accordance with the terms of his employment agreement, which proceedings LCM Litigation intends to appeal. If LCM Litigation is not successful in this appeal, it will be required to pay Mr Coope's costs. The costs of these proceedings will be less than those owed by Mr Coope in the Termination Proceedings. While these costs will not be payable if LCM Litigation is successful in this appeal, if LCM Litigation does appeal it may be liable for the additional costs if it is unsuccessful.

As far as the Directors are aware, except as set out above, neither LCM nor a related entity is a party to any legal proceedings, other than in the ordinary course of the operation of its litigation financing business, that the Directors believe is likely to have a material adverse effect on the business or financial position of LCM.

9.5 ASX Waivers and ASIC Relief

LCM has been provided with in-principle advice that, if it proceeds to List on the ASX, the ASX will grant LCM a waiver from Listing Rule 9.1.3 to the extent necessary to ensure that the Shares issued by LCM to former shareholders of LCM Litigation in accordance with the Top Hatting pursuant to the Top Hatting will not be subject to the 'classified assets' provisions of Appendix 9B and that the date of issue for the purpose of imposing restrictions on transfer be deemed to be the date that those shareholders were originally issued shares in LCM.

ASIC has provided an in-principle decision that, subject to ASIC issuing an instrument in accordance with its in-principle decision, it will modify certain provisions of Chapter 6 of the Corporations Act so that LCM will not have a relevant interest in the Shares the subject of the Voluntary Escrow Agreements for the purposes of the Corporations Act.

9.6 Holding Statements

Holding statements for New Shares issued pursuant to the Offer will be mailed to Applicants in accordance with ASX Listing Rules and timetable set out in this Prospectus.

9.7 Dividend policy

The Directors currently intend to use surplus cash to finance the Company's Litigation Project portfolio and any resultant development, production and generation of new opportunities, rather than distributing these funds as dividends.

Once LCM is able to generate a substantial and sustainable level of cash flow after commitments, the Directors intend to review this policy and possibly initiate a revised dividend policy.

However, the Directors can give no assurance as to the amount, timing, franking or payment of any future dividends by LCM. The capacity to pay dividends will depend on a number of factors including future earnings, capital expenditure requirements and the financial position of LCM.

9.8 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in LCM are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, LCM, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for New Shares.

9.9 Director interests

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the two years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of LCM ; or
 - (b) any property acquired or proposed to be acquired by LCM in connection with:
 - (1) its formation or promotion; or
 - (2) the Offer; or
 - (c) the Offer,
- and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:
- (d) as an inducement to become, or to qualify as, a Director; or
 - (e) for services provided in connection with:
 - (1) the formation or promotion of LCM; or
 - (2) the Offer.

Details of the remuneration paid and payable to each Director of LCM and each Directors interests in LCM are set out in the Section 5.3.

9.10 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of LCM; or
- (c) underwriter to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (d) the formation or promotion of LCM;
- (e) any property acquired or proposed to be acquired by LCM in connection with:
 - (1) its formation or promotion; or
 - (2) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services provided in connection with:

- (g) the formation or promotion of LCM; or
- (h) the Offer.

Piper Alderman has acted as Australian legal advisers to LCM in relation to the Offer. In doing so, Piper Alderman has placed reasonable reliance upon the information provided to it by LCM. LCM has agreed to pay Piper Alderman \$450,000 (excluding GST and disbursements) up to the date of this Prospectus in relation to services performed in relation to the Offer and its incorporation and group structuring. Piper Alderman has received, and may receive further, additional amounts for other professional services performed for LCM in accordance with its usual practise. Piper Alderman has made no statement included in this Prospectus or on which a statement in this Prospectus is based.

BDO Corporate Finance has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 10 of this Prospectus. LCM has agreed to pay BDO Corporate Finance a total of \$175,000 (excluding GST and disbursements) for these services. In doing so, BDO Corporate Finance has placed reasonable reliance upon the information provided to it by LCM.

145 Fleet has acted as Financial Adviser to LCM. LCM has agreed to pay 145 Fleet a total of up to \$560,000 (excluding GST and disbursements) for these services. In doing so, 145 Fleet has placed reasonable reliance upon the information provided to it by LCM. 145 Fleet has made no statement included in this Prospectus or on which a statement in this Prospectus is based.

Morgans Financial has acted as Settlement Broker of the Offer. LCM has agreed to pay Morgans Financial a Settlement Broker Fee of \$80,000 (excluding GST and disbursements). LCM has also agreed to pay Brokers a handling fee of 4.0% (excluding GST) on successful applications accepted pursuant to the Offer. In doing so,

Morgans Financial has placed reasonable reliance upon the information provided to it by LCM. Morgans Financial has made no statement included in this Prospectus or on which a statement in this Prospectus is based.

Morgans Financial and its affiliated entities have also previously received an aggregate amount of approximately \$250,000 (excluding GST and disbursements) in relation to services provided to LCM Litigation in respect of capital raisings previously undertaken by that entity.

9.11 Consents

Each of the persons referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Morgans Financial has given its written consent to being named as Settlement Broker of the Offer in this Prospectus. Morgans Financial has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

145 Fleet has given its written consent to being named as Financial Adviser to the Offer in this Prospectus. 145 Fleet has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

BDO Corporate Finance has given its written consent to being named as Investigating Accountant and to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which it is included. BDO Corporate Finance has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Piper Alderman has given its written consent to being named as Australian legal advisers to LCM in this Prospectus. Piper Alderman has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Link Market Services Limited has given its written consent to being named as LCM's Share registrar in this Prospectus. Link Market Services Limited has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

As permitted by ASIC Legislative Instrument 2016/72, this Prospectus may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

The makers of those statements are not required to consent to, and have not consented to, the inclusion of such statements (if any) in this Prospectus.

9.12 Enquiries

If you have any questions regarding the Offer, please contact the LCM Information Line on 1300 853 781 (from within Australia) +61 1300 853 781 (from outside Australia) between 8.30am and 5.30pm (AEST) Monday to Friday.

10

Investigating Accountant's Report



Tel: +61 8 8223 1066
Fax: +61 8 8232 0902
www.bdo.com.au

BDO Centre
Level 7, 420 King William Street
Adelaide SA 5000
GPO Box 2018 Adelaide SA 5001
Australia

Directors
Litigation Capital Management Limited
Level 30 Westpac House
91 King William Street
ADELAIDE SA 5000

7 November 2016

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION, PRO FORMA HISTORICAL FINANCIAL INFORMATION AND FORECAST FINANCIAL INFORMATION

INTRODUCTION

BDO Corporate Finance (SA) Pty Ltd (BDO) has been engaged by Litigation Capital Management Limited (LCM or the Company) to prepare this Investigating Accountant's Report (Report) in relation to certain Financial Information of LCM, for the Initial Public Offering of shares in LCM, for inclusion in a Prospectus proposed to be issued on or about 7 November 2016 (Prospectus).

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

SCOPE

Historical Financial Information

You have requested BDO to review the following Historical Financial Information of LCM as set out in Section 6 of the Prospectus:

- the audited Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial years ended 30 June 2014 (FY14) and 30 June 2015 (FY15) of LCM Litigation Fund Pty Ltd (LCM Litigation) and for the financial year ended 30 June 2016 (FY16) of LCM;
- the audited Historical Consolidated Statement of Financial Position for FY16 of LCM; and
- the audited Historical Consolidated Statement of Cash Flow for FY14 and FY15 of LCM Litigation and FY16 of LCM.



The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies. The Historical Financial Information has been extracted from the financial statements of LCM Litigation for FY14 and FY15 and LCM for FY16, which was audited by BDO Audit (SA) Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit (SA) Pty Ltd issued an unmodified audit opinion on the financial report. The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

You have requested BDO to review the Pro Forma Consolidated Statement of Financial Position for FY16 of LCM as set out in Section 6.5 of the Prospectus. The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of LCM, after adjusting for the effects of pro forma adjustments described in section 6.5 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 6.5 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position.

Forecast Financial Information

You have requested BDO to review the following Forecast Financial Information included in the Prospectus:

- the Forecast Statement of Profit or Loss and Other Comprehensive Income of LCM for FY17, as described in section 6.7 of the Prospectus. The directors' best-estimate assumptions underlying the forecast are described in section 6.7 of the Prospectus. The stated basis of preparation used in the preparation of the forecast is the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies.

The Financial Information includes the Historic Financial Information, the Pro Forma Historic Financial Information and the Forecast Financial Information. The Financial Information is presented in an abbreviated form in the Prospectus insofar as it does not include all of the disclosures required by the Australian Accounting Standards (including the Australian Accounting Interpretations) applicable to annual financial reports prepared in accordance with the Corporations Act 2001 (Cth).

DIRECTORS' RESPONSIBILITY

Historical Financial Information and Pro Forma Historical Financial Information

The directors of LCM are responsible for the preparation of the Historical Financial Information and the pro Forma Historical Financial Information including the selection and determination of the pro forma adjustments included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and pro forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Forecast Financial Information

The directors of LCM are responsible for the preparation of the Forecast Financial Information for FY16, including the best-estimate assumptions underlying the forecasts. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITY

Historical Financial Information and Pro Forma Historical Financial Information

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

Forecast Financial Information

Our responsibility is to express limited assurance conclusions on the Forecast Financial Information, the best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the forecasts themselves, based on our review.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

CONCLUSION

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information and comprising:

- the audited Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income for FY14 and FY15 of LCM Litigation and FY16 of LCM;
 - the Pro Forma Consolidated Statement of Financial Position for FY16 of LCM;
 - the audited Historical Consolidated Statement of Financial Position FY16 of LCM; and
 - the audited Historical Consolidated Statement of Cash Flow for FY14 and FY15 of LCM Litigation and FY16 of LCM;
- are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 6 of the document.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma Historical Statement of Financial Position of LCM as at 30 June 2016 is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 6 of the Prospectus.

Forecast Financial Information

Based on our limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Statement of Profit or Loss and Other Comprehensive Income of LCM for FY17 do not provide reasonable grounds for the forecast;
- in all material respects, the forecast:
 - is not prepared on the basis of the directors' best-estimate assumptions as described in section 6.7 of the Prospectus;
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and
- the forecast itself is unreasonable.

Forecast Financial Information

The Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of LCM for FY17. There is a considerable degree of subjective judgement involved in preparing Forecast Financial Information since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecasted Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of LCM. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in LCM, which are detailed in the Prospectus, and the inherent uncertainty relating to the forecast. Accordingly, prospective investors should have regard to the investment risks as described in section 7 of the Prospectus and sensitivities as described in section 6.7 of the Prospectus. The sensitivity analysis described in section 6.7 of the Prospectus demonstrates the impact on the forecast of changes in key best-estimate assumptions. We express no opinion as to whether the forecast will be achieved.

The Forecast Financial Information has been prepared by the directors for the purpose of inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of LCM, that all material information concerning the prospects and proposed operations of LCM has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

RESTRICTIONS ON USE

Without modifying our conclusions, we draw attention to section 6 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.



CONSENT

BDO has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction or event outside of the ordinary business of LCM not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

INDEPENDENCE

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. From time to time, BDO provides LCM with certain other professional services for which normal professional fees are received.

GENERAL ADVICE WARNING

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to section 6 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

FINANCIAL SERVICES GUIDE

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Signed for and on behalf of
BDO Corporate Finance (SA) Pty Ltd

David Fechner
Director and Representative

Financial Services Guide

This Financial Services Guide is issued in relation to an independent limited assurance report (“**Report**”) prepared by BDO Corporate Finance (SA) Pty Limited (ABN 43 008 181 370) (“**BDO**” or “**we**” or “**us**” or “**our**” as appropriate) at the request of the directors (“**Directors**”) of LCM Litigation Pty Limited (“**LCM**”) for Initial Public Offering of shares in LCM (“**Proposal**”). The Report is intended to accompany a Prospectus (“**Document**”) that is sent to you.

Engagement

BDO has been engaged by the LCM and the Directors to provide general product advice in the form of an independent Limited Assurance Report in relation to the Proposal.

Financial Services Guide

BDO holds an Australian Financial Services Licence (Licence No: 259983) (“**Licence**”). As a result of our Report being provided to you BDO is required to issue to you, as a retail client, a Financial Services Guide (“**FSG**”). The FSG provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

Financial services BDO is Licenced to provide

The Licence authorises BDO to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives to retail and wholesale clients.

BDO provides financial product advice by virtue of an engagement to issue the Report in connection with the issue of securities of another person.

Our Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our Report (as a retail client) because of your connection with the matters on which our Report has been issued.

Our Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

Our Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial

position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual’s decision in relation to the Proposal described in the Document may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDO may receive

BDO has charged fees for providing our Report. The basis on which our fees will be determined has been agreed with, and our fees will be paid by, the person who engaged us to provide the Report. Our fees have been agreed on either a fixed fee or time cost basis.

BDO will receive a fee of approximately \$0.1 million (plus GST and disbursements) in relation to the preparation of the Report. The fee is not contingent upon the outcome of the Proposal, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposal.

Other Assignments

Review and audit services of financial statements for LCM were provided by BDO Audit.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDO or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

BDO does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDO is Licenced to provide.

Associations and relationships

BDO is a member of a national association of independent entities which are all members of BDO (Australia) Ltd, an Australian company limited by guarantee. BDO and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. BDO’s contact details are as set out on our letterhead.



Complaints resolution

As the holder of a Licence, we are required to have a process for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (SA) Pty Limited, GPO Box 2018 Adelaide SA 5001.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and seek to resolve the complaint. As soon as practical, and not more than 45 days after receiving the

written complaint, we will advise the complainant in writing of our determination.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ("FOS"). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDO is a member of FOS. FOS may be contracted directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001

Toll free: 1300 78 08 08

Email: info@fos.org.au

For personal use only

11 The Offer

11.1 Offer Detail

The Prospectus relates to an Offer of up to approximately 21.4 million New Shares at an issue price of \$0.70 per New Share to raise up to approximately \$15.0 million, with a minimum subscription of approximately 10.4 million New Shares to raise up to \$7.5 million, which comprises:

- (a) the Broker Firm Offer, which is open to persons located in Australia that are retail clients of the Broker and who have received a firm allocation from their Broker; and
- (b) the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, Singapore, Hong Kong and New Zealand.

All of the New Shares issued in accordance with this Prospectus will rank equally with the existing Shares on issue as at the date of this Prospectus. Further detail regarding the rights and liabilities attaching to LCM's Shares is contained in Section 9.1 of this Prospectus.

11.2 Offer Period

The Offer is expected to open on 22 November 2016, from which date LCM may accept Applications for New Shares, and is expected to close on 2 December 2016.

11.3 Purpose of the Offer

The purpose of the Offer is to raise up to \$15.0 million (before costs) so as to grow LCM's business.

Proceeds raised from the Offer, assuming the Offer is fully subscribed, are expected to be used as follows:

- (a) approximately \$1.5 million will be used to partially finance LCM's existing Litigation Project portfolio;
- (b) approximately \$7.5 million will be used towards the repayment of the Credit Facility;
- (c) approximately \$3.9 million will be used for internal costs incurred in investigating potential new Litigation Projects and growing LCM's Litigation Project portfolio and working capital purposes; and

- (d) approximately \$2.1 million will be used to meet the expenses of the Offer,

being approximately \$15.0 million in total.

In the event that the Offer is not fully subscribed, the amount applied towards repayment of the Credit Facility will be reduced accordingly. In the event that the Minimum Subscription for the Offer is raised, no amount will be applied towards the repayment of the Credit Facility.

However, as with any budget, intervening events (including any delay in the receipt of proceeds from any one or more Litigation Projects and/or additional unforeseen expenses or other new circumstances) have the potential to affect the manner in which the funds are ultimately applied, which the Board reserves the right to do.

Accordingly, you should refer to the Assumptions to the Forecast Financial Statements contained in Section 6.7 and Risks in Section 7 of this Prospectus for further information.

LCM will be applying to ASX for admission to the Official List on the basis of the 'assets test'. In accordance with the requirements of the ASX Listing Rules, LCM confirms that it has commitments to spend at least half of its cash and other assets readily convertible to cash as at the anticipated completion of the Offer in a manner consistent with its business objectives.

Specifically, as at completion of the Offer, if the Offer is fully subscribed, LCM anticipates that it will have approximately \$14.2 million (after deducting the costs of the Offer) in cash and other assets readily convertible into cash.

LCM's commitments as at completion of the Offer include approximately \$8.9 million⁶² for repayment of the Credit Facility and approximately \$1.5 million to finance the cash shortfall of LCM's existing Litigation Project portfolio, which are in addition to LCM's existing working capital commitments.

The Directors consider that on completion of the Offer LCM has enough working capital to carry out its stated objectives.

⁶² As the Credit Facility and funds advanced to LCM Litigation pursuant to it (including interest) are denominated in USD, this amount has been calculated based on a AUD/USD exchange rate of 0.7668 and is therefore exposed to fluctuations and volatility in the difference between AUD and USD between the date of this Prospectus and the date of repayment of the Credit Facility;

11.4 Effect on capital structure

The effect of the Offer on LCM's capital structure, assuming that no Unquoted Options are exercised and no Unquoted Partly Paid Shares become fully paid Shares, prior to completion of the Offer, is set out below:

Fully Paid Shares						
Description	Shares – pre-Offer	% held pre-Offer	Shares offered pursuant to the Offer	Shares held post-Offer	% held post-Offer (assuming Minimum Subscription)	% held post-Offer (assuming Maximum Subscription)
Existing Shareholders	32,104,675 Shares	100.0%	—	32,104,675	75.0%	60.0%
New Shareholders	—	—	10,714,286 to 21,428,571	10,714,286 to 21,428,571	25.0%	40.0%
Total	32,104,675 Shares	100.0%	100%	42,818,961 to 53,533,246	100%	100.0%
Unquoted Partly Paid Shares ⁶³						
Existing Shareholders	2,866,050 Shares	100.0%	—	2,866,050	100%	100%
New Shareholders	—	—	—	—	0%	0%
Total	2,866,050 Shares	100.0%	100%	2,866,050	100.0%	100.0%
Options ⁶⁴						
Description	Options – pre-Offer	% held pre-Offer	Options offered pursuant to the Offer	Options held post-Offer	% held post-Offer (assuming Minimum Subscription)	% held post-Offer (assuming Maximum Subscription)
Existing Shareholders	4,690,116	100.0%	—	4,690,116	100.0%	100.0%
New Shareholders	—	—	—	—	0%	0%
Total	4,690,116 ⁶⁵	100.0%	—	4,690,116	100.0%	100.0%

The Unquoted Incentive Options are non-transferrable and are held by Kanamex Pty Ltd (Kanamex) and Seistend Pty Ltd (Seistend), being entities associated with Mr Moloney and Dr King, respectively, and are exercisable at any time between 1 November 2018 and 1 November 2021. In the case of the 900,000 Unquoted Incentive Options held by

Kanamex, the exercise of the Unquoted Incentive Options are conditional on, Mr Moloney not having given notice of his resignation or received notice of termination for reasons of misconduct and or for cause on or before 1 November 2018.

⁶³ Issued at an issue price of \$0.17 per Share, wholly unpaid;

⁶⁴ Includes 3,190,116 Unlisted Founder Options that are Exercisable on or before 1 December 2018, at an exercise price of \$0.47 per Option, and 1,500,000 Incentive Options that are exercisable on or before 1 December 2018, at an exercise price of \$1.00 per Option;

⁶⁵ The Unquoted Incentive Options to be issued simultaneously with the Completion of the Offer;

11.5 Effect on relevant interest of substantial security holders

As at 16 November 2016, being the day prior to the approval of this Prospectus, the following persons are believed to hold a relevant interest in 5% or more of LCM's Shares:

Shareholder	Shares ⁶⁶	%
Kanamex Pty Ltd ⁶⁷	3,212,557	10.0%
Patrick Mark Coope, Litigation Support Services Pty Ltd and Australian Insolvency Group Pty Ltd ⁶⁸	3,054,174	9.5%
PFH (NSW) Pty Ltd	2,400,000	7.5%
MJC Pty Ltd	1,720,002	5.4%

Following Completion of the Offer, the Existing Shareholders holding 5% or more of the Shares on issue will hold the following Shares (assuming they do not participate in the Offer):

Shareholder	Minimum Subscription		Maximum Subscription	
	Shares ⁶⁹	%	Shares ⁷⁰	%
Kanamex Pty Ltd	3,212,557	7.5%	3,212,557	6.0%
Patrick Mark Coope, Litigation Support Services Pty Ltd and Australian Insolvency Group Pty Ltd ⁷¹	3,054,174	7.1%	3,054,174	5.7%
PFH (NSW) Pty Ltd	2,400,000	5.6%	2,400,000	4.5%

Depending on the level of participation in the Offer, there may be new Shareholders who, following Completion of the Offer, have a relevant interest in 5% or more of LCM's Shares.

11.6 Applications

Applications can only be made on the Application Form accompanying this Prospectus in its paper form or downloaded (in its entirety), from www.lcmfinance.com in accordance with the instructions set out on the reverse side of the Application Form and this Section 10.

The minimum Application amount is 3,000 New Shares, being an amount of at least \$2,100 worth of New Shares. There is no maximum amount that may be applied for under the Offer, however, LCM reserves the right to aggregate any Applications which it believes may be Applications made for or on behalf of the same beneficiary.

Applications for Shares must be accompanied by payment of the requisite Application Money (in full). Complete a paper copy of the Application Form (Application Forms will not be accepted electronically) and send it, with your Application Money in Australian currency, by the Closing Date to:

Post	Delivery
Morgans Financial Limited Level 29, Riverside Centre 123 Eagle Street Brisbane QLD 4001	Morgans Financial Limited Level 29, Riverside Centre 123 Eagle Street Brisbane QLD 4001

If you have received a 'firm allocation' of Shares from your Broker, please follow the instructions set out below in Section 11.7.

⁶⁶ Does not include Unquoted Partly Paid Shares and Options;

⁶⁷ Being an entity associated with Patrick Moloney, Managing Director;

⁶⁸ Being entities associated with Mr Patrick Coope, a former non-executive Director of LCM Litigation;

⁶⁹ Does not include Unquoted Partly Paid Shares and Options;

⁷⁰ Does not include Unquoted Partly Paid Shares and Options;

⁷¹ Being entities associated with Mr Patrick Coope, a former non-executive Director of LCM Litigation;

11.7 Broker Firm Offer

If you have received a 'firm' allocation of Shares from a Broker:

- your cheque for your Application Money must be made payable to the Broker; and
- your completed Application Form and cheque must be delivered to the Broker directly (not to Morgans Financial, LCM or LCM's Share Registry).

Applicants who receive a firm allocation of Shares must lodge their Application Form and Application Money with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Your Broker will act as your agent in submitting your Application to the Settlement Broker. LCM, the Share Registry and the Settlement Broker take no responsibility for any acts or omissions by your Broker in connection with your Application, Application Form or Application Money.

LCM has agreed to pay Brokers a handling fee of 4.0% (plus GST) on successful applications accepted pursuant to this Offer.

If you have any questions regarding the Offer, please contact the LCM Information Line on 1300 853 781 (from within Australia) +61 1300 853 781 (from outside Australia) between 8.30am and 5.30pm (AEST) Monday to Friday. If you have a firm allocation of Shares and you have any questions or you are unsure of what to do, you should contact the Broker who has made you the firm offer.

11.8 Institutional Offer

The Institutional Offer consists of an invitation to certain institutional investors in Australia, Singapore, Hong Kong and New Zealand (Institutional Investors) to apply for New Shares in accordance with the terms of this Prospectus. Application procedures for Institutional Investors have been, or will be, advised to the Institutional Investors by the Settlement Broker.

11.9 Settlement Broker Arrangements

Morgans Financial (Settlement Broker) is appointed on an exclusive basis to act as Settlement Broker of the Offer.

In consideration for acting in the role of Settlement Broker, the Settlement Broker will be paid a fixed fee of \$80,000 (plus GST). LCM has also agreed to pay Brokers a handling fee of 4.0% (excluding GST) on successful applications accepted pursuant to the Offer.

11.10 Minimum Subscription

The minimum subscription for the Offer is approximately 10.7 million shares at \$0.70 to raise approximately \$7.5 million (before costs).

In the event that the Minimum Subscription is not obtained LCM will not proceed with the Offer. If LCM does not proceed with the Offer, any application money received by LCM will be refunded to Applicants (without interest).

11.11. Selling restrictions

The offer of New Shares pursuant to this Prospectus does not, and is not intended to, constitute an offer or invitation in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Prospectus.

Specifically, no action has been taken to register or qualify this Prospectus, the New Shares or the Offer, or otherwise permit a public offering of the New Shares, in any jurisdiction outside Australia, and the Institutional Offer is only being extended to certain institutional investors in Australia, Singapore, Hong Kong and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (FMC Act). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- (a) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- (b) meets at least one of the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;

- (c) is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- (d) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- (e) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Hong Kong

This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it.

Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to 'professional investors' (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purposes of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The content of this document has not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are either (i) an 'institutional investor' (as defined in the SFA) or (ii) a 'relevant person' (as defined in section 275(2) of the SFA). In the event that you are located in Singapore and do not fall within any of the categories set out above, please

return this Prospectus to LCM immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

11.12 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$2.01 million (excluding GST), which are expected to be applied towards the items set out in the table below:

Expense	Amount (\$) millions
Settlement Broker's fees	\$0.68
145 Fleet's fees	\$0.56
Investigating Accountant's fees	\$0.17
Legal fees	\$0.45
ASX fees	\$0.10
Other costs, including printing, processing fees, Settlement Broker's legal costs and ASIC fees	\$0.05
Total	\$2.01

11.13 Financial Adviser

LCM has entered into an agreement with 145 Fleet (**Financial Adviser**) to act as LCM's Financial Adviser in relation to the Offer, including assisting with the structure of the Offer (**Financial Adviser Agreement**), production and review of public documentation, valuation, due diligence and providing an active role in the recommendation on the Offer structure, final pricing and share allocation policy.

In consideration for performing this role, the Financial Adviser is entitled to receive:

- a retainer fee of \$10,000 per month payable for the term the Financial Adviser is acting in that capacity until the date that is six weeks after Completion of the Offer; and
- a success fee of \$400,000 payable in cash.

The Financial Adviser is also entitled to be reimbursed for all reasonable expenses incurred in its provision of the services. LCM's approval is required for any individual expense exceeding \$1,000, and receives the benefit of indemnities usual for an agreement of this sort.

11.14 Application forms

By completing and lodging an Application Form received with this Prospectus, you as the Applicant represent and warrant that you have personally received a complete and unaltered copy of this Prospectus prior to completing the Application Form. The Company will not accept a completed Application

Form if it has reason to believe you, as the Applicant, have not received a complete copy of the Prospectus or LCM has reason to believe that the Application Form has been altered or tampered with in any way.

An Application Form is an irrevocable offer to subscribe for New Shares in accordance with the terms of this Prospectus.

If an Application Form is not completed correctly, or if the requisite Application Money is for the wrong amount, LCM may, at its discretion, treat it as being a valid Application. By completing and lodging an Application Form with LCM, the Settlement Broker or your Broker, you, irrevocably, agree:

- that the Directors' decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final and binding, subject to an Applicant not being treated as having applied for more New Shares than is indicated by the sum of the cheque for the Application Money;
- that you are, and shall be deemed to have, represented and warrant that, you have read and understood the Prospectus to which this Application Form relates and declare that this Application is completed and lodged according to the Prospectus; and
- to the terms and conditions of the Offer contained in this Prospectus and that you are, and shall be deemed to have, represented that you have not relied on any other information provided by the Company other as set out in this Prospectus when making your decision to invest.

11.15 Allocation and allotment

The allocation of New Shares will be determined by LCM.

The allocation of Shares between:

- the Institutional Offer and the Broker Firm Offer;
- Brokers; and
- participants within the Institutional Offer,

will be determined by LCM in consultation with Morgans Financial, having regard to the following factors:

- LCM's preference for having a stable share register;
- desire for a liquid trading market for the Shares;
- overall level of demand for Shares under the Offer; and
- any other factors that LCM and Morgans Financial considers appropriate.

New Shares issued pursuant to the Offer will be allotted in accordance with ASX Listing Rules and the timetable set out in this Prospectus.

Where the number of New Shares issued to an Applicant is less than the number applied for, or where no allotment is made, any surplus Application Money received by LCM or the Settlement Broker will be refunded to the Applicant in full as soon as practicable after the Closing Date. No interest will be paid on any Application Money refunded to Applicants.

Pending the allotment and issue of New Shares or the payment of refunds pursuant to this Prospectus, all Application Money received by LCM will be held on trust for Applicants in a separate bank account as required by the

Corporations Act. LCM, will, however, be entitled to retain all interest that accrues on any money held in the bank account and each Applicant waives the right to claim interest.

11.16 LCM discretion

LCM reserves the right:

- (a) not to proceed with the Offer or any part of it at any time before the allocation of New Shares; and
- (b) to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or reject any Application or to allocate to any Applicant fewer New Shares than applied or bid for.

11.17 ASX listing

An application will be made to ASX for admission to the ASX's official list and Quotation of the New Shares offered pursuant to this Prospectus within 7 days of the date of this Prospectus. If ASX does not grant Quotation of the New Shares offered pursuant to this Prospectus before the expiration of three months after the date of the Original Prospectus (or such period as varied by ASIC), LCM will not issue any New Shares and will repay all application money for the Shares within the time prescribed under the Corporations Act, without interest.

The ASX and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The fact that ASX may include LCM in the ASX's official list or grant Quotation of the New Shares offered pursuant to this Prospectus is not to be taken in any way as an indication of the merits of LCM or the New Shares offered pursuant to this Prospectus.

11.18 Brokerage, Commission and Stamp Duty

No brokerage, commission or stamp duty is payable by Applicants upon acquisition of New Shares under the Offer. However, various fees are payable to Brokers including the Settlement Broker in relation to the Offer, further details of which are set out in Section 11.9.

11.19 Clearing House Electronic Sub Register System (CHES) and Issuer Sponsorship

LCM will not be issuing share certificates. LCM is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by LCM. Because the sub registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that LCM will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them in accordance with Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in LCM during the preceding month.

11.20 Further Enquiries

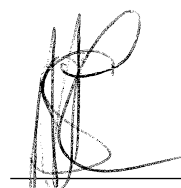
If you have any questions regarding the Offer, please contact the LCM Information Line on 1300 853 781 (from within Australia) +61 1300 853 781 (from outside Australia) between 8.30am and 5.30pm (AEST) Monday to Friday. If after reading this Prospectus you have any questions about the New Shares being offered in accordance with Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

11.21 Other Material Information

To the best of the Directors' knowledge and belief, this Prospectus contains all information that investors and their professional advisers would reasonably require to make an informed assessment of the rights and liabilities attaching to the New Shares offered pursuant to this Prospectus and the assets, liabilities, financial position, performance and prospects of LCM.

11.22 Authorisation

This Prospectus is issued by LCM. The lodgement of this Prospectus with ASIC was consented to by every Director of LCM.



Steven McLean
Director

12

Glossary

\$	means the lawful currency of the Commonwealth of Australia.
145 Fleet	means 145 Fleet Pty Ltd ACN 607 432 968.
AEST	means Australian Eastern Standard Time.
Applicant	means an Eligible Investor who applies for Shares pursuant to the Offer.
Application Form	means an application in the form accompanying this Prospectus, pursuant to which Eligible Investors may apply for New Shares in accordance with the Offer.
Application Money	means the aggregate amount of money payable by an Applicant for New Shares applied for pursuant to the Offer.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given to that term in the Corporations Act.
ASX	means ASX Limited ACN 008 624 691 or the financial market operated by it (as the context requires).
ASX Listing Rules	means the listing rules of the ASX.
ASX Settlement Operating Rules	means the settlement rules of the securities clearing house which operates CHES.
AUD	means the lawful currency of the Commonwealth of Australia.
BDO Corporate Finance	means BDO Corporate Finance (SA) Pty Ltd ACN 00 8181 379.
Board	means the board of Directors unless the context indicates otherwise.
Broker	any ASX participating organisation invited to participate in the Broker Firm Offer.
Broker Firm Offer	means the invitation to apply for New Shares made pursuant to this Prospectus to clients of Brokers who have received an invitation to participate from their Broker.
Business Day	means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
CHES	means the ASX's clearing house electronic sub register system.
Claim/Case	means a single set of proceedings.
Closing Date	means the date specified in the timetable set out at the commencement of this Prospectus (unless extended) as being the date that the Offer closes.
Completed	means, in respect of a Case or Litigation Project, that it has been settled, for which there has been a judgment or from which LCM has elected to withdraw from funding (other than at a time prior to funding becoming unconditional) or for which proceedings have been discontinued. Completion has a corresponding meaning.
Constitution	means the constitution of Litigation Capital Management Limited ACN 608 667 509 as at the date of this Prospectus.
Corporations Act	means the Corporations Act 2001 (Cth).
Credit Facility	means the credit facility provided to LCM pursuant to the Facility Agreement.
Directors	means the directors of LCM as at the date of this Prospectus.

Eligible Investor	means a person who is located in Australia who receives an offer from their Broker to participate in the Broker Firm Offer or a person to whom the Institutional Offer is extended.
Excess Running Costs	means any amount that the International Partner's costs and expenses reasonably incurred in maintaining its registered office that exceed forty thousand pounds sterling in any given calendar year.
Existing Shareholder	means a Shareholder as at the date of this Prospectus.
Exposure Period	means the period commencing on the date that the Original Prospectus is lodged with ASIC and ending seven days later or the date that ASIC extends such period to.
Facility Agreement	means the facility agreement entered into by LCM Litigation and the Lender.
Financial Adviser Agreement	means the agreement between the Company and 145 Fleet as described in Section 11.13.
Finally Determined	means, in relation to a Litigation Project, settlement or judgment and enforcement and recovery of any judgment and either the completion or expiration of all and any periods for any appeal.
Founder Options	means the 3,190,116 Options that are exercisable on or before 1 December 2018, at an exercise price of \$0.47 per Option.
Fund 2	means the LCM Litigation Investment Fund Unit Trust.
FY12	means LCM Litigation's financial year ending 30 June 2012.
FY14	means LCM Litigation's financial year ending 30 June 2014.
FY15	means LCM Litigation's financial year ending 30 June 2015.
FY16	means LCM's financial year ending 30 June 2016.
FY17	means LCM's financial year ending 30 June 2017.
FY18	means LCM's financial year ending 30 June 2018.
Group	means LCM and each of its subsidiaries.
Gross Claim Size	means LCM Litigation's current best estimate of the aggregate amount for which its client(s) will or have claimed in respect of a Litigation Project. It does not include any assessment of any defendant(s) ability to satisfy any judgment made against it or the amount that LCM will receive in respect of the Litigation Project.
Incentive Options	means the 1,500,000 Options that will be issued on completion of the offer that are exercisable between 1 November 2018 and 1 November 2021, at an exercise price of \$1.00 per Option, as set out in Section 11.4 of this Prospectus.
Institutional Investors	means institutional investments to whom the Institutional Offer is executed.
Institutional Offer	the offer of New Shares to institutional investors described in Section 11.8.
International Partner	means the international based litigation funder with whom LCM Litigation is party to a funding arrangement.
International Partner Financing Arrangement	means the agreement with the International Partner as described in Section 8.3.
Invested Capital	means capital actually deployed on a cash basis by LCM in respect of costs and expenses relating to a Litigation Project, including Court filing fees, solicitors', barristers', liquidators' and experts' fees, travel and accommodation costs and, where applicable, the costs of any security provided, but does not include LCM's internal overhead costs.
Investigating Accountant	means BDO Corporate Finance.
Investigating Accountant's Report	means the report from the Investigating Accountant contained in Section 10.
IRR	means the internal rate of return for LCM's portfolio of Litigation Projects that are managed to Completion.
Issue Date	means the date for the issue and allotment of New Shares subscribed for pursuant to this Prospectus.
LCM Litigation	means LCM Litigation Fund Pty Ltd ACN 078 747 0921 being a wholly owned subsidiary of LCM.

LCM	means Litigation Capital Management Limited ACN 608 667 509 and each of its subsidiaries.
Lender	means Hattie Investments Limited (a Guernsey based company), being the lender pursuant to the Credit Facility.
Listing	means LCM being admitted to ASX's official list. Listed has a corresponding meaning.
Litigation Project	means either a Case or multiple Cases which comprise a common cause of action.
Minimum Subscription	means the issue of approximately 10.7 million New Shares at the Offer Price to generate approximately \$7.5 million in proceeds.
Maximum Subscription	means the issue of approximately 21.4 million New Shares at the Offer Price to generate approximately \$15.0 million in proceeds.
Morgans Financial	means Morgans Financial Limited ACN 010 669 726.
New Share	means any New Shares to be issued pursuant to the Offer.
Offer	means the offer to acquire New Shares contained in this Prospectus.
Offer Period	means the period between the Opening Date and the Closing Date.
Offer Price	means an amount of \$0.70 per New Share.
Opening Date	means the date specified in the timetable set out at the commencement of this Prospectus (unless the Exposure Period is extended) as being the date that the Offer opens.
Pipeline Projects	means a potential proceeding or set of proceedings for which LCM is currently undertaking due diligence and/or undertaking negotiations with the intention that they may become a Litigation Project.
Prospectus	means this replacement prospectus, as modified or varied by any replacement or supplementary prospectus from time to time in accordance with the Corporations Act.
Quotation	means official quotation of the Shares on ASX and the term 'Quoted' has a corresponding meaning.
Recovery	means the aggregate gross proceeds received as a result of an award arising from or the settlement of a Litigation Project, from which LCM receives a percentage share of that aggregate amount.
Return on Invested Capital	means the proceeds from a settlement or judgment that LCM receives in respect of a LCM managed Litigation Project divided by the Invested Capital on a LCM managed Litigation Project.
Settlement Broker	means Morgans Financial.
Share	means an ordinary fully paid share in the capital of LCM.
Share Registry	or Link Market Services means Link Market Services Limited (ABN 54 083 214 537).
Shareholder	means the holder of a Share.
Top Hatting	means the scrip for scrip acquisition whereby LCM acquired all of the shares and options in LCM Litigation in consideration for issuing Shares and Options in LCM as described in Section 5.4.
Unquoted	means Shares or Options that are not Quoted.
Unquoted Option	means an Unquoted option to acquire a Share.
Unquoted Partly Paid Shares	means Unquoted partly paid Shares issued at an issue price of \$0.17 per Share, wholly unpaid, and having the terms and conditions outlined in Section 9.2.
USD	means the lawful currency of the United States of America.

13

Corporate Directory

Directors

Dr David King (Chairman)
Mr Patrick Moloney (Managing Director)
Mr Steven McLean (Non-Executive Director)

Company secretary

Anna Sandham

Settlement Broker

Morgans Financial Limited
Level 29, Riverside Centre,
123 Eagle Street
Brisbane QLD 4000

Registry

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane, QLD, 4000
1300 554 474

Lawyers

Piper Alderman
Level 36, Riverside Centre,
123 Eagle Street
Brisbane QLD 4000

Registered office

Level 25, Aurora Place
88 Phillip Street
Sydney NSW 2000
Website: www.lcmfinance.com

Financial Adviser

145 Fleet
109,6 Cowper Wharf Road
Woolloomooloo NSW 2011

Investigating Accountant

BDO Adelaide
Level 7, 420 King William Street
Adelaide SA 5000

For personal use only

For personal use only

For



lcmfinance.com

SYDNEY
Level 25, Aurora Place,
88 Phillip St Sydney NSW 2000
T 02 8211 0511

ADELAIDE
Level 30, Westpac House,
91 King William St Adelaide SA 5000
T 08 7129 8137

BRISBANE
Level 36, Riparian Plaza,
71 Eagle St Brisbane QLD 4000
T 07 3121 3277