

Quarterly Business Review - 3Q19

The Board of LawFinance Limited (“LawFinance” or “the Company”) provides the following update.

3Q19 Group Highlights:

- Cash Collections for 3Q19 were US\$9.4m, up 16% pcp.
- Originations¹ for 3Q19 were US\$8.2m, up 32% pcp.
- Net Receivables of US\$126.1m.

The Company generated a record US\$5.4m in Net Operating Cashflow in the quarter to 30 September to take the nine-month total to US\$14.9m.

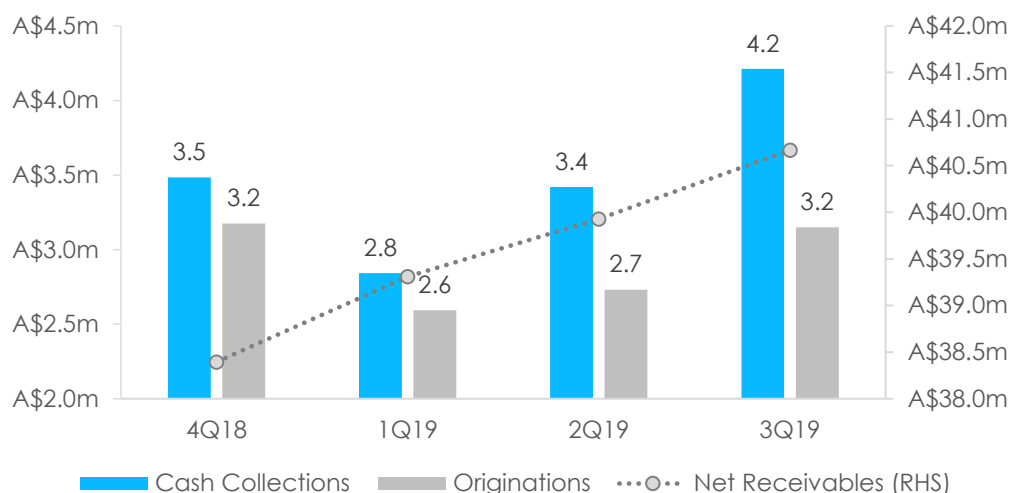
We anticipate a further step up in our deployment of capital in 4Q19 and this will be funded by cash and undrawn debt facilities, which finished the period at US\$3.4m and US\$41.7m respectively. We are also expecting further increases in our cash inflows. A summary of our key operating metrics is provided at the end of this report.

Operational overview – JustKapital Finance (Australia)

Our Australian disbursement funding business has returned to sequential growth with Originations, Cash Collections and Net Receivables all improving in the current and prior quarter, on a constant currency basis (A\$).

In the quarter ahead, we expect the business to report further incremental growth in all these key indicators.

• JustKapital Finance: Originations, Cash Collections & Net Receivables



¹ Originations: This is the new cash funding deployed with our customers.

Operational overview – National Health Finance (“NHF”) (US)

It has been a solid quarter for the US operations, with US\$6.5m in Cash Collections and \$6.0m in Originations.

Importantly, collections of “new” originations (since April 2018) have generated an average IRR² of in excess of 100% for the 9 months to September 2019. This signals the strong profit potential of the NHF business.

The attractions of the NHF acquisition have been obscured by the requirement to invest significant management time in improving internal processes and our financing partnerships. This has meant that growth has been more restrained than we hoped and believe is possible. Much of this insular focus is now close to completion and we look forward to FY20 as being the year that provides greater insight into the economics of our business and the growth that we believe is attainable.

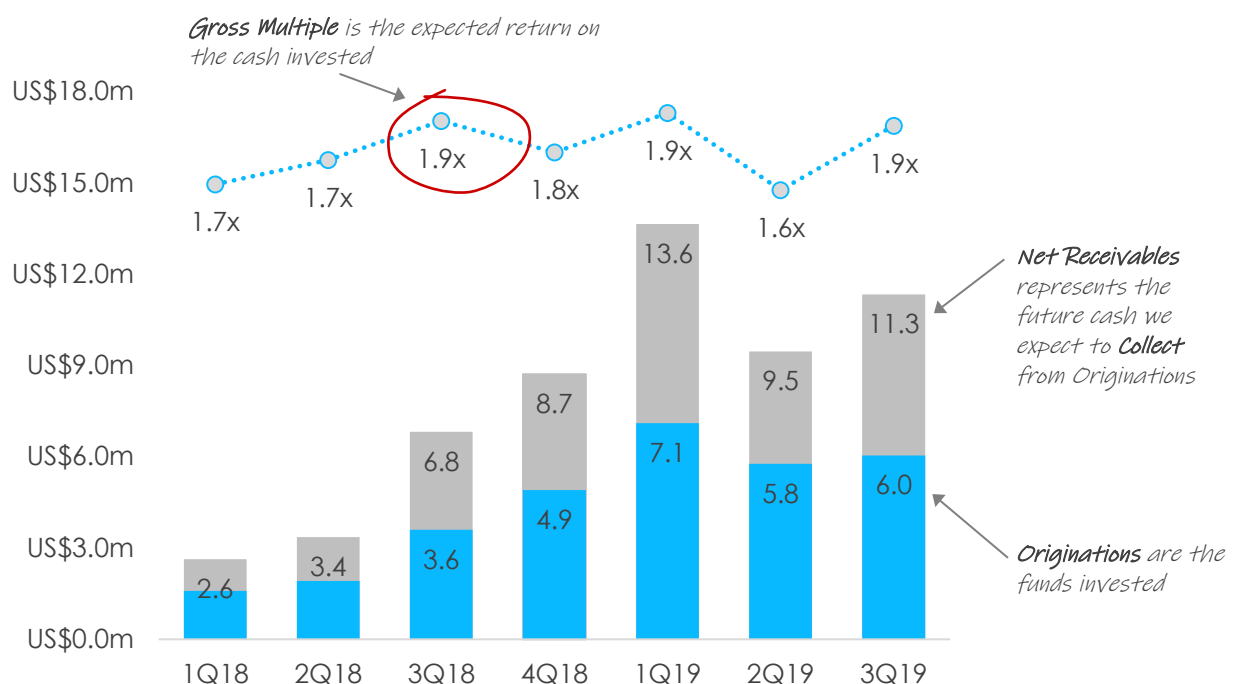
Key to our success will be finding attractive opportunities for deploying cash (“**Originations**”) through our network of doctors and lawyers across 21 states in the US and subsequently ensuring our targeted returns are collected in a timely manner (“**Cash Collections**”).

Originations: US\$6.0m +5%pp (2Q19: US\$5.8m)

Originations improved in the quarter with origination contributions starting to return to levels seen over the earlier quarters post the acquisition of NHF.

The expected return of 1.9x in the quarter is a significant improvement over the past quarter and the result of the various initiatives undertaken by NHF management. This improved return is expected to be further enhanced by quicker than historical collections time frames.

NHF Originations & Net Receivables

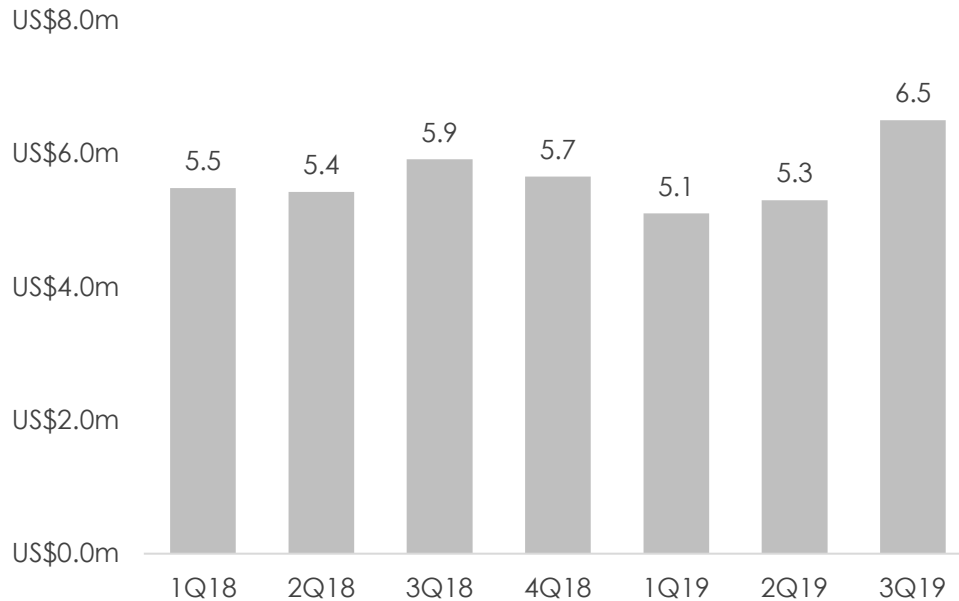


² IRR: The internal rate of return is calculated based on the period of time between Origination and Collection.

Cash Collections: US\$6.5m +22%pp (1Q19: US\$5.3m)

Cash Collections continue to be the focus of the management team. The utilisation of NetSuite has had a positive impact on the collections process with NHF achieving its strongest cash collections quarter to date. We continue to expect ongoing improvements in cash inflows.

NHF Cash Collections



Operational overview – Litigation Funding (Australia)

As previously advised this operation is being wound down, with the decision not to fund any new cases. The funded cases continue to progress to completion, and we continue to expect to collect US\$14m (A\$20m) from our share of the proceeds as the portfolio of cases are concluded.

Other business

We are pleased to announce that all legal proceedings instigated by the former chairman of the Company have now been settled.

A Forbearance Agreement has been entered into with the Group's US Financier, enabling management to refocus on the key business drivers of the US business.

The Company is working with its lenders following recent breaches of covenants under the A\$42m Syndicated Acquisition Facility. The Company has requested forbearance, and discussions are ongoing between the Company and its lenders in relation to this request. We will keep shareholders informed of any material developments arising out of these forbearance discussions.

Key Performance Indicators³

(US\$m)	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Cash Collections							
USA	5.7	5.1	5.3	6.5			
Australia	2.5	2.0	2.4	2.9			
Total	8.2	7.1	7.7	9.4	0.0	0.0	0.0
Originations							
USA	4.9	7.1	5.8	6.0			
Australia	2.2	1.8	1.9	2.1			
Total	7.1	8.9	7.7	8.2	0.0	0.0	0.0
Net Receivables							
USA	96.0	105.3	102.1	98.6			
Australia	27.1	27.9	28.0	27.5			
Total	123.1	133.2	130.1	126.1	0.0	0.0	0.0
Change in Net Receivables							
USA	96.0	9.3	-3.2	-3.5			
Australia	0.2	0.8	0.1	-0.5			
Total	96.2	10.1	-3.1	-4.0	0.0	0.0	0.0
Deferred profit (reported half yearly)							
USA	20.4		23.2				
Australia	5.8		5.3				
Total	26.2		28.4		0.0		0.0
FX (AUD/USD)	0.71	0.71	0.70	0.68	0.00	0.00	0.00

Authorised by:


Diane Jones
Chief Executive Officer

For media enquiries:

Sascha Moore
Director
Create Design & Marketing
Tel: +61 2 9697 9122
Email: sascha@createdesign.com.au

For investor enquiries:

Diane Jones
Chief Executive Officer
LawFinance Limited
Tel: + 61 2 9696 0220
Email: diane.jones@lawfinance.com.au

³ Due to the challenges of providing a P&L that accurately reflects the economics of the business while we await the profit recognition under AASB 9 to catch-up, management will be providing updates on the key performance indicators of the operations.