



ASX Announcement (ASX: LAW)

30 April 2020

Quarterly Activities Report – March Quarter 2020

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

COVID-19 update

Although the operations of LawFinance are not typically economically cyclical, the Company has faced a number of challenges as a result of the COVID-19 pandemic lockdown.

In Australia, restrictions imposed by the various state governments have resulted in the majority of the population remaining at home and, as a by-product, fewer cars on the road. These restrictions have also impacted consultations in relation to non-essential medical requirements. In addition, the average settlement cycle has slowed as counterparties delay payments and court proceedings are postponed.

In the US, the mass spread of infection and the related containment measures have created a multitude of challenges in the various jurisdictions in which the Company operates. Many of the states have imposed lockdowns which have limited people’s movements in terms of time spent in their cars and the ability to attend medical appointments. The US court system has moved to a virtual environment which has slowed down the settlement cycle.

These impacts are only deferring collections rather than impairing value. Naturally, in the current environment LawFinance is being more cautious about deploying capital and therefore Originations of new case funding have also slowed. Originations are expected to increase commensurate with the progressive easing of lockdown measures in Australia and the US.

March 2020 quarter highlights:

- Case-related cash collections were US\$7.3 million, up 2% year on year.
- Originations¹ were US\$4.0 million, down 55% year on year.
- Net Receivables were US\$102.7 million, down 23% year on year including the write-downs reported previously.

A summary of our key operating metrics is provided at the end of this report.

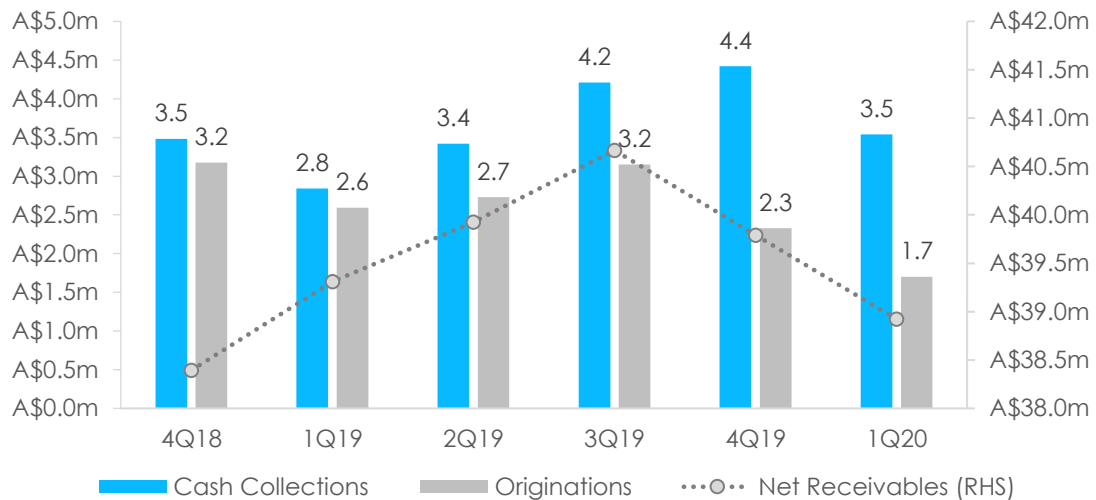
Operational overview – JustKapital Finance (Australia)

Despite COVID-19, the Australian disbursement funding business delivered strong cash collections quarter on quarter, increasing 25% on a constant currency basis (A\$).

Originations are down due to the pandemic. Our expectation is that the impact of COVID-19 will continue into the second and third quarter of 2020 with a sense of normality returning in 4Q20.

¹ Originations: This is the new cash funding deployed in relation to the purchase of accounts receivable.

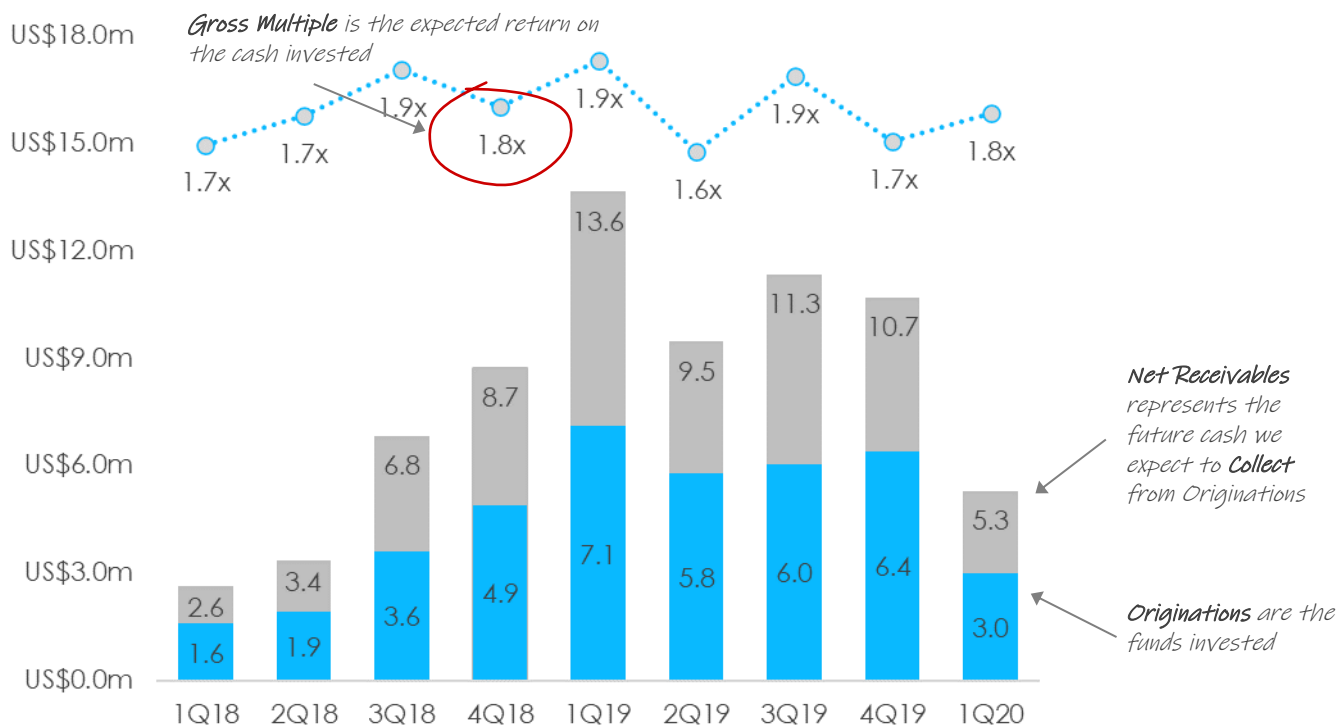
JustKapital Finance: Originations, Cash Collections & Net Receivables



Operational overview – National Health Finance (NHF)

NHF has materially curtailed Originations due to COVID-19. Our expectation is that the impact of the coronavirus will continue into the second and third quarter of 2020 with a sense of normality returning in 4Q20. Subject to several initiatives underway, the Company may look to increase deployment of capital prior to the return of normal conditions, as opportunities arise.

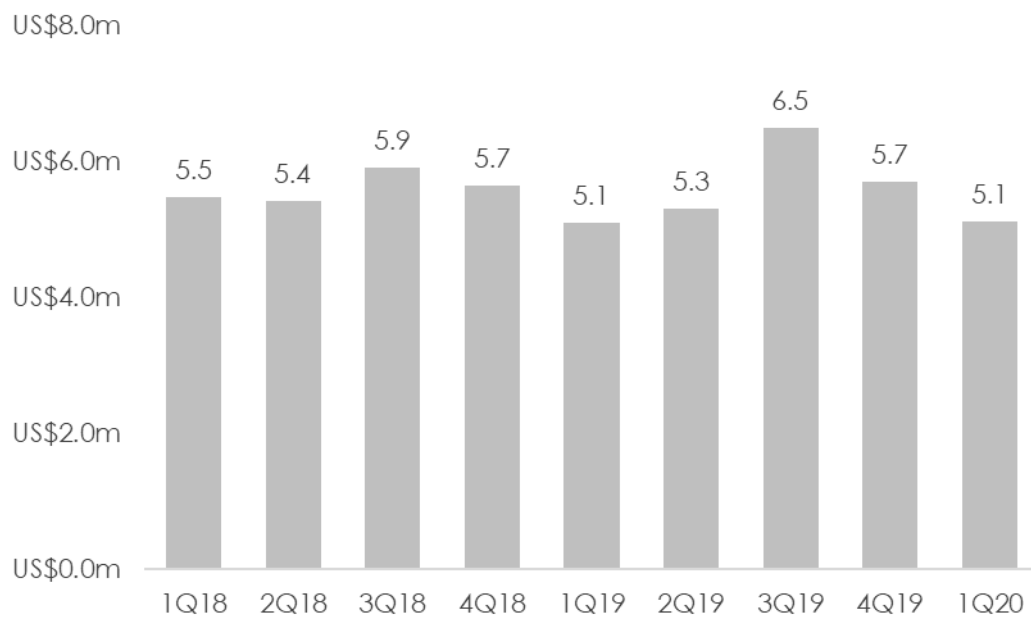
NHF Originations and Net Receivables



NHF Cash Collections: US\$5.1 million, flat growth year on year (1Q19: US\$5.1m)

Improvement in Cash Collections procedures continues to be the focus of the management team. The utilisation of our technology platform NetSuite has had a positive impact on collections offsetting the challenges experienced in the quarter, and we continue to expect ongoing improvement.

NHF Cash Collections



Operational overview – Litigation Funding (Australia)

As previously advised, this operation is being wound down, with the decision being made to not fund any new cases. The funded cases continue to progress to completion, and we continue to expect to collect US\$14 million (A\$20 million) from our share of the proceeds as the portfolio of cases is concluded. This capital will be reallocated to the NHF business, further driving growth in shareholder value.

Payments to related parties of the entity and their associates

As disclosed in Section 6.1 of the attached Appendix 4C, there were total payments of US\$202,000 to related parties. Of this, US\$196,000 was for salaries and directors' fees paid to executive and non-executive directors. There were also payments for cost of sales of \$6,000 to Multus Medical LLC.

Key Performance Indicators²

(US\$m)	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Cash Collections							
USA	5.7	5.1	5.3	6.5	5.7	5.1	
Australia	2.5	2.0	2.4	2.8	3.1	2.2	
Total	8.2	7.1	7.7	9.3	8.8	7.3	0.0
Originations							
USA	4.9	7.1	5.8	6.0	6.4	3.0	
Australia	2.2	1.8	1.9	2.1	1.6	1.0	
Total	7.1	8.9	7.7	8.2	8.0	4.0	0.0
Net Receivables							
USA	96.0	105.3	102.1	98.6	85.0*	78.7	
Australia	27.1	27.9	28.0	27.5	27.8	24.0	
Total	123.1	133.2	130.1	126.1	112.8	102.7	0.0
Change in Net Receivables							
USA	96.0	9.3	-3.2	-3.5	-13.6*	-6.3	
Australia	0.2	0.8	0.1	-0.5	0.4	-3.9	
Total	96.2	10.1	-3.1	-4.0	-13.2	-10.2	0.0
Deferred profit (reported half yearly)							
USA	20.4		23.2		23.4**		
Australia	5.8		5.3		5.0		
Total	26.2		28.4		28.3		0.0
FX (AUD/USD)	0.71	0.71	0.70	0.68	0.70	0.62	0.00

* The reduction in this last quarter stems from the write-downs which were offset by a reduction in the NHF Vendor Loans processed through the financial statements at year end. The Back Book now comprises only **42%** of the Company's total Net Receivables.

**The deferred profit for the USA business is now being calculated under the Amortised Cost basis in accordance with AASB9.

Authorised by:

The Board of Directors

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² 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 Company's operations.