

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

LawFinance Limited

**ABN**

72 088 749 008

**Quarter ended ("current quarter")**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$USD'000</b>	<b>Year to date (12 months) \$USD'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	6,766	28,179
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	5	(78)
(d) leased assets	-	-
(e) staff costs	(1,262)	(4,647)
(f) administration and corporate costs	(1,588)	(3,674)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(4)	(18)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Payments for disbursement reports and medical liens	(832)	(11,506)
1.8 Movements in Working Capital Facilities (including interest)	(4,620)	(19,725)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,535)</b>	<b>(11,467)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(9)	(16)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (12 months) \$USD'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	1,361	1,855
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Payments for Litigation Case Funding (net of co-funders contribution)	(381)	(222)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>971</b>	<b>1,617</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,712	9,058
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(9)	(409)
3.5	Proceeds from borrowings - corporate	25,805	28,689
3.6	Repayment of borrowings - corporate	(23,851)	(25,391)
3.7	Transaction costs related to loans and borrowings (including interest)	(346)	(1,320)
3.8	Dividends paid	-	-
3.9	Other – Repayment of Lease Liabilities	(58)	(245)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>5,253</b>	<b>10,382</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,498	5,777
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,535)	(11,467)

Consolidated statement of cash flows		Current quarter \$USD'000	Year to date (12 months) \$USD'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	971	1,617
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,253	10,382
4.5	Effect of movement in exchange rates on cash held	(836)	(958)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>5,351</b>	<b>5,351</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$USD'000	Previous quarter \$USD'000
5.1	Bank balances	5,236	1,391
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other - term deposits for Bank Guarantees	115	107
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,351</b>	<b>1,498</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$USD'000**

(193)

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$USD'000</b>	<b>Amount drawn at quarter end \$USD'000</b>
7.1 Loan facilities	189,724	121,731
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	189,724	121,731

7.5 **Unused financing facilities available at quarter end** 0

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Refer to Attachment 'A' at the end of this Appendix 4C for details of the above financing facilities, and the 'unused financing facilities available at quarter end'.

<b>8. Estimated cash available for future operating activities</b>	<b>\$USD'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,535)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,351
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	5,351
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	3.49

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: If unavailable/trapped cash of \$1.409m is excluded from Item 8.2, then the estimated quarters of funding available reduces to 2.57. As stated in today's market announcement titled 'LawFinance disposes Litigation Funding Business and Market Update' the company is intending to undertake a Capital Raise subject to a successful restructure of its Balance Sheet over the coming months.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: As stated above, the company is currently in the process of refinancing the US front book and plans to undertake a Capital Raise.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: There has been positive engagement with key lender groups and negotiations are underway to restructure the balance sheet to support strategic activities.

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: "By the Board"

(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Attachment 'A' - LawFinance Limited**  
**Appendix 4C - 31 December 2020 - Section 8 - Financing facilities available**

Provider	Total facility amount at quarter end USD\$'000	Amount drawn at quarter end USD\$'000	Date of Repayment	Interest and fees payable (per annum)	Secured (Y/N)	Description of Financing Facility
Assetsecure Pty Limited	30,716	17,017	30/Sep/2022	8.80%	Y	This facility is used to fund the Australian disbursement funding business. As at 31 December 2020, it was overdrawn without any available headroom to draw against.
Atalaya Capital Management	80,000	17,012	25/Apr/2022	14.50%	Y	This facility is used to fund the US medical lien funding business. As at 31 December 2020, it was overdrawn without any available headroom to draw against.
EFI	25,550	25,446	4/Dec/2023	12.50%	Y	This amortising facility relates to the run-off of the back book of the US medical lien receivables. A collection fee on all receipts is payable to NHF while the balance of the receipts pays down principal and interest.
Convertible Bonds issue	1,075	1,233	31/Dec/2021	11.50%	N	These bonds were issued on 15 July 2016 - the funds were used to fund working capital and the litigation portfolio. After the company undertook a capital raising in November 2018 at A\$0.08 per ordinary share, the resulting conversion price of these Convertible Bonds is now A\$0.064 per ordinary share.
Various clients (arranged by Lucerne Group)	2,953	3,684	31/Dec/2021	13.50%	N	This facility was used to fund the litigation portfolio.
FCCD (Australia) Pty Limited/Principis Master Fund SPC	5,375	7,717	17/Jul/2021	N/A	Y	This facility is used to fund certain cases within the litigation portfolio. The principal and Minimum Return (not less than AUD\$3m) is payable by the due date, if not before from case settlements.
Syndicated Acquisition Facility	32,252	36,666	28/Sep/2022	13.00%	Y	The facility was used to purchase NHF in September 2018, and for working capital. The Group is in discussions with the lender concerning this facility, including formally documenting the standstill agreement, while the restructuring process is completed.
WH Soul Pattinson Limited	1,598	2,431	30/Jun/2020	18.00%	Y	This facility was established to allow the deferral of costs associated with the purchase of NHF. The Group is in discussions with the lender concerning this facility, including formally documenting the standstill agreement, while the restructuring process is completed.
WH Soul Pattinson Limited	2,000	2,194	30/Jun/2020	18.00%	Y	This facility was established to assist the company with working capital capital requirements. The Group is in discussions with the lender concerning this facility, including formally documenting the standstill agreement, while the restructuring process is completed.
Capitalising Converting Note	-	-	31/Dec/2022	6.00%		This facility has now been classified as equity, as it is only payable as ordinary shares, not as cash. The quarterly capitalised interest is also converted to equity on a quarterly basis, and is also only payable as ordinary shares. This was voted on and agreed to by shareholders at the Company's Extraordinary General Meeting on 10 March 2020, and reflected in the Appendix 3G released to the market on 9 June 2020.
Galloway & Galloway	1,150	1,410	31/Jan/2021	24.00%	Y	This facility was established to assist the company with working capital capital requirements. The Group is in discussions with the lender concerning this facility, and have requested a standstill agreement until April 2021 to allow resturcuring discussions to be completed.
Other NHF Subordinated Debt	1,000	1,000	Repayable on Demand	12.00%	N	This facility was used to fund working capital of NHF prior to its purchase in September 2018. The Group is in discussions with the lender concerning this facility, and have requested a standstill agreement until April 2021 to allow resturcuring discussions to be completed.
Other NHF Promissory Notes	3,000	3,000	31/Dec/2020	13.50%	Y	This facility has been used to fund working capital. The Group is in discussions with the lender concerning this facility, and have requested a standstill agreement until April 2021 to allow resturcuring discussions to be completed.
Other NHF Promissory Notes	250	250	30/Jun/2021	13.00%	Y	This facility has been used to fund working capital. The Group is in discussions with the lender concerning this facility, and have requested a standstill agreement until April 2021 to allow resturcuring discussions to be completed.
Other NHF Promissory Notes	1,500	1,500	31/Jul/2021	13.50%	Y	This facility has been used to fund working capital. The Group is in discussions with the lender concerning this facility, and have requested a standstill agreement until April 2021 to allow resturcuring discussions to be completed.
Lucerne Short Term NHF	350	365	Repayable on Demand	13.50%	N	This facility provided some short term liquidity to the Group.
Lucerne Short Term NHF	200	50	Repayable on Demand	13.50%	N	This facility provided some short term liquidity to the Group.
Paycheck Protection Program Loan	605	605	13/May/2022	1.00%	N	This Paycheck Protection Program Loan (PPP Loan) was made available by the US Small Business Administration to assist companies financially during the COVID-19 pandemic.
EIDL	150	150	26/Jul/2051	3.75%	N	This Economic Injury Disaster Relief Loan (EIDL) was made available by the US Small Business Administration to assist companies financially during the COVID-19 pandemic.
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	<b>\$ 189,724</b>	<b>\$ 121,731</b>				