



EXPERIENCE COUNTS

CAPITAL MARKETS DAY
10 DECEMBER 2019

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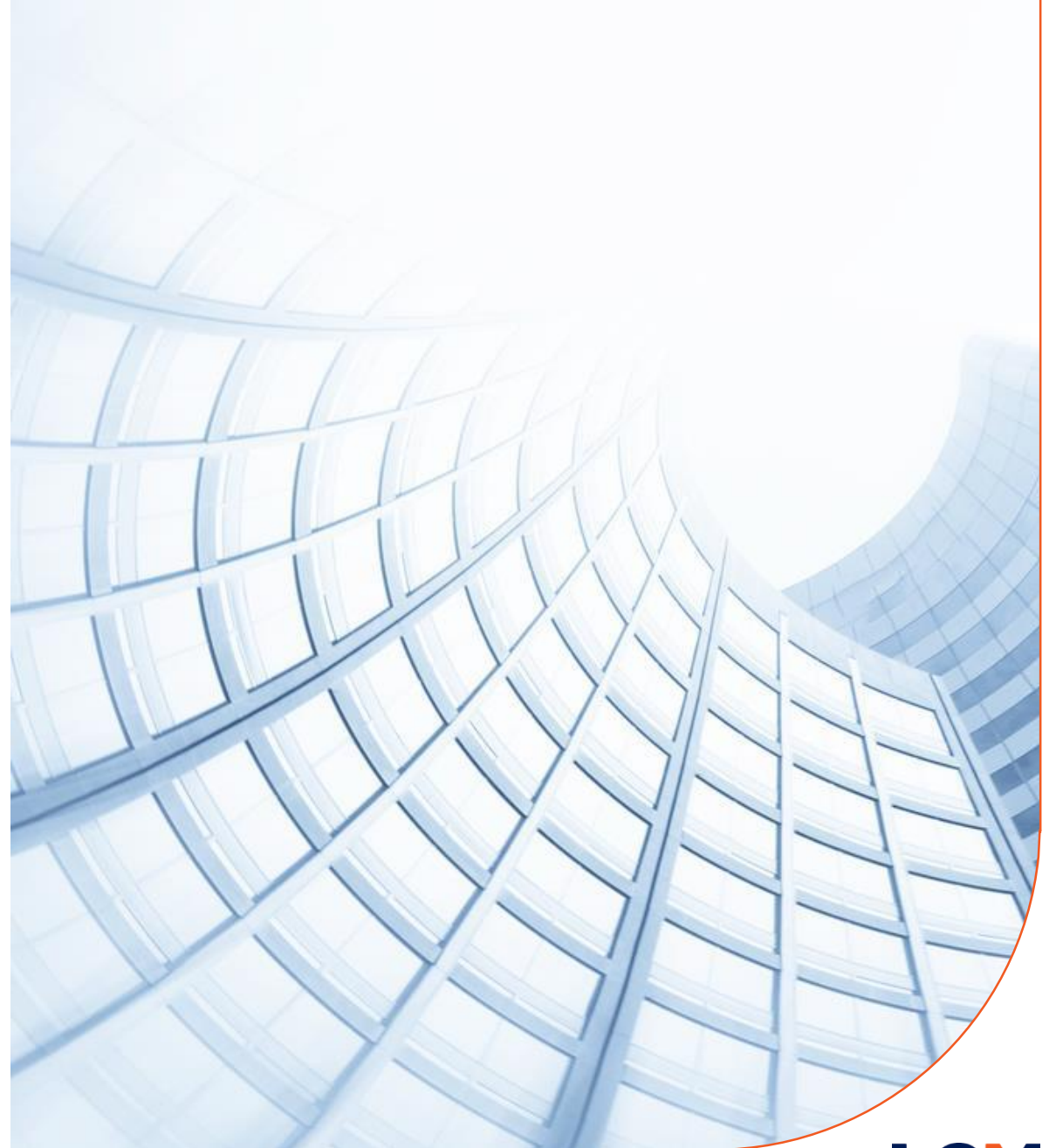
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01

LONG-TERM, SUCCESSFUL TRACK RECORD OF LCM

Patrick Moloney - CEO



INTRODUCTION

2019 has been a transformational year for LCM



01

The systems and methodologies developed over LCM's 21-year history have been transformed into a highly scalable international platform

02

2019 was a year of investment in both people and the platform

LCM now has a deep bench of skilled innovative and experienced originators as well as underwriters of risk in both EMEA and APAC

03

LCM is originating an ever-growing book of quality investment opportunities which are increasing by number, value and quality

04

LCM's cost base is steadily decreasing as against portfolio growth

Any increase in cost base will be subject to tangible portfolio growth

05

Having built both the management team and platform, LCM is now in a position to leverage it

Strong International player in highly attractive market

Overview

Delivering outstanding results for **21 years**

Broad and deep **management capability**

One of the first proponents of the litigation financing industry, which was first developed in Australia

Growing player with expanding international reach with outstanding investment track record

Attractive Global Market



Uncorrelated returns



Countercyclical business



Market demand expanding rapidly



Growing industry globally

Deep experience & proven investment track record



205

cases completed since inception



87%

of funded litigation projects are profitable



8-year cumulative portfolio IRR of

80%



8-year Portfolio ROIC of

135%¹

Commitment to quality

- Between 3-5% of applications satisfied LCM's rigorous selection process²
- Disciplined approach to investment selection

Commitment to transparency

- Conservative, cash-based accounting policy
- Litigation contracts recognised at historical cost

Resulting financial performance

- High return on capital
- Exceptional cash generation
- Strong IRRs

Experienced & proven management team

Australia and Asia

Investment Team



Susanna Taylor
Senior Investment
Manager
Sydney

19 years experience in
commercial litigation



Philip Lomax
Investment
Manager
Sydney

8 years experience in
commercial litigation



Justin Ward
Portfolio
Manager
Sydney

11 years experience in
insolvency



Siba Diqer
Investment
Manager
Melbourne

7 years experience in
commercial litigation



Lina Kolomoitseva
Investment
Manager
Brisbane

12 years experience in
commercial litigation



Roger Milburn
Investment
Manager
Singapore

11 years experience in
commercial litigation

Operations



Stephen Conrad
Chief Financial
Officer
Sydney



Tiffany O'Brien
Financial
Controller
Sydney



Neil Kafer
Business
Development
Melbourne

London

Investment Team



Tobey Butcher
Investment
Manager
Head of Underwriting
EMEA

29 years experience in
commercial litigation



Matthew Denney
Investment
Manager
Head of Origination
EMEA

16 years experience in
commercial litigation



Hugo Marshall
Investment
Manager
EMEA

9 years experience in
commercial litigation



Charles Jeffery
Executive – Business
Development
EMEA



James Parker
Financial
Controller
London



Angela Bilbow
Head of
Communications
London



Dean Ventour
Operations
Manager
London

Operations

Portfolio funding strategy



Existing balance sheet and organically generated revenue can support current investment commitments



Currently maintain an unlevered balance sheet – no debt



Pursuing pool of third party capital where LCM will act as fund manager to supplement capital resources



Third party fund on track for a near-term close



Current portfolio fully funded



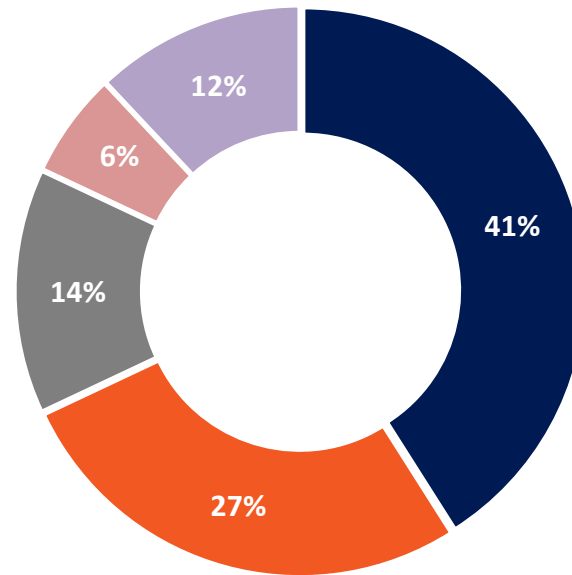
Balance sheet
as at 2 December 2019
(A\$ millions)

\$147 million
investment portfolio

\$114 million
to be deployed

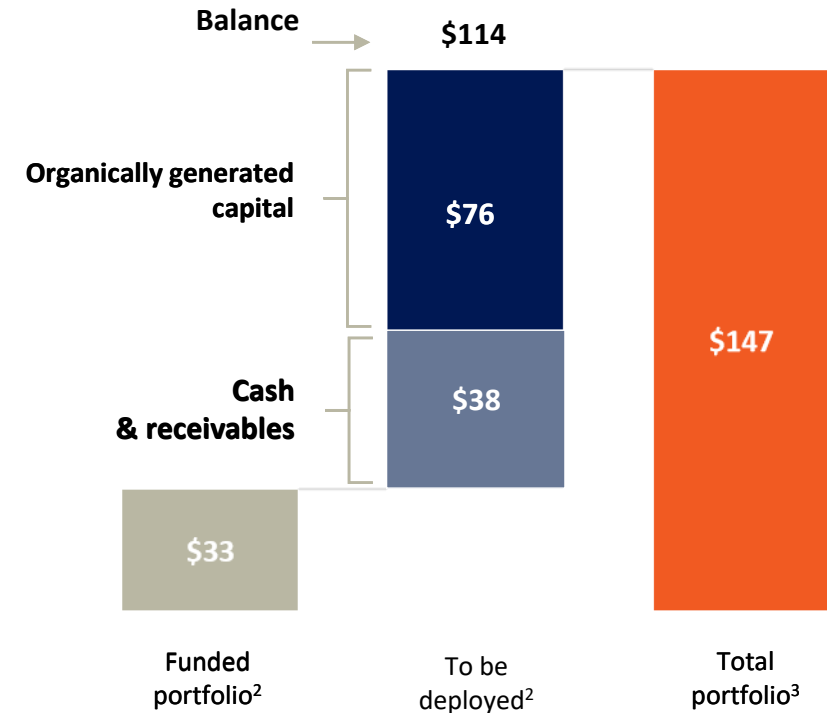
\$38 million
cash & receivables

Portfolio by industry sector
(estimated A\$ capital commitment)¹



- Class Actions - \$60m
- Commercial Disputes - \$40m
- International Arbitration - \$21m
- Insolvency - \$9m
- Corporate Portfolio - \$17m

Investment portfolio
(A\$ millions)



¹Capital commitment denotes the total estimated budget of the portfolio of projects. ²As at 2 December 2019 (including conditional projects). ³Total portfolio denotes total estimated budget of the portfolio of projects at 2 December 2019 (including conditional projects).

Investment commitments precede income generation

Theoretical investment

Investment **\$1m**

Months	0-12	12-24	Total cash inflows
Gross cashflows	-480	-520	2,350
Net cashflows	-480	-1,000	1,350

Metrics			
Profit	ROIC	IRR	Time to completion
\$1.35m	1.35x	80%	25 mths

(Actual 8 year track record¹)

Last completed case FY19 Class Action

Investment **\$3.1m**

Months	0-12	12-24	Total cash inflows
Gross cashflows	-895	-2,239	13,493
Net cashflows	-895	-3,134	10,359

Metrics			
Profit	ROIC	IRR	Time to completion
\$10.4m	3.3x	467%	24 mths

Application of funds raised at ASX IPO

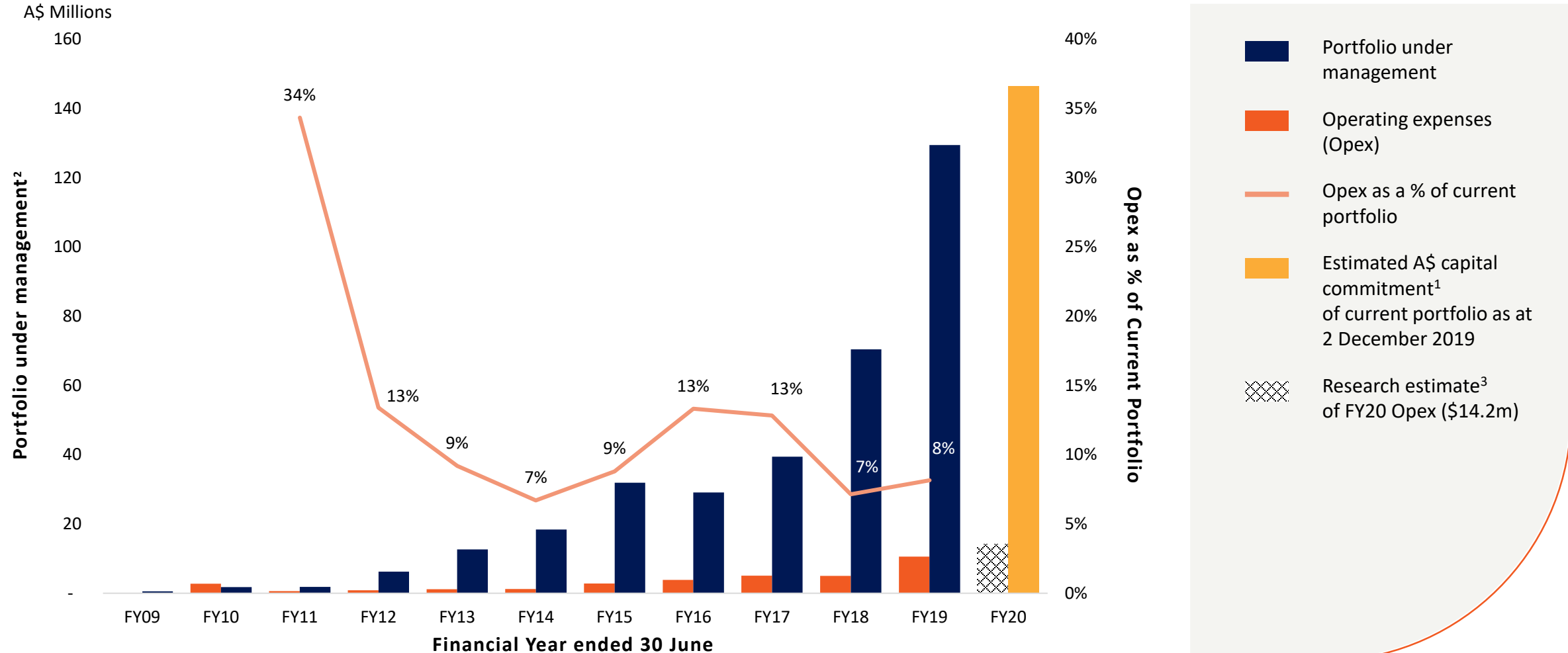
LCM balance sheet investments

Investment #1	\$3.1m
Investment #2	\$3.3m
Investment #3	\$3.7m
Total investment	\$10.1m

Months	0-12	12-24	24-36	36-48	48-60	Total cash inflows
Investment #1	-44	-485	-368	-903	-1,355	6,802
Investment #2	-	-710	-972	-1,587	-	12,612
Investment #3	-	-35	-524	-1,644	-1,503	6,758
Gross cashflows	-44	-1,230	-1,864	-4,134	-2,858	26,172
Net cashflows	-44	-1,274	-3,138	-7,272	-10,130	16,042

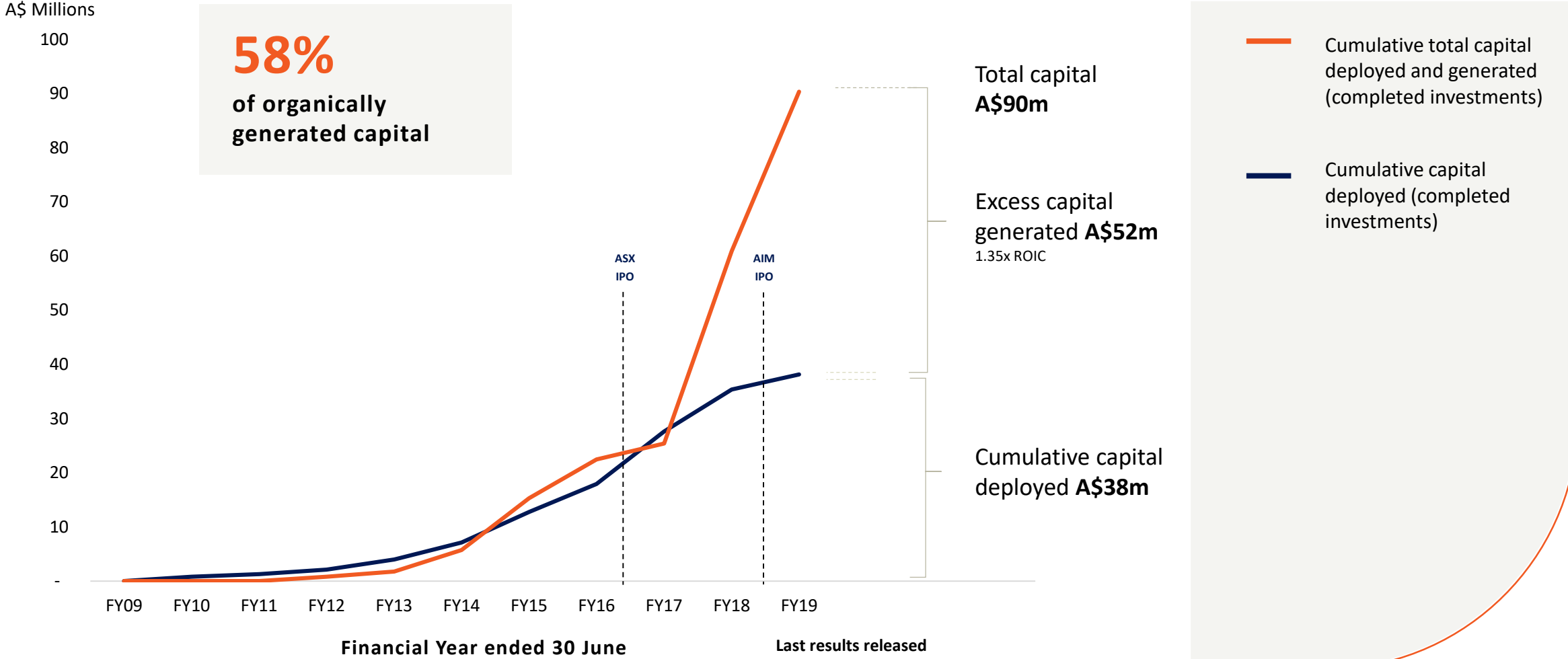
Metrics			
Profit	ROIC	IRR	Time to completion
\$3.6m	1.2x	57%	54 mths
\$9.3m	2.9x	100%	42 mths
\$3.1m	0.8x	80%	38 mths
\$16m	1.58x	82%	45 mths

Portfolio growth with proportionally reduced Opex

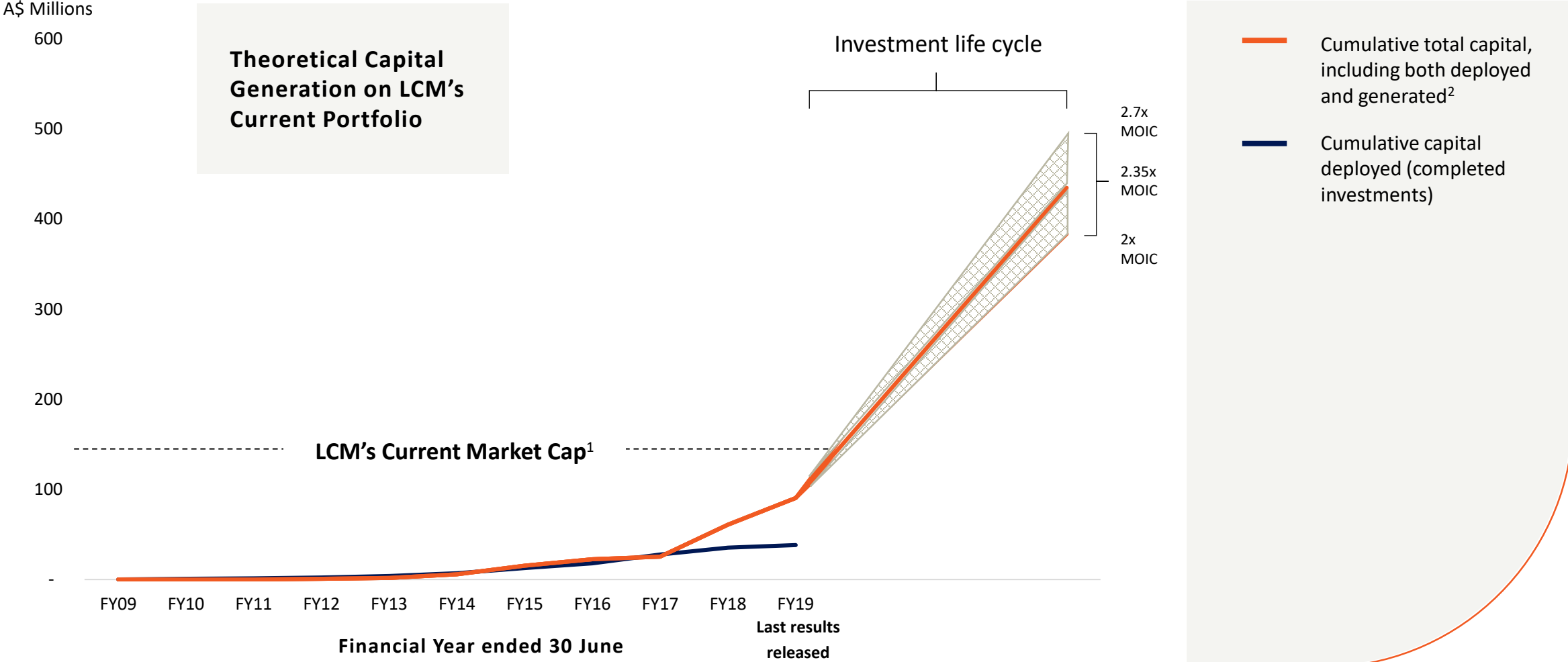


11 ¹Capital commitment denotes the total estimated budget of the portfolio of projects. ²Portfolio under management denotes the total current portfolio managed by LCM each financial year and its aggregate actual total capital deployed or in the case of matters yet to be completed, the estimated aggregate budget. The portfolio under management each year does not include projects which completed in a prior year however includes projects which completed in that particular year. ³Per Canaccord Genuity's equity research report dated 1 November 2019. Note: Current portfolio as at 2 December 2019 (including conditional projects).

Demonstrated strong capital growth over investment cycle



Capital growth model

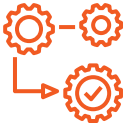


13 ¹As at close of market 4 December 2019. ²Total capital denotes aggregate capital deployed into projects and aggregate organically generated capital. ³MOIC means multiple of invested capital and for LCM, upon the successful completion of a matter, is equal to the reimbursement of all capital deployed plus LCM's commission, being all amounts in excess of costs.

The key to achieving quality growth



Strong and innovative origination of investment opportunities



Consistent and disciplined due diligence and risk management



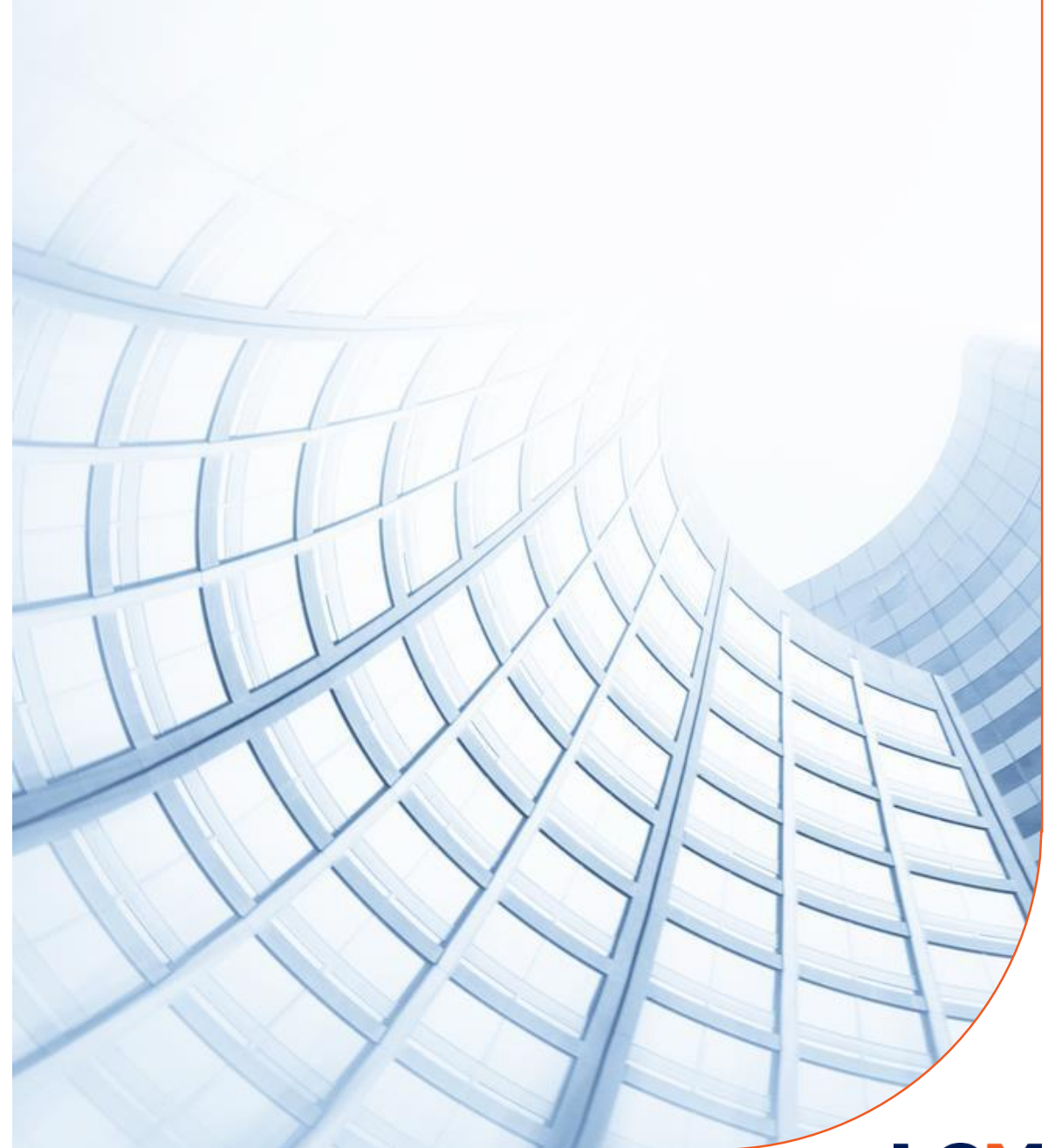
Sufficient and alternate capital to facilitate growth



02

INVESTMENT ORIGINATION

Matthew Denney
Investment Manager and Head
of Origination - EMEA

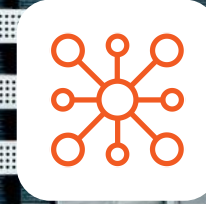


Origination Sources



Reactive

Solicitors
Barristers
Insolvency practitioners
Experts
Brokers



Proactive

Leveraging specific firm-wide relationships
Driving financing strategies: portfolios, debt recovery, asset finance
Finance play (CFO) vs Legal play (GC)
Sectoral focus: e.g. construction, infrastructure, energy
Participation in key industry events
Doing the job well, addressing issues with other funders

Origination strategy

Increase quality and value of single-case opportunities

Increase diversity of cases across type, sector and jurisdiction

Increase number of portfolios

Healthy split between single cases and portfolios - difference in value and volume

New key law firm relationships – discreet number

Responding to – and creating – market trends and demands

Sector and Industry focus, where are the disputes?

Corporate relationship origination strategy



Responding to – and creating –
market trends and demands
within corporate finance



Moving from necessity
to choice



Efficiency and accounting
benefits of moving legal spend
off balance sheet



Asset finance
/monetisation



Sustainable evergreen model;
corporate clients will
refinance/repeat
and recurring revenue



Origination from
corporate lawyers
as well as litigators



Written off
litigation/debt

Single case v Portfolio



Single case

- High returns - 4x
- Returns reflect binary outcome
- One hit wonders
- Large number of sources for matters
- Longer duration of investment (25 months)
- Understood by the market globally
- Limited option for asset finance
- Single cases can turn into portfolios
- Funded out of necessity



Case study

- International Arbitration
- Claim value **US\$80-120m**
- Investment amount **US\$6.5m**
- Pricing starting at **2x** rising to **4x** over **3 years**
- Compound interest protects investment long term

Single case v Portfolio



Portfolio

Lower returns - 2x

Much lower risk of capital loss - reduced pricing

Sustainable business model; corporates use again

Working with key law firm and lawyers, but still large sources

Shorter duration with large portfolios, quicker returns

Ever-increasing need to educate and illustrate

Solutions-based, asset finance approach allows monetisation, defence
and lower value claims to be run
– solving a wider corporate problem

Funded out of choice



Case study

Construction industry

Book of 7 claimant cases

Claim values ranged from **US\$5m** to **US\$30m**

Investment amount **US\$6m** across the book, investment
cross collateralised reducing risk of capital loss

Pricing starting at **0.5** going up by **0.25** every **6 months**
to reflect reduced risk

Money drawn down across all cases as and when necessary
Likely refinancing on conclusion of portfolio

Target metrics



Difference between single cases and portfolios
2x multiple for single cases
4x multiple for portfolios

Pricing depends on risk and duration

Protecting investment over time – looking at IRR over time; aiming to keep above 80% at all times

Hope for best; plan for the worst

Different pricing for monetisation or large initial drawdowns for historic costs

Pricing according to duration
Average duration for single cases – 25 months

ROIC

(135%)

Single Cases 3 x

MOIC

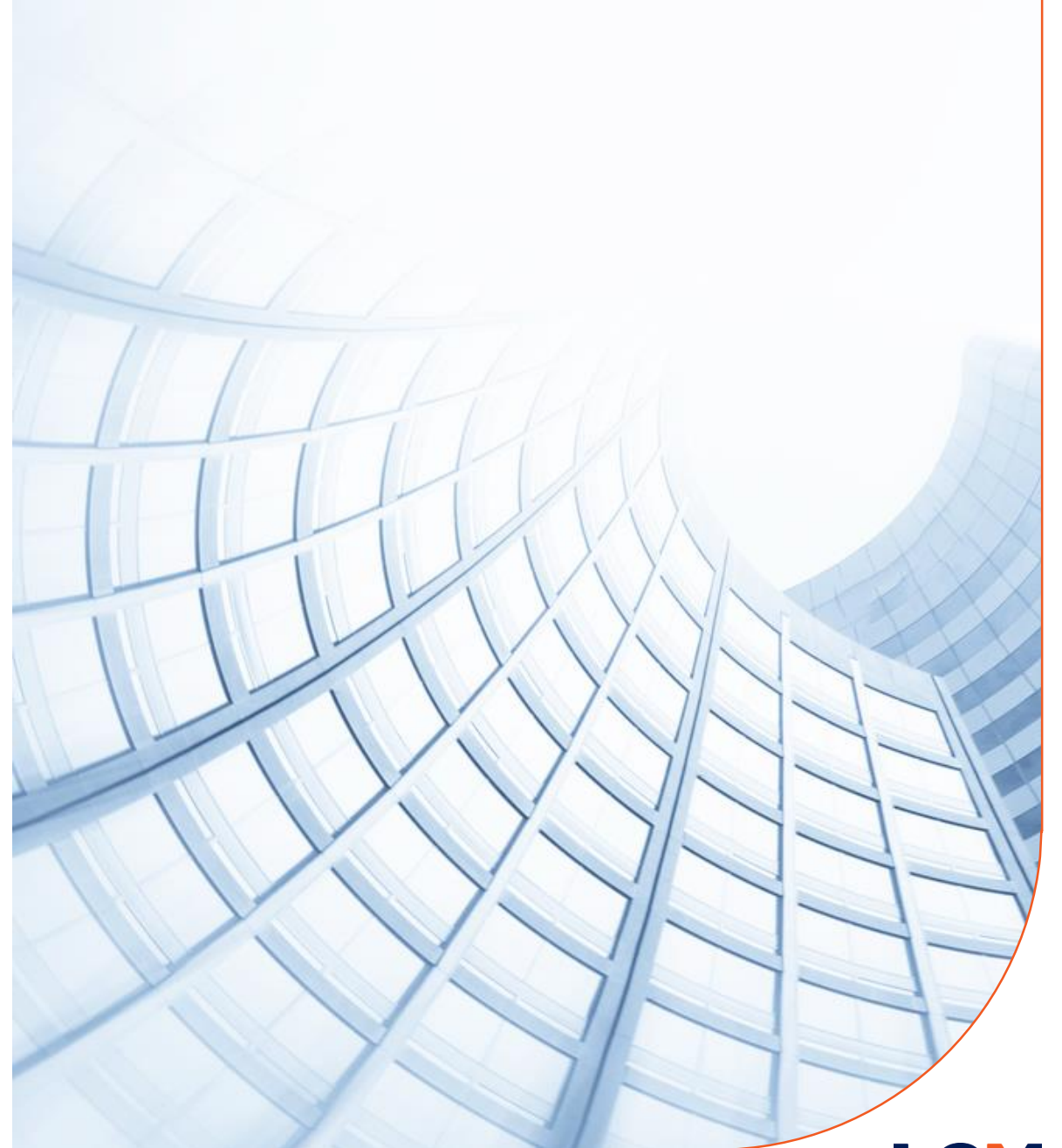
(235%)

Single Cases 4 x

03

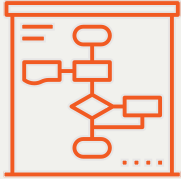
INVESTMENT STRATEGY AND PROCESS

Susanna Taylor - Senior Investment Manager



LCM's disciplined project selection

Investment criteria



Strict project selection process has underpinned a strong average ROIC of **1.35x** over the past **8 years**¹



Clear Legal Principles

The claim must be based on clear legal principles and not any novel points of law



Written Evidence

The claim should be supported by clear evidence, the majority of which is documentary in nature rather than oral



Recoverability

There must be a clear line to recovery for the claim in that it must be demonstrated that the defendant has the capacity to meet a judgment of the size which will be brought



Proportionality

There must be proportionality between the size of the claim and the funding commitment. Many applications for funding are quickly rejected simply on the basis that it would not be commercial to fund them



Experienced Legal Team

There must be a highly competent and experienced legal team in place with the relevant expertise to pursue the claim

¹ FY12 to FY19

Investment process

LCM only enters into funding agreements in relation to approximately 3-5% of the applications it receives

01 Preliminary due diligence

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

02 Investment peer review

Review by committee of Investment Managers (and if necessary a senior independent legal professional)

This level of review results in the rejection of a large proportion of applications

Suggestions made by committee as to how to progress the application which may be accepted

Recommendation may be made to accept a litigation project

03 Executive review and investment committee approval

Preparation of a formal Investment Summary 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

04 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
- Court approval of the LFA if required

Proceedings to commence and claim is prepared to be filed

05 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 project

06 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 on some occasions being required to provide an indemnity and/or security for any adverse cost order that maybe made against LCM's client(s) in respect of the litigation project

LCM reserves the contractual right to terminate the financing arrangement at any time

Investment management

Active project management (APM)



Delivering material value add and solutions to litigation funding through a proven differentiated platform



What is APM?

It is a unique process undertaken by LCM which has been a driver of returns and a mitigant of risk



APM in Practice

In practice, APM involves:

- Regular contact with legal teams
- Active participation in strategic development of legal strategy
- Close collaborative working relationship with funded party and legal team
- Use of LCM's 21 years' experience of managing large and contentious disputes
- Focus not only on the likely legal outcome of the project but on the commercial factors which will result in profitability for LCM



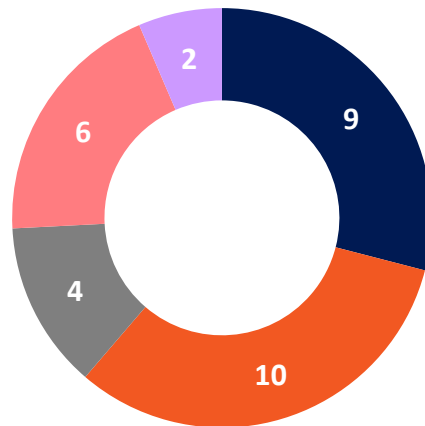
Benefit for funded parties

LCM shares insights with the funded party on strategies for case management to foreshadow and avoid unnecessary and costly pathways during the case

Interest of LCM and the funded party are aligned in maximising the outcome of the dispute in the shortest possible time and with the smallest investment of capital

Achieving a balanced portfolio

Portfolio by Type / Industry Sector
(number of projects)¹



■ Class Actions - 29% ■ Commercial Disputes - 32%
■ International Arbitration - 13% ■ Insolvency - 19%
■ Corporate Portfolio - 7%

Like any investment manager, LCM seeks to manage the risk of its investments by seeking diversification within its portfolio

Diversification of investments is sought in terms of:

- The size of capital commitment, LCM makes investments in a range of sizes from very small (e.g. acquisition of insolvency claims) to investments in cases with significant budgets to corporate portfolio transactions.
- The type of cases (e.g. commercial claims, insolvency, class actions, international arbitration, corporate portfolios)
- Jurisdiction of claim
- The identity of the proposed defendant/ respondent

This diversification is largely achieved naturally by the length of operation of LCM and its geographic expansion

For each investment which LCM considers it will consider whether the investment poses any concentration risk with regard to the existing and prospective portfolio

¹%s reflect type of projects as a percentage of total no. of projects as at 2 December 2019

Capital recovery and protections



Each investment is allocated to an Investment Manager to manage.



LCM's Investment Managers are all qualified senior legal practitioners with significant experience in commercial litigation.



The role of the Investment Manager in managing an investment is to seek to protect LCM's capital and ensure the investment is profitable by:

01

Accessing information about the progress of the dispute

02

Continuous monitoring as against the investment criteria so if there has been any change to the satisfaction of these criteria action is taken immediately to minimise loss

03

Quarterly update of investment summaries and review by Senior Investment Manager/Head of Underwriting

04

Monitoring the legal spend on the investment to ensure proportionate with expected return

05

If there is an adverse cost risk, ensure that LCM is protected against that risk by a policy of After the Event Insurance

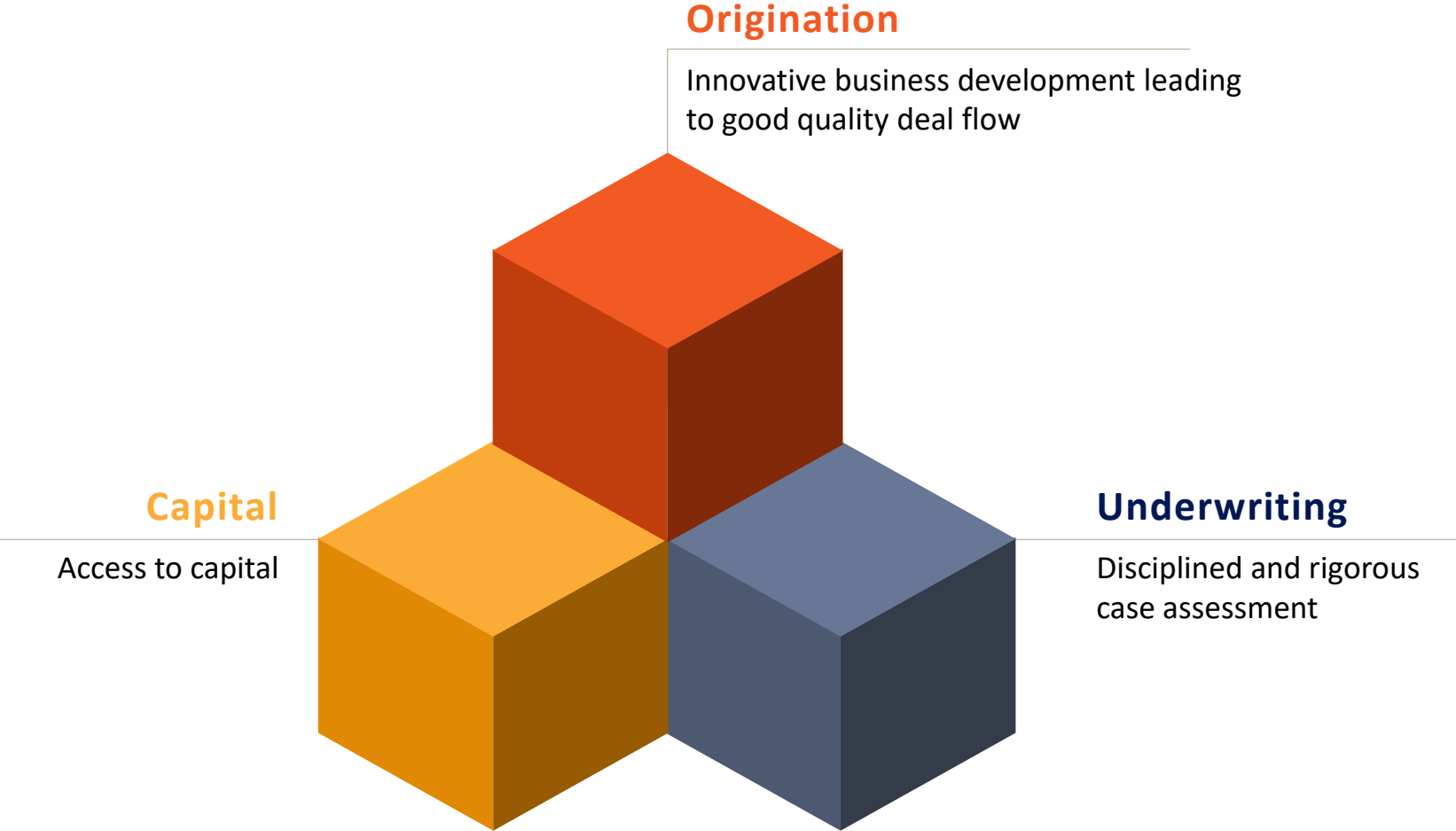
04

THE FUTURE

Nick Rowles-Davies
Executive Vice Chairman

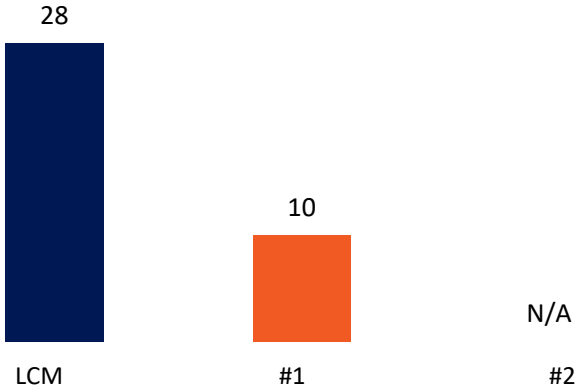


3 Essentials for success in litigation finance

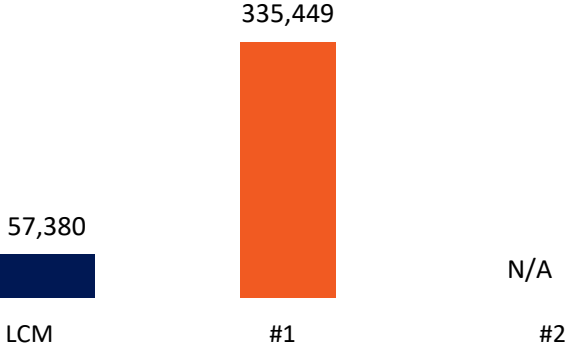


Origination – A comparison with selected peers FY19

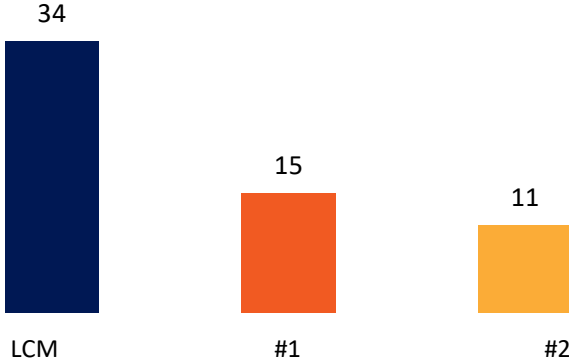
Qualified Leads Per Avg IM



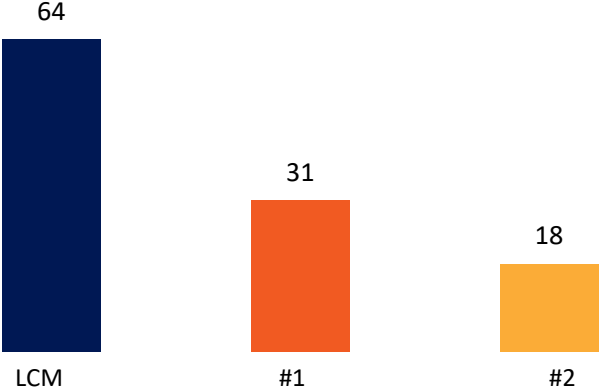
Qualified Leads By Opex (A\$)



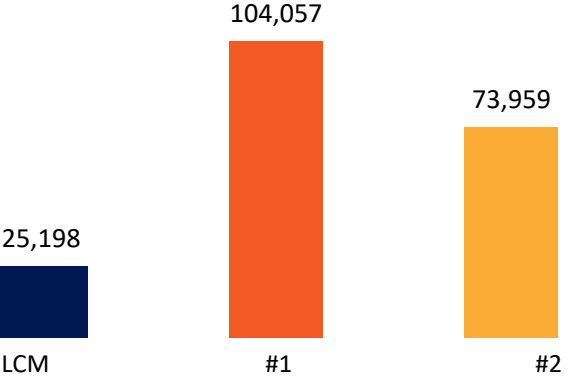
Applications Per Avg Employee



Applications Per Avg IM

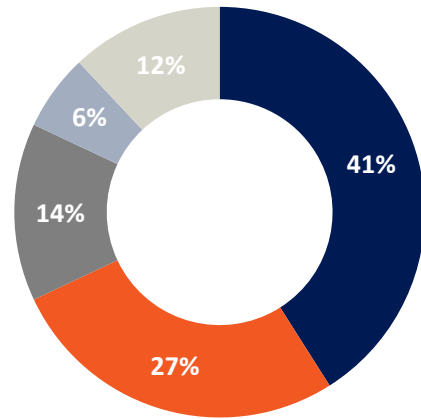


Opex Divided By Applications (A\$)



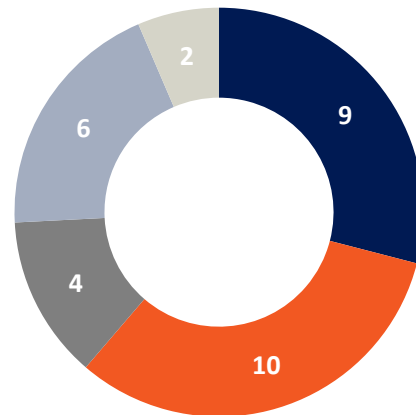
Diversified current project portfolio

Portfolio by Type / Industry Sector (estimated A\$ capital commitment)¹



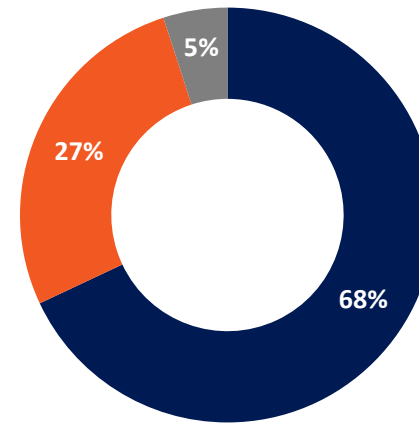
- Class Actions - \$60m
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- International Arbitration - \$21m
- Insolvency - \$9m
- Corporate Portfolio - \$17m

Portfolio by Type / Industry Sector (number of projects)²



- Class Actions - 29%
- Commercial Disputes - 32%
- International Arbitration - 13%
- Insolvency - 19%
- Corporate Portfolio - 7%

Portfolio by Region (estimated A\$ capital commitment)¹



- APAC - \$100m
- EMEA - \$40m
- US - \$7m

Portfolio diversification achieved through



- Industry sector
- Capital commitment
- Geographic location
- Jurisdiction

Portfolio of 31 litigation related projects

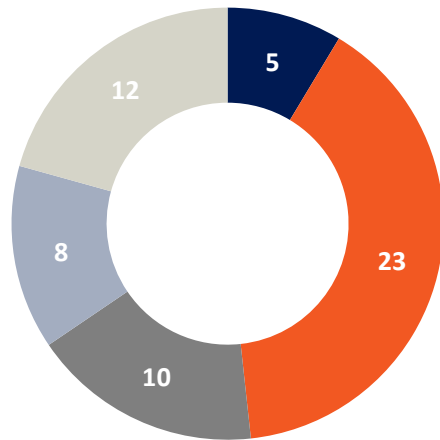


- 23 unconditionally funded
- 8 conditionally signed
- Cases diversified across 5 broad industries and 3 geographic regions

Investment portfolio opportunities

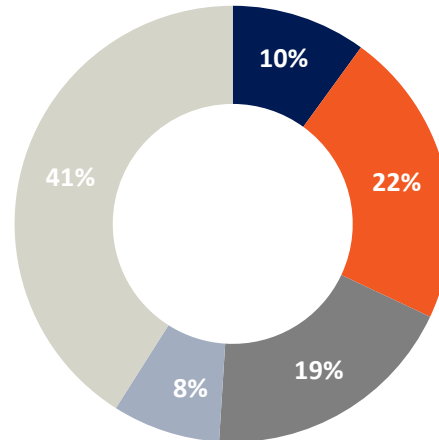
Large and diverse pre-qualified pipeline of investment opportunities

Pipeline by Type / Industry Sector
(number of projects)



- Class Actions - 8%
- Commercial Disputes - 40%
- International Arbitration - 17%
- Insolvency - 14%
- Corporate Portfolio - 21%

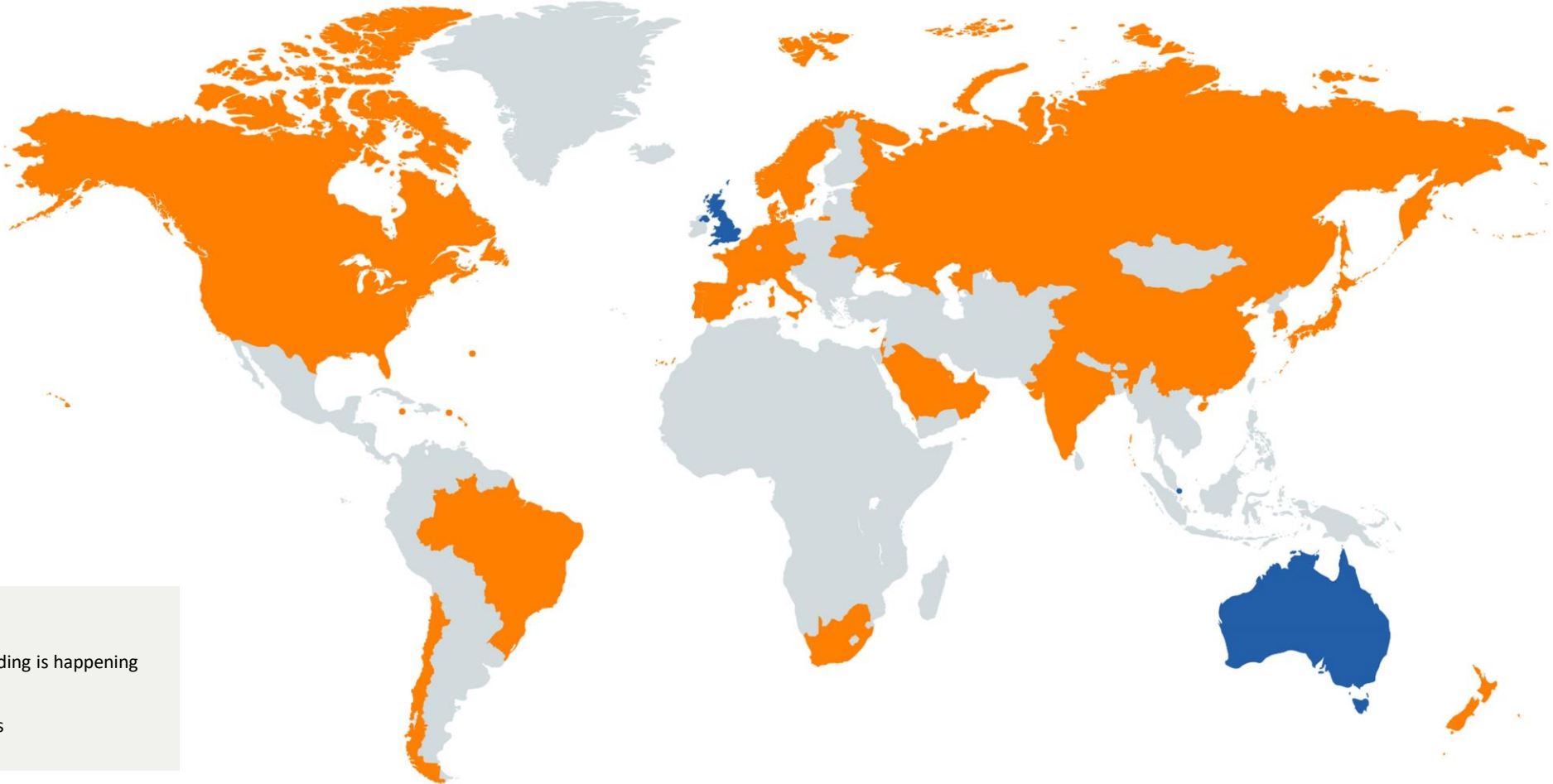
Pipeline by Type / Industry Sector
(estimated A\$ capital commitment)



- Class Actions - \$35m
- Commercial Disputes - \$80m
- International Arbitration - \$68m
- Insolvency - \$30m
- Corporate Portfolio - \$149m

- 01** Pipeline demonstrates exhibits natural variation
- 02** Demonstrable increase in corporate portfolio applications representing decreased risk and enhanced returns
- 03** Insolvency opportunity in current pipeline represent vast untapped opportunity in uncertain or market correction environment
- 04** Increasing international diversity of application source
- 05** Growing international demand in arbitration reflected through increased applications

Geographical expansion of litigation funding



LEGEND

- Where funding is happening
- LCM offices

Future outlook



Third party fund



Geographical expansion of LCM



New routes to market



Target areas



Evolution of litigation funding into a corporate finance vehicle



LCM Presenter Bios



Patrick Moloney
Chief Executive
Officer

Appointed to the LCM board in 2003.
CEO of LCM from 2013. 17 years
of hands on litigation funding experience

Patrick was previously the principal
of Moloney Lawyers, which he established in
2003 and specialised in commercial litigation
having a diverse client base

Patrick has acted in more than 200
commercial litigation cases
for clients in the District Court of NSW, the
Supreme Court of NSW, the Federal Court of
Australia and the High Court
of Australia

Patrick was admitted to practice law
in 1996



Matthew Denney
Investment
Manager and Head
of Origination - EMEA

Joined as an Investment Manager at LCM's
London office in January 2019.
He is also the Head of Origination for LCM's
EMEA operation. Matthew has
spent his entire career in the litigation and
arbitration industry and has seen disputes
from all angles

Previously, Matthew was the Managing
Director at Chancery Capital from 2017
to 2019, when the Chancery team moved to
LCM. Before this he was a Director
of Disputes and Investigations at Navigant
and prior to this was a partner at the London
based disputes law firm, Enyo Law

Matthew is a qualified lawyer, undertook the
CPE and LPC at the College of Law, Guildford,
and holds a Bachelor's Degree in Ancient
History and Archaeology from Durham
University



Susanna Taylor
Senior Investment
Manager

Susanna joined LCM as Senior Investment
Manager in late 2014 and sources and
manages LCM's investment opportunities. She
is part of LCM's investment committee

Prior to joining LCM, Susanna was a Senior
Counsel with Norton Rose Fulbright in Sydney
where she spent 12 years focusing on class
actions, financial institutions disputes,
contentious regulatory work, (including work
for the ACCC) and corporate disputes. She has
also practiced in London

Admitted to the Supreme Court of NSW and
the High Court and continues to hold a current
practising certificate

Susanna holds a Bachelor of Arts/ Laws from
Macquarie University as well as a Master of
Laws (Corporate and Commercial) from the
University of New South Wales



Nick Rowles-Davies
Executive
Vice Chairman

Responsible for Origination, market visibility
and branding

Founder and CEO of Chancery Capital.
Previously led Burford Capital globally
outside of the Americas as Managing
Director until 2016

Nick is a former Director of the Association of
Litigation Funders of England & Wales

Admitted as a Solicitor in England
and Wales, in the British Virgin Islands
and is an accredited mediator

Author of Third Party Funding, published
by Oxford University Press 2014