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ASX Announcement

31 July 2018

Company Update

Key points

- Litigation Capital Management Limited, ASX:LCA (**LCM**) moves into healthy profit
- LCM's portfolio of litigation projects continues to grow
- LCM's pipeline in terms of quality and quantity continues to grow
- LCM explores new opportunities for growth and capital

FY18 Financial Performance

The Board of LCM is extremely happy with the performance and financial results for FY18 being the first full financial year of trade since listing. The Group will post a healthy profit for the year full details of which will be announced to the market together with LCM's financial results and audit in August.

For FY18 in relation to the Litigation Projects LCM has managed to Completion, it has achieved a IRR of 80% and a ROIC of 2.4x. That brings the running IRR over the past 7 years to 81% inclusive of losses.

LCM's Litigation Project portfolio

LCM continues to grow its portfolio of Litigation Projects. During FY18 6 Litigation Projects were completed all of which yielded a profit for the group. 5 were funded from LCM's own balance sheet and 1 Litigation Project was funded through the International Funding Partner (**IFP**) arrangement.

As at 30 June 2018, LCM has a portfolio of 14 Litigation Projects (unconditionally funded) with an aggregate damages value of approximately \$1.25B. 12 of those projects are expected to resolve during FY19 (including a Litigation Project funded through the IFP which has already completed leaving only 1 Litigation Project subject to funding through that IFP arrangement). That portfolio compares with the position as at 30 June 2017 where the portfolio of projects comprised 12 with an aggregate damages value of approximately \$800M. That represents an increase in the size of the portfolio (by aggregate claim size) of 54% and an enhanced return profile.

During FY18 the number of applications received by LCM for funding increased significantly. 125 applications were received compared with 98 for the prior year representing an increase of 27.6%. In addition, LCM expanded its offering of litigation finance into the field of international arbitration. During FY18, 24 applications were received in respect of international arbitral disputes. LCM has entered into its first conditional funding arrangement in an international

arbitral dispute and is currently conducting due diligence in respect of a number of other applications. LCM has moved to secure the necessary skillsets to properly manage those opportunities.

Capital Management

During FY18 LCM utilised debt as a capital management tool and has repaid that facility in full. With the significant growth of LCM's pipeline, the Board expects to source funding for a portion of its future opportunities from a range of sources including managed funds, debt and where appropriate, additional equity.

Business Development

The growth and maturing of litigation finance as an asset class is seeing a progression by more funders to public listings versus remaining private. Currently LCM is one of three publicly listed litigation finance entities worldwide and there are expected to be a number of other litigation finance companies listing on the London Stock Exchange during the remainder of this calendar year. LCM is monitoring this situation in relation to these opportunities and how they may apply to the Company.

As previously announced to the market, the jurisdictions of Hong Kong and Singapore have recently legislated to permit litigation funding and finance products in the international arbitration space. In response to significant numbers of enquiries and applications from those jurisdictions, LCM is currently in the process of establishing an office in Singapore with initial staffing of an investment manager to facilitate project origination and due diligence. The opening of a Singapore branch office is expected to be completed by the end of this calendar year.

All risk management in respect of the Singapore and Hong Kong business will remain under the control of the head office in Sydney.

The Company expects to release its results for the financial year ended 30 June 2018 in mid to late August and full details will be advised via a separate ASX announcement closer to the date.

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Litigation Capital Management Limited provides litigation financing and ancillary services to enable the recovery of funds from legal claims in Australia. It serves companies and individuals primarily in the areas of commercial and insolvency matters, and class actions. Litigation Capital Management Limited was founded in 1998 and is based in Sydney, Australia.