



# **MSM CORPORATION INTERNATIONAL LIMITED**

ABN 51 002 529 160

**ANNUAL FINANCIAL REPORT  
30 JUNE 2019**

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## COMPANY INFORMATION

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### **DIRECTORS**

Mr Adam Wellisch  
*(Non-Executive Chairman)*

Mr Chris Jones  
*(Non-Executive Director)*

Mr Mark Clements  
*(Non-Executive Director)*

### **COMPANY SECRETARY**

Mr Mark Clements

### **REGISTERED OFFICE**

Level 8, 90 Collins Street  
MELBOURNE VIC 3000

### **AUDITORS**

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### **SECURITIES EXCHANGE**

ASX

### **HOME EXCHANGE**

Melbourne

### **SHARE REGISTRY**

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands 6009  
Western Australia

### **ASX CODE**

MSM

## CHAIRMAN'S LETTER

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Dear Shareholders,

In my last report to you I stated that it was clear there is significant demand for a mobile-app platform for discovering and amplifying emerging talent and Megastar created an opportunity to establish a talent discovery, promotion, monetisation and management ecosystem that enabled fans to participate in the value created by talent discovery and promotion on the Megastar platform.

The Company is focussed upon continuing its strategy of establishing joint ventures to commercialise the Megastar online platform in new markets in particular the expansion into eSports and mobile gaming.

This is expected to be driven via the strength of the Company's strategic relationships with The Riva Group and the association with Firefly Games and most recently, YDigital Media who collectively are technology companies with a vast amount of mobile gaming development and IP expertise engaged to add functionality to the next release of the Megastar product with gamification, interactive video content and high-profile eSports talent.

The Company is intending to do so whilst continuing to optimise expenditure as we progress toward the relaunch of the Megastar online platform to re-establish value for shareholders.

We are very excited about expanding the global footprint of Megastar across non-English speaking territories through our strategic partnership with the Riva Group as joint venture partners on Megastar India and the capabilities they bring to enhance Megastar WWT2 to include Esports and Mobile Gaming talent competitions.

The Riva Group have a highly successful track record of delivering excellence in media, leisure, entertainment and cutting-edge technology. They have vast experience specialising in licensing agreements where they most notably hold license agreements for world class entertainment Intellectual Property with; DreamWorks, Marvel, Sony Pictures, Electronic Arts, Lionsgate, Square Enix, Microsoft Studios and The Cartoon Network.

We have strengthened our alliance via the provision of a US\$1.5M loan and equity arrangements to Riva Group's associated company Riva Technology and Entertainment Limited (RTE) as RTE seeks to finalise negotiations to acquire a majority equity interest in J&D Holdings Limited (J&D), which is the sole legal and beneficial owner of Firefly Games Inc, a developer and publisher of IP based mobile gaming titles. The loan notes are to be repaid by 31 December 2019 and MSM (along with other subscribers of the notes) have a priority right to be paid all profits or distributions received by RTE from J&D in repayment of the notes.

We have significantly improved our financial outlook through the partnership with Riva Digital FZ LLC in which MSM will receive five milestone payments of US\$100,000 each over the next year around the continued development, gamification and localization of the platform for Indian consumers. The agreed royalty of 5% of gross revenue derived from competitions with a minimum guarantee of US\$500,000 paid annually will continue after the milestone payments are completed.

We also have secured a license agreement with RTE for utilization of the Company's extensively built Megastar online platform for mobile gaming and eSports which entitles MSM to a US\$2,000,000 payment for the rights and use of the platform. The first instalment is to be made on a quarterly basis, commencing 31 December 2019.

On behalf of the Board, thank you to our service providers, advisors and loyal shareholders for your ongoing support and patience as we seek to rebuild value for all stakeholders.

Yours faithfully



**Mr Adam Wellisch**

Non-Executive Chairman

## DIRECTORS' REPORT

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Your directors present their report on MSM Corporation International Limited (“**the Company**” or “**MSM**”) for the financial year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the directors’ report as follows:

### DIRECTORS

The following persons were directors of MSM Corporation International Limited during or since the end of the financial year and up to the date of this report unless otherwise stated:

Mr Adam Wellisch	Chairman and Non-Executive Director	
Mr Chris Jones	Non-Executive Director	<i>appointed 20 November 2018</i>
Mr Mark Clements	Non-Executive Director	
Mr Dion Sullivan	Managing Director	<i>resigned 20 November 2018</i>

### INFORMATION ON DIRECTORS AND COMPANY SECRETARY

#### Mr Adam Wellisch (Chairman and Non-Executive Director)

Mr Wellisch has 19 years’ experience in technology strategy, business administration, systems consulting and software development. He has held executive and non-executive positions with technology organisations ranging from start-ups to large multinationals. Recent appointments include Asia-Pacific CIO for market-leading FTSE 100 company, Compass Group Plc and Information Systems Director for Bupa’s fast-growing health services division. Mr Wellisch was Non-executive director of IHL (ASX:IHL) until 8 May 2018.

Mr Wellisch holds an interest in 10,827,338 ordinary shares, 6,474,819 Class B Performance Shares, 4,742,802 options expiring 7 November 2019 with an exercise price of \$0.10 and 1,200,000 Class C Performance Rights.

#### Mr Chris Jones (appointed as a Non-Executive Director on 20 November 2018)

Mr Jones has over a decade’s experience in the Australian finance industry working for wholesale investment funds and broking houses, most recently becoming a partner at Emerald Capital Australia Pty Limited (**ECA**). Mr Jones has a large breadth of expertise in corporate finance, capital raising, and funds management and has through his role as an Investment manager formed close working relationships with fund managers around the globe.

Mr Jones holds an interest in 514,155 ordinary shares and 312,500 listed options expiring 7 November 2019 with an exercise price of \$0.10.

### **Mr Mark Clements (Non-executive Director and Company Secretary)**

Mr Clements has extensive experience in corporate accounting and public company administration. He is a Fellow of the Institute of Chartered Accountants and a member the Australian Institute of Company Directors. Mr Clements is executive chairman of MOD Resources Limited and company secretary for a number of publicly listed companies.

Mr Clements holds an interest in 11,256,115 ordinary shares, 225,000 options with an exercise price of \$0.10 - expiring 7 November 2019, 3,904,076 Class B Performance Shares and 1,200,000 Class C Performance Rights.

### **Mr Dion Sullivan (resigned as Managing Director on 20 November 2018)**

Mr Sullivan is a digital marketing veteran with more than 21 years' experience. He has held positions of increasing responsibility with Clairol/Bristol Myers Squibb and FTD.com, where he assisted in spearheading the launch of FTD.com (Interflora internationally), transforming a 90-year-old, struggling not-for-profit company into a successful NASDAQ listing. Since 2000 he has lived in Silicon Valley and has held executive positions within Bank of America, Viacom, MTV Kids & Family, VideoJax and Betfair/TVG North America.

At date of resignation, Mr Sullivan held interest in 8,573,854 ordinary shares, 4,676,259 Class A Performance Shares, 4,676,258 Class B Performance Shares, 6,307,364 options expiring 7 November 2019 with an exercise price of \$0.10, 2,400,000 Class C Performance Rights and 4,000,000 Class G Performance Rights.

## **REVIEW AND RESULTS OF OPERATIONS**

### **CORPORATE & FINANCIAL**

The Company incurred a loss after tax of \$423,216 (30 June 2018 – loss of \$18,921,838). The reduced operating loss reflected a focus upon significantly reducing expenditure on platform development, marketing and distribution whilst progressing toward the launch of the WWT2 competition in the form of Megastar India and establishing a growth strategy via mobile gaming and eSports initiatives.

The rationalisation of the development and marketing team to consider a more flexible, cost-effective outsourced model resulted in a non-cash reversal of \$404,197 relating to previously recognised share based payment expenses. In addition, MSM Music Inc has managed long outstanding creditors through an Assignment for the Benefit of Creditors process which was formalised and executed on 7 December 2018 and resulted in the crediting an amount of \$1,382,678 in relation to the de-recognition of these creditors. This process was undertaken to make way for the Company to focus on progressing the partnership and licensing strategy which, in collaboration with The Riva Group, is intended to deliver shareholder value through the acquisition, development and operation of digital entertainment products that drive revenue through the Megastar Platform.

As at 30 June 2019, the Group has a net asset position of \$709,292 (30 June 2018 – deficiency \$2,031,185). The net asset position was further strengthened subsequent to year end following the conversion of \$1,426,515 borrowings to equity.

As at 30 June 2019, the Company has recorded a fair value adjustment of \$692,997 attributable to its strategic unlisted investments in accordance with AASB 9. However this will continued to be monitored on a periodic basis as the certainty surrounding the fair value of these investments becomes more evident.

## DIRECTORS' REPORT (continued)

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During the year the Company successfully completed equity funding events including \$1.59M contributed by The Riva Group and its major stakeholders and a further \$1.752M, including \$1.44M convertible note raising lead managed by Emerald Capital Pty Ltd (Emerald Convertible Note Issue).

Proceeds of this most recent issue were used to fund the subscription for shares and secured, first ranking, interest free loan notes in The Riva Group's associated company Riva Technology and Entertainment Limited (RTE) for US\$1,500,000. RTE is in the process of acquiring a majority equity interest in J&D Holdings Limited (J&D), which is the sole legal and beneficial owner of Firefly Games Inc. (Firefly Games). The loan notes are to be repaid by 31 December 2019 and MSM (along with other subscribers of the loan notes) have a priority right to be paid all profits or distributions received by RTE from J&D in repayment of the notes. Firefly Games was founded in January of 2015 with a focus of developing and publishing IP based mobile gaming titles. Firefly Games together with The Riva Group are the developers and publishers of the DreamWorks Universe of Legends mobile game and other future game releases.

The Group had cash on hand of \$357,779 at the end of the year (30 June 2018: \$303,875) and on 15 July 2019, the Company announced;

- (a) it extended the terms of the Heads of Agreement (HOA) with Riva Digital FZ LLC as announced on 4 June 2018. Under the terms of the varied HOA MSM will receive five milestone payments of US\$100,000 each over the next year around the continued development, gamification and localization of the platform for Indian consumers. The agreed royalty of 5% of gross revenue derived from competitions with a minimum guarantee of US\$500,000 paid annually will continue after the milestone payments are completed; and
- (b) it had executed a license agreement for utilization of the Company's extensively built Megastar online platform for mobile gaming and eSports with RTE. The Licensee will pay MSM US\$2,000,000 for the rights and use of the platform. The first instalment is to be made on a quarterly basis, commencing 31 December 2019.

### 2020 OUTLOOK

The Company is focussed upon continuing its strategy of establishing joint ventures to commercialise the Megastar online platform in new markets in particular the expansion into eSports and mobile gaming.

This is expected to be driven via the strength of the Company's strategic relationships with The Riva Group and the association with Firefly Games and most recently, YDigital Media who collectively are technology companies with a vast amount of mobile gaming development and IP expertise engaged to add functionality to the next release of the Megastar product with gamification, interactive video content and high-profile eSports talent.

The Company is intending to do so whilst continuing to optimise expenditure as we progress toward the relaunch of the Megastar online platform to re-establish value for shareholders.

### DIVIDENDS

No dividends have been provided for or paid by the Company in respect of the year ended 30 June 2019 (2018 – \$nil).

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 15 July 2019, the Company announced it had executed a license agreement for utilization of the Company's extensively built Megastar online platform for mobile gaming and Esports with the Riva Group's subsidiary, Riva Technology and Entertainment Limited (RTE)(License). The Licensee will pay MSM US\$2,000,000 for the rights and use of the platform. The first instalment is to be made on a quarterly basis, commencing 31 December 2019.

In addition, the Company announced it extended the terms of the Heads of Agreement (HOA) with Riva Digital FZ LLC (Riva) as announced on 4 June 2018. Under the terms of the varied HOA MSM will receive five milestone payments of US\$100,000 each over the next year around the continued development, gamification and localization of the platform for Indian consumers. The agreed royalty of 5% of gross revenue derived from competitions with a minimum guarantee of US\$500,000 paid annually will continue after the milestone payments are completed.

On 15 July 2019, the Company issued 35,050 shares in relation to the Company's 'equity option' agreement.

On 17 July 2019, 205,714,286 shares were issued by the Company at a deemed issue price of \$0.007 per share on conversion of the convertible notes (Note 10).

On 17 July 2019, the Company issued a cleansing prospectus for the offer of up to 50,000 shares at an issue price of \$0.01 per share to raise up to \$500 (before expenses).

On 22 July 2019, the Company announced its notice of intention to sell shares in the Company of less than a marketable parcel. The offer applies to shareholders who on 19 July 2019 were holders of shares in the Company valued at less than \$500 based on the closing price of the Company shares of \$0.009 per share on the record date.

On 29 August 2019, the Company announced the engagement of YDigital Media, a technology company with some of the most innovative digital marketing solutions, responsible for developing award-winning campaigns for the top global brands, to add functionality to the Megastar platform post WWT1 findings around gamification and user interaction for the Indian marketplace and the promotion/launch of Megastar: Cricket.

On 24 September 2019, the Company issued 35,050 shares in relation to the Company's 'equity option' agreement.

On 24 September 2019, the Company advised that the following unlisted options expired without exercise:

- 3,500,000 \$0.40 Options, exercisable on or before 19 September 2019.
- 3,500,000 \$0.45 Options, exercisable on or before 19 September 2019.
- 1,500,000 \$0.55 Options, exercisable on or before 19 September 2019.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial years, or
- b) the results of those operations in future financial years, or
- c) the Group's state of affairs in future financial years.

### ENVIRONMENTAL REGULATIONS

The Company's environmental obligations are regulated by Australian State and Federal Law, and by the Laws of other countries in which it operates. The Company has complied with its environmental performance obligations. No environmental breaches have been notified by any Government agency to the date of the Directors' Report.

### PROCEEDINGS OF THE COMPANY

No person has applied to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company resolved that it would indemnify its current directors and officers. Coverage in respect of this indemnity has been provided via a *Directors and Officers* insurance policy negotiated at commercial terms. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Excluding the matter noted above the Company has not, during or since the financial year-end, in respect of any person who is, or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

### NON-AUDIT SERVICES

During the year, \$2,750 (2018: \$2,550) was paid to BDO Corporate Tax (WA) Pty Ltd for taxation services provided.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the non-audit services do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## DIRECTORS' REPORT (continued)

### SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

At the date of this report, the following options to acquire ordinary shares were on issue:

- 137,237,197 options exercisable at \$0.10 on or before 7 November 2019;
- 1,500,000 exercisable at \$0.043 on or before 2 May 2028;
- 900,000 options exercisable at \$0.15 on or before 18 March 2020; and
- 1,000,002 options exercisable at \$0.125 on or before 18 March 2020.

During the financial year the Company issued nil ordinary shares as a result of the exercise of options.

### DIRECTORS' MEETINGS

The number of meetings attended by each director during the year is as follows:

Director	Number of meetings held while in office	Number of meetings attended
Adam Wellisch	3	3
Chris Jones	2	2
Mark Clements	3	3
Dion Sullivan	2	2

In addition to the above, the Board met via circular resolution on 34 occasions during the year.

### REMUNERATION REPORT - AUDITED

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the key management personnel of the Company for the financial year ended 30 June 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

#### Key Management Personnel

##### Directors

Mr Adam Wellisch	<i>Chairman and Non-Executive Director</i>	
Mr Chris Jones	<i>Non – Executive Director</i>	<i>appointed 20 November 2018</i>
Mr Mark Clements	<i>Non-Executive Director and Secretary</i>	
Mr Dion Sullivan	<i>Managing Director</i>	<i>resigned 20 November 2018</i>

##### Remuneration Philosophy

The objective of the Company's reward framework is to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors and executives of the highest calibre whilst maintaining a cost which is acceptable to shareholders.

##### Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the board. The chairman's fees are determined independently to the fees of Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

## DIRECTORS' REPORT (continued)

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### *Directors Fees*

Director fees are determined within an aggregate director fee pool limit, which is periodically recommended for approval by shareholders. The maximum, for all directors, currently stands at \$250,000 in aggregate. This amount is separate from any specific tasks the directors may take on for the Company in the normal course of business and at normal commercial rates.

Fees for directors are not linked to the performance of the Company however, to align all directors' interests with shareholders' interests, directors are encouraged to hold shares in the Company and may receive options and performance rights. Performance conditions are attached to the performance rights. This effectively links directors' performance to the share price performance and therefore to the interests of shareholders. There have been no performance conditions imposed prior to the grant of options which act as an incentive to increase the value for all shareholders.

### *Executive Remuneration*

The Company aims to reward executives (both directors and executives) with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company performance;
- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Fixed remuneration is reviewed annually or upon renewal of fixed term contracts by the board and the process consists of a review of Company and individual performance, relevant comparative remuneration in the market and internal policies and practices. Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The objective of variable remuneration provided is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. Variable remuneration may be delivered in the form of share options and performance rights granted with or without vesting conditions.

### **Short and Long Term Incentives**

#### **STI**

##### *Options*

The Company issues share options to provide ongoing incentives to key employees, consultants and officers of the Company.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using the Black-Scholes valuation methodology. Further details on the valuation inputs of the options are included in Note 3.

As the Company does not have a Remuneration Committee, the Board is responsible for assessing whether the KPIs are met. The STI target annual payment is reviewed annually. The Board has the discretion to adjust STI's downwards in light of unexpected or unintended circumstances.

**LTI**

*Performance Rights*

On 20 November 2017, the Company issued 4,000,000 Class G Performance Rights which were approved at the Company's 2017 annual general meeting on 20 November 2017 to be issued to the Company's Managing Director Dion Sullivan. Each performance right will convert into one ordinary share of MSM subject to the Company having a market capitalisation of at least \$270 million for a period of 30 consecutive calendar days.

There is nil consideration payable upon the vesting of a Performance Right.

The Company considered the remuneration structures of ASX listed companies with a similar pathway to development, to determine a suitable quantum and structure of an incentive based remuneration plan for management and executive and non-executive members of the Board. As a result of this review the Company believe that the issue of the Performance Rights is a fair and reasonable incentive based remuneration package.

*Shares*

In prior periods, the Company issued various 'option equity' components as part of the remuneration package offered to employees and KMP appointed by MSM Music Inc. The component entitles the employee to a fixed percentage of the total shares in MSM at grant date, which vests over periods of 12, 36 and 48 months, in equal instalments. The employee must remain in employment with the Company at each vesting date.

**Statutory Performance Indicators**

The table below shows the performance of the Group for the current financial year and the previous four financial years.

	2019	2018	2017	2016	2015
<b>Net profit/(loss)(\$)*</b>	(423,216)	(18,921,838)	(12,969,655)	(8,491,150)	(724,890)
<b>Share price (\$)</b>	\$0.007	\$0.016	\$0.215	\$0.115	\$0.065
<b>Earnings/(loss) per share (\$)*</b>	(0.001)	(0.05)	(0.04)	(0.05)	(0.024)

\* Net profit/(loss) and earnings/(loss) per share for the period 2015 is as previously disclosed and has not been updated for the reverse acquisition of Megastar which occurred on 29 December 2015 and therefore these comparatives may not be comparative to the 2019 and 2018 figures.

**Relative Proportion of Fixed vs Variable Remuneration Expense**

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense on page .

KMP	Fixed Remuneration	STI	LTI
	2019	2019	2019
Adam Wellisch	63%	-	37%
Chris Jones	100%	-	-
Dion Sullivan	100%	-	-
Mark Clements	67%	-	33%

*Note 1:* Dion Sullivan resigned on 20 November 2018.

*Note 2:* Percentage of relative proportion of remuneration relating to LTI is disclosed as nil, as total amount relating to LTI was negative during the year.

*Note 3:* Chris Jones appointed on 20 November 2018.

## DIRECTORS' REPORT (continued)

### Performance Rights

The terms and conditions of each grant of performance rights affecting remuneration in the current and future reporting period are as follows:

KMP	Milestone				Total
	Market capitalisation of \$120 million	Market capitalisation of \$180 million	Market capitalisation of \$250 million	Market capitalisation of \$270 million	
Dion Sullivan <sup>1</sup>	800,000 <sup>1</sup>	800,000 <sup>1</sup>	800,000 <sup>1</sup>	4,000,000 <sup>1</sup>	6,400,000
Adam Wellisch	400,000	400,000	400,000	-	1,200,000
Mark Clements	400,000	400,000	400,000	-	1,200,000
<b>Total number of rights</b>	<b>1,600,000</b>	<b>1,600,000</b>	<b>1,600,000</b>	<b>4,000,000</b>	<b>8,800,000</b>
Value per right	\$0.175	\$0.119	\$0.078	\$0.107	
Issue date	29/11/2016	29/11/2016	29/11/2016	20/11/2017	
Expiry date	29/12/2021	29/12/2021	29/12/2021	20/11/2022	

Note 1: Dion Sullivan resigned 20 November 2018 and therefore will not meet the service condition and accordingly the performance rights were eligible for reversal.

The Performance Rights were valued using the barrier trinomial valuation method.

A milestone will be satisfied if the Company has had the relevant market capitalisation for a period of 30 consecutive calendar days.

In the event a milestone is not met by the expiry date, or the KMP ceases to be engaged by the Company when a milestone is met, the respective Performance Rights will not vest and, as a result, no new shares will be issued.

There is no consideration payable upon the vesting of a Performance Right. In accordance with the terms of the Performance Rights Plan, all Performance Rights will vest upon a takeover bid or other change of control event.

### Shares

In prior periods, the Company issued various 'option equity' components as part of the remuneration package offered to employees and KMP appointed by MSM Music Inc. The component entitles the employee to a fixed percentage of the total shares in MSM Corporation International Limited at grant date, which vests over periods of 12, 24, 36 and 48 months, in equal instalments. The employee must remain in employment with the Company at each vesting date.

As at 30 June 2019, the unvested employee entitlements were eligible for reversal for those recipients' no longer employees of the Company. As a result, a reversal of \$406,009 (30 June 2018: an expense of \$226,173) has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

Under the 'option equity' agreements, eligible employees and KMP are entitled to nil shares (30 June 2018: 5,517,700) in the Company.

## DIRECTORS' REPORT (continued)

### DETAILS OF REMUNERATION

#### FOR THE YEAR ENDED 30 JUNE 2019

KMP	Short-Term Benefits Base Remuneration <sup>1</sup> \$	Post- Employment Benefits \$	Share Based Payments (ESS, Options & Performance Rights) \$	Total \$	Value of Share Based Payments as a Proportion of Remuneration %
<b>Directors</b>					
Adam Wellisch (Non-Executive Chairman)	49,000	-	29,263	78,263	37
Chris Jones (Non-Executive Chairman) <sup>2</sup>	19,000	-	-	19,000	-
Mark Clements (Non-Executive Director and Company Secretary)	60,000	-	29,263	86,263	33
Dion Sullivan (Managing Director) <sup>3</sup>	183,952	-	(144,714)	39,238	-
<b>Total</b>	<b>311,952</b>		<b>(86,188)</b>	<b>225,764</b>	

Note 1: Short-Term benefits paid to directors include consulting fees.

Note 2: Appointed on 20 November 2018.

Note 3: Resigned on 20 November 2018.

#### FOR THE YEAR ENDED 30 JUNE 2018

KMP	Short-Term Benefits Base Remuneration <sup>1</sup> \$	Post- Employment Benefits \$	Share Based Payments (ESS, Options & Performance Rights) \$	Total \$	Value of Share Based Payments as a Proportion of Remuneration %
<b>Directors</b>					
Adam Wellisch (Non-Executive Chairman)	222,000	-	29,263	251,263	12
Dion Sullivan (Managing Director) <sup>2</sup>	444,755	-	110,561	555,316	20
Mark Clements (Non-Executive Director and Company Secretary)	108,000	-	29,263	137,263	21
Sophie McGill (Executive Director) <sup>3</sup>	131,125	-	(100,790)	30,335	-
<b>Other Key Management Personnel</b>					
Joshua Heenan (Global General Manager)	249,709	-	20,599	270,308	8
Eric Crook (Director of Engineering)	247,631	-	20,599	268,230	8
Jane Barrett (Senior Marketing Director) <sup>4</sup>	79,964	-	-	79,964	-
<b>Total</b>	<b>1,483,184</b>		<b>109,495</b>	<b>1,592,679</b>	

Note 1: Short-Term benefits paid to directors include consulting fees.

Note 2: Resigned on 20 November 2018.

Note 3: Resigned on 15 January 2018.

Note 4: Resigned on 21 August 2017.

**Executive Service Agreements**

**Mr Dion Sullivan**

Mr Dion Sullivan resigned as Managing Director on 20 November 2018. Mr Sullivan entered into a services agreement with Megastar Millionaire Pty Ltd on 1 June 2015. Mr Sullivan's remuneration and responsibilities under that agreement included his appointment as Managing Director of MSM Corporation International Limited and Managing Director of MSM Music, Inc. Mr Sullivan was paid an annual salary of US\$275,000 plus statutory benefits by MSM Music Inc, with annual increases to be no more than 10% and no less than 3%. In addition, Mr Sullivan was entitled to a US\$25,000 sign-on bonus and a performance bonus of up to 40% of his base salary by MSM Music Inc upon meeting certain performance milestones each calendar year.

The term of the agreement was 3 years and contained provisions under which Megastar Millionaire Pty Ltd could terminate the agreement at any time without cause in which event Mr Sullivan would be entitled to his base salary for 12 months and a pro-rata payment for any non-base salary up to the date of termination to the extent that any performance conditions have been met and accrued entitlements. Megastar Millionaire Pty Ltd could also terminate the agreement with 30 days' notice in the event of a prolonged illness, or by summary notice in the event of a material breach, in which case Mr Sullivan would only be eligible to receive his accrued entitlements. The services agreement expired on 1 June 2018, at which time Mr Sullivan was on a month-to-month contract.

**Key Management Personnel Equity Holdings**

The interests of directors and other key management personnel in securities of the Company as at 30 June 2019 are as follows:

KMP	Ordinary Shares	Ordinary Share Rights	Class A Performance Shares <sup>2</sup>	Class B Performance Shares	Options	Class C Performance Rights	Class G Performance Right <sup>4</sup>
<b>Directors</b>							
A Wellisch	10,827,338	-	-	6,474,819	4,742,802	1,200,000 <sup>3</sup>	-
C Jones	514,155	-	-	-	312,500	-	-
M Clements	11,256,115	-	-	3,904,076	225,000	1,200,000 <sup>3</sup>	-
D Sullivan <sup>1</sup>	8,573,854	-	-	4,676,258	6,307,364	2,400,000 <sup>3</sup>	-

*Note 1:* Resigned on 20 November 2018. Amount held at date of resignation.

*Note 2:* On 29 December 2018, Class A Performance Shares expired without exercise.

*Note 3:* Granted 29 November 2016. Vest upon achieving various market capitalisations with 0% vested at 30 June 2019.

*Note 4:* Granted 20 November 2017. Vest upon achieving a specified market capitalisation with 0% vested at 30 June 2019.

**ORDINARY SHARE MOVEMENTS**

KMP	Held at 1 July 2018	Acquired on Conversion of Options	Issued on Vesting of Ordinary Share Rights	Net Other Changes	Balance at 30 June 2019
A Wellisch	5,827,338	-	-	5,000,000	10,827,338
C Jones <sup>1</sup>	514,155 <sup>1</sup>	-	-	-	514,155
M Clements	7,256,115	-	-	4,000,000	11,256,115
D Sullivan <sup>2</sup>	8,573,854	-	-	(8,573,854)	-

*Note 1:* Appointed on 20 November 2018. Amount held at date of appointment.

*Note 2:* Resigned on 20 November 2018. Amount held at date of resignation.

## DIRECTORS' REPORT (continued)

### OPTION MOVEMENTS

KMP	Held at 1 July 2018	Granted as Remuneration	Exercised/ (Expired)	Net Other Changes	Balance at 30 June 2019	Vested and Exercisable
A Wellisch	4,742,802	-	-	-	4,742,802	4,742,802
C Jones	312,500	-	-	-	312,500	312,500
M Clements	225,000	-	-	-	225,000	225,000
D Sullivan <sup>1</sup>	6,307,364	-	-	(6,307,364)	-	-

Note 1: Resigned on 20 November 2018. Amount held at date of resignation.

### PERFORMANCE SHARES - CLASS A & B MOVEMENTS

KMP	Held at 1 July 2018		Net Other Changes		Balance as at 30 June 2019	
	Class A	Class B	Class A <sup>1</sup>	Class B	Class A	Class B
A Wellisch	6,474,821	6,474,819	(6,474,821)	-	-	6,474,819
M Clements	3,904,076	3,904,076	(3,904,076)	-	-	3,904,076
D Sullivan <sup>2</sup>	4,676,259	4,676,258	(4,676,259)	(4,676,258)	-	-

Note 1: On 29 December 2018, Class A Performance Shares expired without exercise.

Note 2: Resigned on 20 November 2018. Performance rights forfeited on resignation.

### PERFORMANCE RIGHTS - CLASS C & G MOVEMENTS

KMP	Held at 1 July 2018	Issued as Remuneration	Net Other Changes	Balance at 30 June 2019	Maximum value yet to vest*
A Wellisch	1,200,000	-	-	1,200,000	\$73,197
M Clements	1,200,000	-	-	1,200,000	\$73,197
D Sullivan	6,400,000	-	(6,400,000)	-	-

Note 1: Resigned on 20 November 2018. Performance rights forfeited on resignation.

\*The maximum value of the deferred ordinary share rights has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed.

### Other Transactions with Key Management Personnel

In a prior period, the Company entered into a loan arrangement with Mr Dion Sullivan whereby Mr Sullivan loaned the Company US\$50,000 in advance on an unsecured basis. Interest is payable at a flat rate of 10% and the maturity date for the loan was the earlier of completion of a capital raise by the Company of at least \$3 million, six months after drawdown or at the lender's request in the event of default. The loan and interest was repaid in full by the Company during the period.

As announced on 26 November 2018, Mr Dion Sullivan resigned from MSM. As Mr Sullivan resigned from the Company, he will no longer meet the service condition attached to performance rights issued by the Company in prior periods. As a result, a reversal of \$144,714 in relation to Mr Sullivan's rights has been recognised in the Statement of Profit or Loss and Other Comprehensive Income (refer to Note 3).

On 20 November 2018, the Company appointed Mr Chris Jones as a Non-Executive Director of the Company. As part of the service contract, Mr Jones will be paid a director's fee of \$3,000 per month, exclusive of any applicable statutory superannuation.

There were no other transactions with key management personnel during the year ended 30 June 2019.

**END OF AUDITED REMUNERATION REPORT**

**Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual financial report. This Independence Declaration is set out on page 16 and forms part of this Directors' Report for the year ended 30 June 2019.

Signed in accordance with a resolution of the Directors.



**Adam Wellisch**  
Non-executive Chairman  
30 September 2019

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF MSM CORPORATION INTERNATIONAL LIMITED

As lead auditor of MSM Corporation International Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MSM Corporation International Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
	Notes	\$	\$
<b>Revenue from contracts with customers</b>			
In App Purchases	4	442	13,463
Interest Income	4	1,067	19,636
Other Income	4	1,382,678	-
		<u>1,384,187</u>	<u>33,099</u>
<b>Expenses</b>			
Finance cost	4	87,965	60,349
Administration expenses	4	277,087	1,588,603
Employee benefits and directors fees	4	419,840	2,928,497
Marketing expenses	4	36,882	1,613,167
Share based payments/(reversal)	3	(404,197)	2,803,410
Project expenditure		696,829	9,960,911
Changes in fair value of investments at fair value	8	692,997	-
		<u>(423,216)</u>	<u>(18,921,838)</u>
<b>Loss from continuing operations before income tax expense</b>		<b>(423,216)</b>	<b>(18,921,838)</b>
Income tax expense	5	-	-
		<u>(423,216)</u>	<u>(18,921,838)</u>
<b>Net loss from continuing operations after income tax expense</b>		<b>(423,216)</b>	<b>(18,921,838)</b>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on foreign operations		(623,405)	62,012
		<u>(1,046,621)</u>	<u>(18,859,826)</u>
<b>Total comprehensive loss for the period</b>		<b>(1,046,621)</b>	<b>(18,859,826)</b>
Loss for the period attributable to owners of the Company		(1,046,621)	(18,859,826)
		<u>(1,046,621)</u>	<u>(18,859,826)</u>
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<b>(1,046,621)</b>	<b>(18,859,826)</b>
<b>Loss per share from continuing operations attributable to owners of the Company</b>			
Basic and diluted loss per share	13	\$0.001	\$0.049

This statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019

<b>ASSETS</b>	<i>Notes</i>	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		<b>\$</b>	<b>\$</b>
Cash and cash equivalents	6	357,779	303,875
Other current assets	7	119,172	337,944
<b>Total Current Assets</b>		<b>476,951</b>	<b>641,819</b>
<b>Non-Current Assets</b>			
Other non-current assets	7	-	75,887
Financial assets	8	2,138,885	657,556
<b>Total Non-Current Assets</b>		<b>2,138,885</b>	<b>733,443</b>
<b>TOTAL ASSETS</b>		<b>2,615,836</b>	<b>1,375,262</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	480,029	3,043,959
Borrowings	10	1,426,515	303,650
Provisions	11	-	58,838
<b>Total Current Liabilities</b>		<b>1,906,544</b>	<b>3,406,447</b>
<b>TOTAL LIABILITIES</b>		<b>1,906,544</b>	<b>3,406,447</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>709,292</b>	<b>(2,031,185)</b>
<b>EQUITY</b>			
Issued capital	12	36,182,851	31,903,556
Reserves	14	6,458,618	7,574,220
Accumulated losses		(41,932,177)	(41,508,961)
<b>TOTAL EQUITY/(DEFICIENCY IN EQUITY)</b>		<b>709,292</b>	<b>(2,031,185)</b>

This statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2018</b>	31,903,556	7,574,220	(41,508,961)	(2,031,185)
Net loss for the period	-	-	(423,216)	(423,216)
Other comprehensive loss	-	(623,405)	-	(623,405)
<b>Total comprehensive loss for the period</b>	-	(623,405)	(423,416)	(1,046,621)
Transactions with owners in their capacity as owners				
Issue of shares	4,373,190	-	-	4,373,190
Share based payments/(reversal)	88,000	(492,197)	-	(404,197)
Capital raising expenses	(181,895)	-	-	(181,895)
<b>Total transactions with owners and other transfers</b>	4,279,295	(492,197)	-	3,787,098
<b>Balance at 30 June 2019</b>	<b>36,182,851</b>	<b>6,458,618</b>	<b>(41,932,177)</b>	<b>709,292</b>
<b>Balance at 1 July 2017</b>	17,430,292	4,948,798	(22,587,123)	(208,033)
Net loss for the period	-	-	(18,921,838)	(18,921,838)
Other comprehensive loss	-	62,012	-	62,012
<b>Total comprehensive income/(loss) for the period</b>	-	62,012	(18,921,838)	(18,859,827)
Transactions with owners in their capacity as owners				
Issue of shares - prospectus	15,571,774	-	-	13,712,000
Share based payments	-	2,563,410	-	2,563,410
Shares issued on conversion of options	18,207	-	-	18,207
Capital raising expenses	(1,116,716)	-	-	(1,116,716)
<b>Total transactions with owners and other transfers</b>	14,473,265	2,563,410	-	17,036,675
<b>Balance at 30 June 2018</b>	<b>31,903,556</b>	<b>7,574,220</b>	<b>(41,508,961)</b>	<b>(2,031,185)</b>

This statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019

	<i>Notes</i>	<b>2019</b> \$	<b>2018</b> \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		442	13,463
Interest received		1,067	19,636
Project development payments		(622,149)	(10,840,390)
Payments to suppliers and employees		(1,853,100)	(4,144,604)
Net cash outflows from operating activities	<i>16(b)</i>	<u>(2,473,740)</u>	<u>(14,951,895)</u>
<b>Cash flows from investing activities</b>			
Payments for investments		-	(204,867)
Payments for financial assets		(2,083,163)	-
Net cash outflows from investing activities		<u>(2,083,163)</u>	<u>(204,867)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		3,469,691	15,349,986
Capital raising costs		(144,032)	(1,116,717)
Proceeds from convertible loans		1,440,000	-
Proceeds from short term loans		-	302,194
Repayments of short term loans		(154,850)	-
Net cash inflows from financing activities		<u>4,610,808</u>	<u>14,535,463</u>
Net increase/(decrease) in cash and cash equivalents		53,904	(416,432)
Cash and cash equivalents at the beginning of the financial period		303,875	720,307
Cash at the end of the financial period	<i>16(a)</i>	<u><b>357,779</b></u>	<u><b>303,875</b></u>
<b>Non-cash financing statement</b>			
Shares issued in repayment of short term loans	<i>16(c)</i>	236,000	-
		<u>236,000</u>	

This statement should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: CORPORATE INFORMATION

The financial statements of MSM Corporation International Limited for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 27 September 2019.

MSM Corporation International Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and operating in Australia.

The nature of operations and principal activities of the Company are described in the Directors' Report.

### NOTE 2: BASIS OF PREPARATION

#### (a) Basis of preparation

##### *Statement of Compliance*

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The financial statements of the Group also comply with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

##### *Principles of Consolidation*

The consolidated financial statements incorporate the assets, liabilities and results of the parent MSM Corporation International Limited as at 30 June 2019 and all of the subsidiaries for the year then ended. MSM Corporation International Limited and its subsidiaries together are referred to in these financial statements as the "consolidated entity" or "Group".

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The effects of all intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated in full.

### *Going Concern*

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 30 June 2019 the Group incurred a net loss of \$423,216 (2018: \$18,921,838). This result was achieved following a benefit recorded of \$1,382,678 in relation to the de-recognition of the Company's US subsidiary, MSM Music Inc.'s trade creditors following the execution of an Assignment for the Benefit of Creditors (ABC) agreement on 7 December 2018 and a further non-cash reversal of \$404,197 relating to previously recognised share based payment expenses. The Group also incurred net cash outflows from operating activities of \$2,473,740 (30 June 2018: \$14,951,895) and had a working capital deficiency of \$1,429,593 (30 June 2018: \$2,764,628).

Subsequent to year end, \$1,426,515 in borrowings as at 30 June 2019 was settled in equity instruments of the Company following shareholder approval (refer to Note 23).

The ability for the Group to continue as a going concern is dependent on cash inflows generated from its strategic investment arrangement with Riva Technology and Entertainment Ltd ('RTE') as disclosed in Note 8 and the raising of capital as and when required for working capital purposes.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that as at the date of this report that there are reasonable grounds to believe that the Group will continue as a going concern for the following reasons:

- Subsequent to reporting date, the Group settled borrowings in equity. Refer to Note 23;
- The Directors are confident that the Group will be successful in commercialising the company's investments and projects;
- The Directors expect to be successful in receiving funds from the Group's investment in RTE as disclosed in Note 8.
- The Directors expect the continued support from creditors of the Group.
- The Directors expect the Company to be able to raise additional funding through debt and/or equity as and when required.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

### **(b) New and amended standards adopted by the entity**

A number of new or amended standards became applicable for the current reporting period, the Company has reviewed its accounting policies in light of these standards:

- AASB 9 Financial Instruments ("AASB 9"); and
- AASB 15 Revenue from Contracts with Customers ("AASB 15").

AASB 15 and 9 have had no impact on adoption on these financial statements. The new accounting policies relating to the adoption of AASB 9 have been detailed in note (b)(i) and (b)(ii).

### AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and liabilities, recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 resulted in minimal changes in accounting policies. The new accounting policies are set out below.

#### Investments and other financial assets

Investments and other financial assets are recognised and derecognised on settlement date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned. They are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss);
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company has elected to measure the fair value of applicable financial assets through profit or loss.

#### i. Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group subsequently measures all equity investments at fair value. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and pricing models to reflect the issuer's specific circumstances.

Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### ii. Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For other receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

**(c) Impact of standards issued but not yet applied by the entity**

AASB 16 Leases ("AASB 16") was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. MSM Corporation International Limited does not intend to adopt the standard before its effective date.

**(d) Income Tax**

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the notional income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

A deferred tax asset for unused tax losses is recognised only if it is probable that future taxable amounts will be available to utilise losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

**(e) Financial instruments**

*Classification*

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

*Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after 30 June 2019 which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

*Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

*Subsequent measurement*

Loans and receivables are carried at amortised cost using the effective interest method.

Financial assets at fair value through profit and loss are carried at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income.

### *Fair value*

The fair values of quoted investments are based on last trade prices. For unlisted investments, management determine fair value based on inputs other than quoted prices that are either directly or indirectly observable for example recent share raising prices.

### *Impairment*

At each balance date the Company assesses whether there is objective evidence that a financial asset is impaired.

### **(f) Impairment of assets**

At each reporting date the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

### **(g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **(h) Revenue recognition**

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

### **(i) Trade and other payables**

Trade and other payables are initially measured at fair value and subsequently carried at amortised cost which is the amount of consideration to be paid in the future to settle the liability.

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are presented as current unless payment is not due within 12 months.

### **(j) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis.

### **(k) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### **(l) Borrowings**

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount as the impact of discounting is not significant. Borrowing costs are expensed in the period in which they are incurred.

### **(m) Convertible Notes**

On initial recognition, the convertible notes are recognised at fair value less transaction costs, and subsequently at amortised cost under the effective interest rate method.

### **(n) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **(o) Share based payments**

Under AASB 2 Share Based Payments, the Company must recognise the fair value of options, shares and performance rights granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in the statement of Profit or Loss and Other Comprehensive Income with a corresponding adjustment to equity.

The Company provides benefits to employees (including directors) of the Company in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of these equity-settled transactions with employees (including directors) is measured by reference to fair value at the date they are granted. The fair value of options is determined using the Black-Scholes option pricing model. The fair value of performance rights is determined using the barrier trinomial valuation method.

### **(p) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("management approach"). The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of MSM Corporation International Limited.

### **(q) Earnings per share**

Basic earnings per share is determined by dividing the profit (loss) after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

### **(r) Significant Accounting Judgements, Estimates and Assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

#### *i. Deferred Tax*

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### ii. *Share-based payment arrangements*

The Company measures the cost of equity settled share based payments at fair value at the grant date using the Black-Scholes model taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

Performance rights are valued using the barrier trinomial valuation method taking into account the underlying security spot price, share price barrier, the term of the performance rights, the likelihood of milestones being achieved, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the performance rights.

Equity options granted to employees and KMP are valued by direct reference to the total equity contributed in the Company at grant date and the respective share price on grant date.

### iii. *Impairment of receivables*

In accordance with AASB 9, MSM has undertaken an assessment of receivables. There has been no evidence of impairment triggers such as signs of significant financial difficulty, breach of payment arrangements or litigation.

### iv. *Fair value of financial assets*

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

Quoted prices or rates are used to determine the fair value where an active market exists. If the market for a financial instrument is not active or the instrument is unlisted, then fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

## **(s) Foreign Currency Transactions and Balances**

### *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 3: SHARE-BASED PAYMENTS

The total movement arising from share-based payment transactions recognised during the reporting period were as follows:

	2019 \$	2018 \$
Recognised as a share-based payment expense:		
Options issued to employees Note 3(c)	(406,009)	226,173
Options, performance rights and shares issued to key management personnel Note 3(b)	(86,188)	109,495
Options issued for services	-	146,733
Shares issued for services Note 3(a)	88,000	240,000
Performance Rights issued for services	-	2,081,009
<b>Total share-based payment expense</b>	<b>(404,197)</b>	<b>2,803,410</b>

#### (a) Fair Value of Options and Shares issued for services.

On 5 July 2018, the Company issued shares to unrelated parties in consideration for corporate advisory services. The fair value of equity granted was by reference to the fair value of services received by reference to invoices received.

As a result, an expense of \$88,000 was recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019.

#### (b) Fair Value of Performance Rights issued – prior period

As approved at Company's 2016 and 2017 Annual General Meeting's, the Company issued 2,400,000 and 4,000,000 performance right to former Managing Director, Mr Dion Sullivan, respectively. On 20 November 2018 Mr Dion Sullivan's resignation was announced and as such he will no longer meet the service condition attached to the performance rights.

As a result, a reversal of \$144,714 in relation to Mr Sullivan's rights has been recognised in the Statement of Profit or Loss and Other Comprehensive Income and has been recorded for the period. As at 30 June 2019, a share based payment reversal of \$86,188 relating to key management personnel issued in prior periods was recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### (c) Equity options issued to Employees and KMP (MSM Music Inc.) – Stock Incentive Plan

In prior periods, the Company issued various 'option equity' components as part of the remuneration package offered to employees and KMP appointed by MSM Music Inc. The component entitles the employee to a fixed percentage of the total shares in MSM Corporation International Limited at grant date, which vests over periods of 12, 24, 36 and 48 months, in equal instalments. The employee must remain in employment with the Company at each vesting date.

The fair value of equity instruments granted is valued by direct reference to the total equity contributed in the Company at grant date and the respective share price on grant date.

As the equity option vests over 12, 24, 36 and 48 months, the share based payment expense have been expensed over the vesting period.

As at 30 June 2019, the unvested employee entitlements were eligible for reversal for those recipients' no longer employees of the Company. As a result, a reversal of \$406,009 (30 June 2018: an expense of \$226,173) has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

Under the 'option equity' agreements, eligible employees and KMP are entitled to nil shares (30 June 2018: 5,517,700) in the Company.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 4: REVENUE AND EXPENSES

	2019	2018
<b>(a) Revenue and other income</b>	<b>\$</b>	<b>\$</b>
In App purchases	442	13,463
Interest and other income	1,067	19,636
Other income (i)	1,382,678	-
	<b>1,384,187</b>	<b>33,099</b>
<b>(b) Expenses</b>		
Wages, salaries, director's fees and other remuneration expenses	416,540	2,928,497
Administration expense	277,087	1,588,603
Marketing expenses	36,882	1,613,167
Finance costs – short term loans	-	30,063
Finance costs – other	87,965	30,286
	<b>816,152</b>	<b>6,190,616</b>

Note (i): During the period \$1,382,678 of trade creditors recorded in MSM Music Inc were de-recognised as part of the Assignment for the Benefit of Creditors ('ABC') process (refer to Note 9). This has been reflected as Other Income in the Statement of Profit or Loss and Other Comprehensive Income.

### NOTE 5: INCOME TAX EXPENSE

	2019	2018
<b>(a) Income Tax Expense</b>	<b>\$</b>	<b>\$</b>
Current tax expense	-	-
Deferred tax expense	-	-
	<b>-</b>	<b>-</b>
<b>(b) Reconciliation of income tax to prima facie tax payable:</b>		
Loss before tax	(423,216)	(18,921,838)
Income tax expense/ (benefit) @27.5%	(126,965)	(5,203,505)
Permanent differences	(514,294)	751,402
Current year tax loss not recognised	816,804	2,561,619
Timing differences not recognised	(155,441)	3,084,797
Differences in tax rate of subsidiaries operating in other jurisdictions	(20,104)	(1,194,312)
Total tax expense	<b>-</b>	<b>-</b>
<b>(c) Unrecognised Deferred Tax Asset relates to:</b>		
Tax losses	5,391,337	5,865,184
Other timing differences	3,208,159	5,221,941
	<b>8,599,496</b>	<b>11,087,125</b>

The tax benefits of the deferred tax asset will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the Company in utilising the benefits.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 6: CASH AND CASH EQUIVALENTS

	2019 \$	2018 \$
Cash at bank and on hand	357,779	303,875
	<u>357,779</u>	<u>303,875</u>

### NOTE 7: OTHER ASSETS

	2019 \$	2018 \$
<b>Current other assets</b>		
Other receivables	-	25,168
GST recoverable	15,602	39,052
Prepayments	103,570	273,724
	<u>119,172</u>	<u>337,944</u>
<b>Non-current other assets</b>		
Other receivables	<u>-</u>	<u>75,887</u>

These amounts generally arise from transactions relating to operating activities. No interest is chargeable and collateral is not normally obtained. These receivables are not considered to be impaired as repayment is expected to occur or has occurred. Refer to Note 17 for the Company's risk management policy. As at 30 June 2019, no receivables were past due or impaired.

### NOTE 8: FINANCIAL ASSETS

	2019 \$	2018 \$
<b>Financial assets at fair value through profit or loss ("FVPL")</b>		
Balance at 1 July	657,556	604,402
Acquisition	2,083,163	-
Foreign exchange movements	91,163	-
Fair value movement	(692,997)	53,154
Total financial assets at fair value	<u>2,138,885</u>	<u>657,556</u>

On 7 July 2016, the Company made a strategic investment of US\$100,000 (A\$135,300) into Influential, a Los-Angeles based, mobile-first influencer marketing technology company which works with more than 7,000 top influencers on Facebook, Instagram, Snapchat, Twitter, Vine and YouTube, representing more than 4.4 billion followers.

On 5 April 2016, Megastar purchased 7,178,007 shares in WinWin Holdings Pty Ltd under Tranche 1 of a private placement agreement for US\$36,000 (A\$48,708).

On 3 August 2015, Megastar agreed to acquire a 5% equity interest in ToneDen, Inc. The consideration comprised:

- The payment of US\$100,000 (A\$135,300) on 7 August 2015;
- The payment of US\$50,000 (A\$67,650) on 8 December 2016; and
- US\$150,000 (A\$202,950) in the form of either cash or MSM shares, at MSM's election. This is accounted for under Trade and Other Payables (Note 9).

On 12 July 2015, Megastar entered into an unsecured convertible promissory note agreement with Digital Riot Media, LLC for the principal sum of US\$50,000 (A\$67,650).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

18 March 2019, the Company entered into an agreement to subscribe for shares and secured, first ranking, interest free loan notes in Riva Group's associated company Riva Technology and Entertainment Limited (RTE).

During the year, the Company entered into an agreement to subscribe for shares and secured, first ranking, interest free loan notes in Riva Group's associated company Riva Technology and Entertainment Limited (RTE) for US\$1,500,000 paid over two instalments:

- the payment of US\$1,000,000 (\$1,382,501) on 23 November 2018.
- the payment of US\$500,000 (\$708,316) on 9 January 2019.

The loan notes are repayable in full by 31 December 2019. In accordance with AASB 9 Financial Instruments ("AASB 9"), the loan notes and equity shares have been recognised at fair value on initial recognition and at subsequent measurement. At 30 June 2019, the Company held an equity interest of 14.28% in RTE. The directors have taken the approach to fair value the investment based on recent share raisings. The date of the transaction settlement was 18 March 2019.

As at 30 June 2019, the fair value of the Company's financial assets were assessed in accordance with AASB 9 Financial Instruments, and as a result a fair value decrease of \$692,997 was recognised in this year.

### NOTE 9: TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Trade creditors (a)	228,340	2,529,474
Share subscription account	-	172,000
Accruals	37,800	139,536
Other Payables	213,889	202,950
Total trade and other payables	480,029	3,043,959

*Note (a):* During the year \$1,382,678 of trade creditors recorded in MSM Music Inc were de-recognised as part of the Assignment for the Benefit of Creditors ('ABC') process (Note 4). This has been reflected as Other Income in the Statement of Profit or Loss and Other Comprehensive Income.

These amounts generally arise from transactions relating to operating activities. No interest is chargeable and collateral is not normally obtained. This payable is not considered to be impaired as repayment is expected to occur or has occurred. Refer to Note 17 for the Company's risk management policy. All amounts are expected to be settled within 12 months.

The fair value of trade and other payables is assumed to be cost given their short term nature.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 10: BORROWINGS

	2019 \$	2018 \$
Short term loans (a)	-	303,650
Convertible notes (b)	1,426,515	-
Total borrowings	<u>1,426,515</u>	<u>303,650</u>

*Note (a):* During the period, the Company settled all short term loans payable through the issue of both ordinary shares in the Company and cash.

*Note (b):* At 30 June 2019, the Company had raised \$1,440,000 (before costs) under the Emerald Convertible Note Issue before costs. The Convertible Notes are unsecured, interest free and have a redemption date 24 months from the date of issue. Subsequent to year end, on 15 July 2019, the Convertible Notes converted at \$0.007 per share, following Shareholder approval being obtained at the Company's Annual General Meeting on 26 April 2019. Refer to Note 23.

### NOTE 11: PROVISIONS

	2019 \$	2018 \$
Provision for employee benefits	-	58,838
Total provisions	<u>-</u>	<u>58,838</u>

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**NOTE 12: CONTRIBUTED EQUITY**

	\$	No. of Shares	Amount per share
<b>Share capital at 30 June 2019</b>			
Balance at beginning of period	31,903,556	430,418,591	
Proceeds from shares issued	3,445,570	80,129,525	0.043
Proceeds from shares issued	312,000	39,000,000	0.008
Shares issued for services – Note 3(a)	88,000	2,046,512	0.043
Shares issued for liability settlement (b)	346,620	43,327,500	0.043
Shares issued for liability settlement (b)	33,000	4,125,000	0.008
Share issued under 'equity option' agreement	-	338,505	
Shares issued for short term loan settlement (a)	236,000	29,500,000	0.008
Capital raising costs	(181,895)	-	
Total issued and paid up capital at the end of the period	<u>36,182,851</u>	<u>628,885,633</u>	
<b>Share capital at 30 June 2018</b>			
Balance at beginning of period	17,430,292	311,135,662	
Proceeds from shares issued	10,072,000	50,360,000	\$0.200
Proceeds from shares issued	3,400,000	22,666,667	\$0.150
Proceeds from shares issued	1,859,774	43,250,559	\$0.043
Shares issued for services	240,000	1,000,000	\$0.240
Share issued under 'equity option' agreement	-	1,823,637	-
Shares issued on conversion of options	18,207	182,066	\$0.100
Capital raising costs	(1,116,716)	-	
Total issued and paid up capital at the end of the period	<u>31,903,556</u>	<u>430,418,591</u>	

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**Note (a):** On 20 November 2018, the Company issued shares to partially extinguish outstanding short term loans (Note 10). In accordance with the accounting standards, the fair value of the shares were calculated, being a share price of \$0.008 per share. For this transaction, the difference of \$236,000 between the fair value of the shares granted and the loan recognised in the statement of profit or loss and other comprehensive income for the year.

**Note (b):** On 2 May 2019 and 19 June 2019, following Shareholder approval being obtained at the Company's Annual General Meeting on 26 April 2019, the Company issued shares and options to extinguish outstanding trade and other payable balances. In accordance with the accounting standards, the fair value of the shares and options was calculated, being a share price of \$0.008 per share. For these transactions, the difference of \$379,620 between the fair value of the equity instruments granted and the liability recognised has been recognised in the statement of profit or loss and other comprehensive income for the year.

For information relating to options, shares and performance rights issued to key management personnel during the financial year, refer to Note 3.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 13: BASIC LOSS PER SHARE

	2019 \$	2018 \$
Basic loss per share	0.001	0.049
Diluted loss per share	0.001	0.049

#### **Basic loss per share**

The loss and weighted average number of ordinary shares used in the calculation of the basic and diluted loss per share are as follows:

	2019 \$	2018 \$
Net loss	(423,216)	(18,921,838)
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	499,190,771	384,615,325

### NOTE 14: RESERVES

	2019 \$	2018 \$
<b>Share Based Payment Reserve (i)</b>		
Opening Balance	7,574,220	5,089,753
Options, shares and performance rights issued to key management personnel <i>Note 3(b)</i>	(86,188)	109,495
Options issued to employees <i>Note 3(c)</i>	(406,009)	226,173
Options issued for consulting and advisory services	-	146,733
Performance rights issued	-	2,081,009
	<u>7,160,966</u>	<u>7,253,163</u>
<b>Foreign Exchange Translation Reserve (ii)</b>		
Opening Balance	(78,943)	(140,955)
Exchange differences on foreign operations	(623,405)	62,012
	<u>(702,348)</u>	<u>(78,943)</u>
<b>Total Reserves</b>	<u>6,458,618</u>	<u>7,574,220</u>

#### **(i) Share Based Payment Reserve**

The share based payments reserve represents the fair value of equity instruments issued to employees as compensation and issued to external parties for receipt of services. This reserve will be reserved against issued capital when the underlying shares are converted and reserved against retained earnings when they are allowed to lapse.

#### **(ii) Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 15: OPERATING SEGMENTS

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded at this time that there are no separately identifiable segments.

### NOTE 16: NOTES TO THE STATEMENT OF CASH FLOWS

#### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2019 \$	2018 \$
Cash and cash equivalents	357,779	303,875

#### (b) Reconciliation of profit for the year to net cash flows from operating activities

Loss for the year after tax	(423,216)	(18,921,838)
Share based payments / (reversal)	(404,197)	2,803,410
Unrealised foreign exchange gain/(loss)	(3,824)	(4,018)
<i>Changes in assets and liabilities</i>		
(Increase)/Decrease in fair value in investments	692,997	-
(Increase)/Decrease in other receivables	459,934	205,383
(Increase)/Decrease in other current assets	(22,073)	(281,797)
Increase/(Decrease) in trade and other payables	(2,837,198)	2,485,835
Increase/(Decrease) in provisions	58,838	(1,238,870)
Net cash used in operating activities	(2,473,740)	(14,951,895)

#### (c) Non-cash financing activities

On 20 November 2018, the Company issued shares to partially extinguish outstanding short term loans (Note 10). In accordance with the accounting standards, the fair value of the shares were calculated, being a share price of \$0.008 per share. For this transaction, the total fair value of shares granted was \$236,000, and the difference between the fair value of the shares granted and the loan recognised in the statement of profit or loss and other comprehensive income for the year.

**NOTE 17: FINANCIAL INSTRUMENTS**

**(a) Capital Risk Management**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through optimising the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and accumulated losses as disclosed in Note 12.

**(b) Financial Risk Management**

The Company's financial management team provides services to the business, coordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company and identifies any exposures by degree and magnitude of risks. These risks include credit risk, liquidity and cash flow interest rate risk and currency risk. The Company actively pursues avenues to minimise the effect of these risks.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

**(c) Categories of Financial Instruments**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash and cash equivalents	357,779	303,875
Trade and other receivables	119,172	413,831
Financial assets	2,138,885	657,556
<b>Total Financial Assets</b>	<b>2,615,836</b>	<b>1,375,262</b>
<b>Financial Liabilities</b>		
Trade and other payables	480,029	3,043,960
Borrowings	1,426,515	303,650
<b>Total Financial Liabilities</b>	<b>1,906,544</b>	<b>3,347,610</b>
<b>Net Financial Assets (Liabilities)</b>	<b>709,292</b>	<b>(1,972,348)</b>

**(d) Foreign Currency Risk**

The Company undertakes certain transaction denominated in United States dollars and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The Company's exposure to currency risk at 30 June 2019 was \$1,924,996 (2018: \$752,206) on investments and trade payables denominated in United States dollars. The effect of future movements in the exchange rate for United States dollars on the Company's financial position and results of its activities is likely to be negligible.

**(e) Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed periodically.

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

The Company does not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and borrowings is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

### (f) Fair Value of Financial Instruments

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2019 and 30 June 2018:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>30 June 2019</b>				
Financial assets at FVPL	-	-	2,138,885	2,138,885
	-	-	2,138,885	2,138,885
<b>30 June 2018</b>				
Financial assets at FVPL	-	-	657,556	657,556
	-	-	657,556	657,556

The fair value of the level 3 financial assets have been based on recent share raising prices during the financial year. For the year ended 30 June 2019 financial assets, refer to Note 8 for additional details.

The Directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximates their fair values.

### (g) Interest rate risk management

The Company is exposed to interest rate risk as it holds cash deposits at floating interest rates. The risk is that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities. The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the Interest rate sensitive analysis section below.

#### **Interest rate sensitivity analysis**

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting date. The board of Directors has determined that a 50 basis point increase of decrease represents a immaterial interest rate risk and represents management's assessment of the possible changes in interest rates.

At reporting date, if the interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's net profit would have been increased by \$1,789 and decreased by \$1,789 respectively. This is attributable to the Company's exposure to interest rates to interest rates on its variable rate deposits. The Company's borrowings at 30 June 2019 are at a fixed interest rate.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### (i) Maturity Profile of Financial Instruments

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The financial liabilities are derived on undiscounted cash flows based on the earliest date on which the Company can be required to pay:

	Average Interest Rate	Less than 1 year	1 to 5 years	5+ years	Total
<b>2019</b>					
Financial Liabilities	%	\$	\$	\$	\$
Borrowings	Nil	1,426,515	-	-	1,426,515
Trade payables	Nil	480,029	-	-	480,029
		<u>1,906,544</u>	<u>-</u>	<u>-</u>	<u>1,906,544</u>
<b>2018</b>					
Financial Liabilities					
Borrowings	10	303,650	-	-	303,650
Trade payables	Nil	3,043,960	-	-	3,043,960
		<u>3,347,610</u>	<u>-</u>	<u>-</u>	<u>3,347,610</u>

### NOTE 18: KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to key management personnel of the Company is set out below:

	2019 \$	2018 \$
Short-term employee benefits	311,952	1,483,184
Share based payments	(86,188)	109,495
	<u>225,764</u>	<u>1,592,679</u>

### NOTE 19: RELATED PARTY TRANSACTIONS

#### (a) Transactions with key management personnel

##### (i) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 18 to the financial statements.

##### (ii) Loans to key management personnel

There were no loans granted to key management personnel during the financial year (2018: Nil).

##### (iii) Loans from key management personnel

During the year, the Company entered into a loan arrangement with director Dion Sullivan. Details of the loan are disclosed in Note 19 (b) under Other Transactions with Key Management Personnel.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (b) Other transactions with Directors and Director related entities

In a prior period, the Company entered into a loan arrangement with Mr Dion Sullivan whereby Mr Sullivan loaned the Company US\$50,000 in advance on an unsecured basis. Interest is payable at a flat rate of 10% and the maturity date for the loan is the earlier of completion of a capital raise by the Company of at least \$3 million, six months after drawdown or at the lender's request in the event of default. The loan and interest was repaid in full by the Company during the period.

As announced on 26 November 2018, Mr Dion Sullivan resigned from MSM. As Mr Sullivan resigned from the Company, he will no longer meet the service condition attached to performance rights issued by the Company in prior periods. As a result, a reversal of \$144,714 in relation to Mr Sullivan's rights has been recognised in the Statement of Profit or Loss and Other Comprehensive Income (refer to Note 3).

On 20 November 2018, the Company appointed Mr Chris Jones as a Non-Executive Director of the Company. As part of the service contract, Mr Jones will be paid a director's fee of \$3,000 per month, exclusive of any applicable statutory superannuation.

During the period, the Company's US subsidiary, MSM Music Inc. entered into an Assignment for the Benefit of Creditors (ABC) process to manage the outstanding creditors of MSM Music Inc (which included the Company). As part of this process, the Company entered into an Asset Purchase Agreement with the assignee of MSM Music Inc to acquire the intellectual property held in the subsidiary for consideration of US\$110,000 and also entered into a Subordination Instrument pursuant to which the Company agreed to subordinate all rights to payment under the ABC process (including in relation to the intercompany loan between the Company and MSM Music Inc) to all other creditors. Creditors of MSM Music Inc had until July 2019 to submit their claims with US\$110,000 being held in trust for the benefit of creditors.

### (c) Controlled entities

The consolidated financial statements include the financial statements of MSM Corporation International Limited and the following subsidiaries:

	Equity Interest 2019 %	Equity Interest 2018 %
Megastar Millionaire Pty Ltd (incorporated in Australia)	100	100
MSM Music, Inc. (incorporated in Delaware, USA)	100	100
MSM Holdings Pte Ltd (incorporated in Singapore)	100	100

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 20: REMUNERATION OF AUDITOR'S

	2019 \$	2018 \$
Audit or review of the financial report - BDO Audit (WA) Pty Ltd	50,787	41,125
Taxation and other services - BDO Corporate Tax (WA) Pty Ltd and BDO Corporate Finance (WA) Pty Ltd	2,750	2,550
	<u>53,537</u>	<u>43,675</u>

### NOTE 21: PARENT ENTITY FINANCIAL INFORMATION

The following details information related to the parent entity, MSM Corporation International Limited, at 30 June 2019. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

Financial Position	2019 \$	2018 \$
<i>Assets</i>		
Current Assets	475,937	322,352
Non-Current Assets	2,138,885	135,299
Total Assets	<u>2,614,822</u>	<u>457,652</u>
<i>Liabilities</i>		
Current Liabilities	1,538,510	1,185,096
Total Liabilities	<u>1,538,510</u>	<u>1,185,096</u>
Net Liabilities	<u>1,076,312</u>	<u>(727,444)</u>
<i>Equity</i>		
Issued capital	36,149,851	31,903,556
Reserves	6,858,639	8,877,961
Accumulated losses	(41,932,178)	(41,508,961)
Total Equity	<u>1,076,312</u>	<u>(727,444)</u>
Financial Performance	2019 \$	2018 \$
Loss for the year	(150,064)	(18,675,091)
Other comprehensive income	-	-
Total comprehensive loss	<u>(150,064)</u>	<u>(18,675,091)</u>

No guarantees have been entered into by MSM Corporation International Limited in relation to the debts of its subsidiaries.

MSM Corporation International Limited had no commitments or contingent liabilities at year end other than those disclosed in Notes 22.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 22: COMMITMENTS AND CONTINGENCIES

Under the terms of the agreement to acquire an equity interest in WinWin Holdings Pty Ltd (Note 8), the Company has committed to provide services under the terms of a software development agreement to the value of AUD\$152,146. Upon completion of these services, the Company will receive a further 12.4% equity interest in WinWin Holdings Pty Ltd.

The second part of the payment of US\$150,000 (A\$213,888) for the acquisition of 5% equity interest in ToneDen, Inc. which may be paid in either cash or shares and as referred to in Note 8 is yet to be settled.

As part of the acquisition transaction with Minerals Corporation Limited, the Company continues to be liable for payment of tenement expenditure in relation to EPM 4068 until such time as the Queensland Department of Natural Resources and Mines grant the Mineral Development Licence. The Company is continuing to finalise the transfer of ownership to the majority owner of EMP 4068 in lieu of quarterly tenement expenditure commitments.

#### Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements

Payable – minimum lease payments

Not later than 12 months

Later than 12 months

	2019	2018
	\$	\$
Not later than 12 months	145,061	182,070
Later than 12 months	225,258	478,696
	<u>370,319</u>	<u>660,776</u>

As per Note 4, MSM Music Inc. is party to the ABC process. While MSM Corporation International Limited and MSM Music Inc. engaged US based legal and other advisers in respect of the ABC process and such parties advised MSM Corporation International Limited that the ABC process was a generally accepted insolvency process in California (the State of incorporation of MSM-US), neither the Company nor MSM Music Inc. can guarantee that no creditor of MSM Music Inc. will challenge the ABC process in general or seek to make further claims against MSM Music Inc. and attempt to include MSM Corporation International Limited in such claims. No guarantees have been entered into by the Company in relation to the debts of its subsidiaries.

#### Contingent Payments

Contingent Payments

	2019	2018
	\$	\$
Contingent Payments	-	23,001

The Company has received a claim from Mr Dion Sullivan for an amount of US\$518,226 (approximately \$737,000 at the date of this preliminary report) which is claimed comprises unpaid salary, bonuses and other benefits. The Company disputes and rejects the claim, believes it has no basis and has engaged litigation counsel to defend the claim.

There have been no other changes in contingent liabilities, contingent assets or other commitments since the last annual reporting date, 30 June 2018.

### NOTE 23: SUBSEQUENT EVENTS

On 15 July 2019, the Company announced it had executed a license agreement for utilization of the Company's extensively built Megastar online platform for mobile gaming and Esports with the Riva Group's subsidiary, Riva Technology and Entertainment Limited (RTE)(License). The Licensee will pay MSM US\$2,000,000 for the rights and use of the platform. The first instalment is to be made on a quarterly basis, commencing 31 December 2019.

In addition, the Company announced it extended the terms of the Heads of Agreement (HOA) with Riva Digital FZ LLC (Riva) as announced on 4 June 2018. Under the terms of the varied HOA MSM will receive five milestone payments of US\$100,000 each over the next year around the continued development, gamification and localization of the platform for Indian consumers. The agreed royalty of 5% of gross revenue derived from competitions with a minimum guarantee of US\$500,000 paid annually will continue after the milestone payments are completed.

On 15 July 2019, the Company issued 35,050 shares in relation to the Company's 'equity option' agreement.

On 17 July 2019, 205,714,286 shares were issued by the Company at a deemed issue price of \$0.007 per share on conversion of the convertible notes (Note 10 ).

On 17 July 2019, the Company issued a cleansing prospectus for the offer of up to 50,000 shares at an issue price of \$0.01 per share to raise up to \$500 (before expenses).

On 22 July 2019, the Company announced its notice of intention to sell shares in the Company of less than a marketable parcel. The offer applies to shareholders who on 19 July 2019 were holders of shares in the Company valued at less than \$500 based on the closing price of the Company shares of \$0.009 per share on the record date.

On 29 August 2019, the Company announced the engagement of YDigital Media, a technology company with some of the most innovative digital marketing solutions, responsible for developing award-winning campaigns for the top global brands, to add functionality to the Megastar platform post WWT1 findings around gamification and user interaction for the Indian marketplace and the promotion/launch of Megastar: Cricket.

On 24 September 2019, the Company issued 35,050 shares in relation to the Company's 'equity option' agreement.

On 24 September 2019, the Company advised that the following unlisted options expired without exercise:

- 3,500,000 \$0.40 Options, exercisable on or before 19 September 2019
- 3,500,000 \$0.45 Options, exercisable on or before 19 September 2019
- 1,500,000 \$0.55 Options, exercisable on or before 19 September 2019

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial years, or
- b) the results of those operations in future financial years, or
- c) the Group's state of affairs in future financial years.

## DIRECTORS' DECLARATION

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In the opinion of the directors of MSM Corporation International Limited ("the Group"):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards and the Corporations Regulations 2001;
  - b. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and
  - c. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Board of Directors.



**Adam Wellisch**  
Chairman  
30 September 2019

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## INDEPENDENT AUDITOR'S REPORT

To the members of MSM Corporation International Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of MSM Corporation International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 2(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Financial assets held at fair value through profit or loss

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 8 of the financial report, during the year the Group acquired an investment in Riva Technology and Entertainment Limited ("RTE").</p> <p>In accordance with AASB 9 Financial Instruments ("AASB 9"), the investments are required to be carried at their fair value at reporting date, and any associated fair value movements reflected in profit or loss.</p> <p>The Group's policy for accounting and significant estimates and judgements applied to these assets are disclosed in Notes 2(e) and 2(r)(iv) of the financial report.</p> <p>Due to the quantum of the asset and the significant judgement involved in determining the fair value of the asset, we have determined this to be a key audit matter.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the investor subscription agreement relating to the RTE investment to gain an understanding of the transaction;</li> <li>• Holding discussions with management in respect of the accounting treatment applied to the transaction and assessing the appropriateness of this treatment in accordance with AASB 9;</li> <li>• Agreeing the number of shares acquired to statutory share certificates and the consideration paid to relevant agreements;</li> <li>• Evaluating the appropriateness of management's assessment of the fair value of the investment; and</li> <li>• Assessing the adequacy of the related disclosures in Notes 2(e), 2(r)(iv) and 8 of the financial report.</li> </ul>

### Accounting for share-based payments

Key audit matter	How the matter was addressed in our audit
<p>During the financial year ended 30 June 2019, the Group issued shares to a consultant, which have been accounted for as share-based payment, as disclosed in Note 3 of the financial report. In addition, various share-based payment arrangements from prior financial years continue to impact the current financial year.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements;</li> </ul>

Key audit matter	How the matter was addressed in our audit
<p>The Group’s policy for accounting for share-based payments and significant judgements applied to these arrangements are disclosed in Notes 2(o) and 2(r)(ii) of the financial report.</p> <p>Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of share-based payments, we consider the Group’s accounting for sharebased payments to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Holding discussions with management to understand the share-based payment transactions in place, and, where applicable evaluating management’s assessment of the likelihood of achieving the performance conditions attached to the share-based payments;</li> <li>• Reviewing management’s determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation inputs;</li> <li>• Assessing the eligibility of share-based payment reversals recognised;</li> <li>• Assessing the allocation of the share-based payment expense over the relevant vesting period; and</li> <li>• Assessing the adequacy of the related disclosures in Notes 2(o), 2(r)(ii) and 3 of the financial report.</li> </ul>

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group’s annual financial report for the year ended 30 June 2019, but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

#### Report on the Remuneration Report

##### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of MSM Corporation International Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

##### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO  


Dean Just

Director

Perth, 30 September 2019

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## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 26 September 2019.

### Corporate Governance

In accordance with ASX Listing Rule 4.10.3 the Company's Corporate Governance Statement can be found on the Company's website, refer to <http://msmci.com/about/corporate-governance>.

Distribution of Equity Securities	Number of holders	
	Ordinary Shares	Options
1 - 1,000	65	60
1,001 - 5,000	43	29
5,001 - 10,000	33	21
10,001 - 100,000	306	104
100,001 and over	462	168
	<b>909</b>	<b>382</b>
Holding less than a marketable parcel	215	320

### Ordinary Share Capital

834,670,019 fully paid, ordinary shares are held by 909 individual shareholders.

All issued, ordinary shares carry one vote per share and carry the rights to dividends.

Substantial Shareholders	No. of Ordinary Shares in which Interest is Held	%
As at 26 September 2019, the register of substantial shareholders disclosed the following information:		
TIMOTHY PAUL NEESHAM	23,972,976	5.60
<b>Ordinary Shareholders</b>		
ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C>	64,974,214	7.78
VELVET BAY HOLDINGS PTY LTD <THE VELVET BAY A/C>	40,700,000	4.88
LIGHTHOUSE HOLDINGS WA PTY LTD <THE LIGHTHOUSE A/C>	39,450,000	4.73
SUNLIGHT BAY HOLDINGS PTY LTD <THE SUNLIGHT BAY A/C>	39,450,000	4.73
PETER VANDA RESOURCES PTY LTD <JOHN A ZAMBONI FAMILY A/C>	31,070,000	3.72
JJ (WA) INVESTMENTS PTY LTD	23,742,857	2.84
MR DEEPANSHU SUREKA	18,974,359	2.27
SISU INTERNATIONAL PTY LTD	17,957,738	2.15
DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C>	11,700,000	1.4
LITTLEJOHN ENGINEERING PTY LTD	11,428,571	1.37
LTJ INVESTMENTS PTY LTD	11,098,021	1.33
RICHSHAM NOMINEES PTY LTD	10,960,286	1.31
MR ADAM GEOFFREY WELLISCH <THE WELSON FAMILY A/C>	10,827,338	1.3
JTJK INVESTMENTS PTY LTD	9,326,315	1.12
STEPHANIE LAUREN THEONAS	9,285,715	1.11
MR ANTHONY ROBERT RAMAGE	9,102,053	1.09
MSM CORPORATION INTERNATIONAL LTD, <BUYBACK CONTROL A/C>	7,965,274	0.95
PENINSULA INVESTMENTS (WA) PTY LTD	7,890,000	0.95
AUSSIE MERCHANDISE PTY LTD	7,771,605	0.93
NOTHERN STAR NOMINEES PTY LTD	7,321,429	0.88
	<b>390,995,775</b>	<b>46.84%</b>

## ASX ADDITIONAL INFORMATION

Quoted Equity Securities	Number on Issue	Number of Holders
Options exercisable at \$0.10 expiring 7 November 2019	97,987,197	380

Options	No. of Quoted Options in which Interest is Held	%
DION MATTHEW SULLIVAN	6,307,364	6.44
WEBSTAR GROUP INTERNATIONAL PTY LTD	6,000,000	6.12
MR TONY DOUGLAS THORBURN	4,965,469	5.07
MR ADAM GEOFFREY WELLISCH <THE WELSON FAMILY A/C>	4,742,802	4.84
ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C>	3,082,383	3.15
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,500,000	2.55
PETER VANDA RESOURCES PTY LTD <JOHN ZAMBONI FAMILY A/C>	2,375,000	2.42
LIGHTHOUSE HOLDINGS WA PTY LTD <THE LIGHTHOUSE A/C>	2,375,000	2.42
SUNLIGHT BAY HOLDINGS PTY LTD <THE SUNLIGHT BAY A/C>	2,375,000	2.42
VELVET BAY HOLDINGS PTY LTD <THE VELVET BAY A/C>	2,375,000	2.42
MR DAVID CHARLES NEESHAM + MRS PAMELA CHRISTINE NEESHAM <DC & PC NEESHAM SUPER A/C>	1,887,500	1.93
MR STEPHEN JOHN DOBSON	1,613,544	1.65
RICHSHAM NOMINEES PTY LTD	1,607,500	1.64
SISU INTERNATIONAL PTY LTD	1,562,500	1.60
MS LEESHA LOUISE MONSON	1,500,000	1.53
CPS CAPITAL GROUP PTY LTD	1,480,000	1.51
MR ANDREW WALL	1,202,478	1.23
CLEANWEST PROPERTY SERVICES PTY LTD	1,120,668	1.14
HATZ INVESTMENTS PTY LTD <HATZILADAS FAMILY A/C>	1,000,000	1.02
TYCHE INVESTMENTS PTY LTD	1,000,000	1.02
	<b>51,072,208</b>	<b>52.12</b>

Unquoted Equity Securities	Number on Issue	Number of Holders
Options exercisable at \$0.10 expiring 7 November 2019	137,237,197	382
Options exercisable at \$0.125 expiring 18 March 2020	1,000,002	1
Options exercisable at \$0.15 expiring 18 March 2020	900,000	3
Options exercisable at \$0.043 expiring 2 May 2028	1,500,000	1
Class B Performance Shares	50,000,000	20
Class C Performance Shares	7,800,000	7
Class D Performance Shares	2,500,000	1
Class F Performance Shares	5,000,000	18
Class G Performance Shares	4,000,000	1

## ASX ADDITIONAL INFORMATION

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<b>Holders of 20% or more of Unquoted Options</b>	<b>Number Held</b>	<b>%</b>
1,500,000 Options exercisable at \$0.043 expiring 2 May 2028		
Name: Artist Capital Finance	1,500,000	100
1,000,002 Options exercisable at \$0.125 expiring 18 March 2020		
Name: Sophie McGill	1,000,002	100
900,000 Options exercisable at \$0.15 expiring 18 March 2020		
Name: Jon Kraft	300,000	33
Name: Jen Herman	300,000	33
Name: Antonio Molins	300,000	33

### **On Market Buy-Back**

On 22 July 2019, the Company announced an unmarketable parcel share sale. The closing date was 6 September 2019. The parcel of unmarketable shares will be sold as soon as practicable after the closing date.

### **Company Secretary**

The name of the Company Secretary is Mark Clements.

### **Principal Registered Office**

The address of the principal registered office is Level 8, 90 Collins Street, Melbourne, VIC 3000. Tel: +613 9015 4036.

### **Registers of Securities**

Registers of securities are held at Advanced Share Registry Limited, 110 Stirling Highway, Nedlands, WA 6009.

### **Stock Exchange Listing**

Australian Securities Exchange Ltd.

### **Tenement Schedule**

EPM 4068 (20%)