



MSM CORPORATION INTERNATIONAL LIMITED

ABN 51 002 529 160

**ANNUAL FINANCIAL REPORT
30 JUNE 2018**

CONTENTS

COMPANY INFORMATION	1
CHAIRMAN'S LETTER	1
DIRECTORS' REPORT	4
AUDITOR'S INDEPENDENCE DECLARATION	24
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	25
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	26
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	27
CONSOLIDATED STATEMENT OF CASH FLOWS	28
NOTES TO THE FINANCIAL STATEMENTS	29
DIRECTORS' DECLARATION	56
INDEPENDENT AUDITOR'S REPORT	57
ASX ADDITIONAL INFORMATION	62

COMPANY INFORMATION

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

Dear Shareholders,

At the time of my last report to you we were about to embark on auditions for the first global Megastar competition with the Megastar app having been released in Great Britain, South Africa, New Zealand and Canada. We soon moved to launch Megastar into the US market with eight-time Grammy award winning superstar, Usher signed on as Chief Creative Officer and Judge.

Following a comprehensive marketing program, delivering outstanding results with appearances on Ellen, Extra, The Late Late Show with James Corden and Sky Business News and appointment of Jeb Corliss, one of the world's foremost and best-known BASE jumpers and wingsuit pilots, signed as a Judge, Megastar ranked as high as #4 in entertainment apps from over 2 million apps in the Apple Store and had achieved more than 435,000 installs in 10 weeks with more than 23 minutes per session for voting users (Fans), greater than 75 minutes for live streaming users and exceptional retention statistics.

In December 2017, Usher and Jeb met with the final 5 Megastars who travelled to LA for the WWT1 Live Stream Finale to provide mentoring, review the final 5 videos and announce the prize winners. Usher and winner, Andie Case, were interviewed on Extra TV (viewership of more than 6.4 million and social media reach of more than 9 million) and Andie was interviewed by Australia's Channel 7 morning show.

It was clear, there was 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.

Whilst Megastar's talent competition platform is significantly lower cost to operate and scale than equivalent television formats, WWT1 did not deliver the monetisation to springboard into WWT2. Instead, the Board reviewed the Company's strategic direction earlier this year.

In May following extensive consultation with the regulators, we announced a staged approach to the ongoing enhancement and development of the Megastar platform and product.

The intention was to introduce strategic media, entertainment and technology industry investors from the US, China and United Arab Emirates via a US capital raising in the Company's wholly owned subsidiary, MSM Music Inc. The capital raising was to include an offer of "Talent Coin Tokens" which was to require various United States regulatory approvals. The funds raised in the US were primarily to be applied to establish Megastar Studios', a talent identification, management, monetisation and original content production business. Although we had no reason to believe that approvals for the Talent Coins would not have been granted as required, the board decided not to pursue this strategy.

In November 2018 we announced an alternative funding strategy following the completion of Riva Group's strategic investment of \$1.59M and the engagement of Emerald Capital to complete a capital raising of \$1.752M of which \$1.182M has been completed.

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. We have strengthened our alliance via the provision of a US\$1.5M loan 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.

CHAIRMAN'S LETTER

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.

Mr Chris Jones recently joined the board as a Non-executive Director. His corporate finance, capital raising, and funds management background will contribute to our focus on ongoing cost reductions and driving shareholder value via the potential to license the Megastar platform for mobile gaming and Esports. The composition of the Board will continue to be reviewed as the Company progresses its 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.

On behalf of the Board, I thank the dedication from founder and former Managing Director, Mr Dion Sullivan who resigned in November 2018 and former Executive Director, Ms Sophie McGill who resigned in January 2018 and was integral in the delivery of WWT1 and to our hard working staff for all of their efforts. Thank you also to shareholders for your ongoing support.

Yours faithfully



Mr Adam Wellisch

Non-Executive Chairman

DIRECTORS' REPORT

Your directors present their report on MSM Corporation International Limited (“**the Company**” or “**MSM**”) for the financial year ended 30 June 2018. 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>
Ms Sophie McGill	Executive Director	<i>resigned 15 January 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 5,827,338 ordinary shares, 6,474,821 Class A Performance 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.

DIRECTORS' REPORT (continued)

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 7,256,115 ordinary shares, 225,000 options with an exercise price of \$0.10 - expiring 7 November 2019, 3,904,076 Class A Performance Shares, 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.

Ms Sophie McGill (resigned as an Executive Director on 15 January 2018)

Ms McGill has extensive experience and networks across the Australian media industry. Since 2009, Sophie has been a partner at Media Venture Partners, a media strategy and investment business, providing advisory services and funding to producers and distributors in the entertainment sector. She has previously held senior management roles in digital production and media companies working with global brands including Twitter, Rimmel London, UBK, Dolly, Coca Cola, Spotify and Mirvac. In a previous position she was responsible for delivering brand extension of popular television programmes such as *Big Brother*, *The Match* and *Deal or No Deal* to a variety of digital platforms including mobile and the web.

At date of resignation, Ms McGill held an interest in 216,941 ordinary shares, 2,000,000 options with an exercise price of \$0.125 and 1,200,000 Class C Performance Rights.

Directorships of listed entities in the past 3 years: None.

REVIEW AND RESULTS OF OPERATIONS

HIGHLIGHTS

- Appointment of eight-time Grammy Award winning superstar Usher as Chief Creative Officer and Judge.
- Successful Global Launch of the first Megastar competition, with the App live in the US, Australia, Great Britain, Canada, South Africa and New Zealand.
- Comprehensive marketing program, delivering outstanding results with appearances on Ellen, Extra, The Late Late Show with James Corden and Sky Business News.
- Jeb Corliss, one of the world's foremost and best-known BASE jumpers and wingsuit pilots, signed as a Judge.
- Megastar Worldwide Tournament 1 ("WWT1") achieved more than 435,000 installs in 10 weeks with more than 23 minutes per session for voting users (Fans), greater than 75 minutes for live streaming users and exceptional retention statistics.
- Megastar ranked as high as number 4 in entertainment apps from over 2 million apps in the Apple Store.
- Binding heads of agreement ("HoA") with Riva Digital FZ LLC (Riva) to plan the launch of Megastar India.
- Drive user growth on the Megastar platform through strategic alliance with Riva on Mobile Gaming and Esports.

OPERATIONAL

With eight-time Grammy Award winning superstar Usher as Chief Creative Officer and Judge, MSM launched the first Megastar competition WWT1 in September 2017, with the App live in the US, Australia, Great Britain, Canada, South Africa and New Zealand.

Following a comprehensive marketing program, delivering outstanding results with appearances on Ellen, Extra, The Late Late Show with James Corden and Sky Business News and appointment of Jeb Corliss, one of the world's foremost and best-known BASE jumpers and wingsuit pilots, signed as a Judge, Megastar WWT1 culminated in a Grand Finale in December 2017.

Megastar WWT1 achieved more than 435,000 installs in 10 weeks with more than 23 minutes per session for voting users (Fans), greater than 75 minutes for live streaming users, more than 58% aggregate Day 1 retention and greater than 38% Day 14 retention.

Following its release, the Megastar App rapidly hit number 6 in the weekly entertainment App rankings in the US App store and has seen peaks in hourly rankings at number 4.

WWT1 Grand Finale

On 15 December 2017, Singer/songwriter Andie Case of the United States was announced Winner, Megastar WWT1. Users across the US, UK, Australia, Canada and South Africa watched the WWT1 Finale via the Megastar App for a combined total of more than 351,000 minutes (244 days).

There were over 4,000 organic installs on the day of the Finale as Chief Creative Officer, Usher and fellow Judge, Jeb Corliss met with the final 5 Megastars who travelled to LA for the WWT1 Live Stream Finale to provide mentoring, review the final 5 videos and announce the prize winners. Usher and winner, Andie Case, were interviewed on Extra TV (viewership of more than 6.4 million and social media reach of more than 9 million) and Andie was interviewed by Australia's Channel 7 morning show.

DIRECTORS' REPORT (continued)

Key Insights from WWT1 Data Analysis

Following the completion of WWT1, the Company embarked on an in-depth data analysis to determine what worked and what didn't work. The analysis revealed a clear and significant demand for a mobile-app platform for discovering and amplifying emerging talent. Megastar has created an opportunity to establish a talent discovery, promotion, monetisation and management ecosystem that will enable fans to participate in the value created by talent discovery and promotion on the Megastar platform.

MSM has now developed and proven a new model for operating talent competitions globally via a mobile app platform. Megastar's talent competition platform is significantly lower cost to operate and scale than equivalent television formats.

Monthly Megastar Spotlight Tournaments

As announced on 12 December 2017, many of the top 50 performers from WWT1 that did not make the final 5 competed in Monthly Megastar Spotlight Tournaments (MMST) representing a shortened version of WWT1.

Megastar India

In December 2017, the Company announced it had signed a Binding Memorandum of Understanding ("Agreement") with The Riva Group LLC ("The Riva Group") to negotiate definitive agreements for the launch of Megastar in India and on 4 and 5 June 2018, the Company announced it had executed a binding heads of agreement with Riva.

The Agreement is a major milestone in further expanding the global footprint of Megastar across non-English speaking territories and draws on the highly popular culture and following of Bollywood globally. The Agreement provides an exclusive framework for the parties to negotiate and execute the required license and associated agreements to allow The Riva Group to operate an Indian version of Megastar. This licensing model has historically been highly successful and commonly used by other media and talent competitions (e.g. Voice, Idol, X-Factor & Got Talent) when entering in to new territories.

Following expansive research of various territories and globally popular genres, MSM decided on Bollywood as the most culturally diverse and exciting opportunity to enter in the next phase of Megastar's growth strategy.

The key to expanding the Megastar brand and footprint is finding the right partners for selected territories and ensuring the principles and values of both organisations are aligned. MSM are proud to partner with The Riva Group who have a highly successful track record of delivering excellence in media, leisure, entertainment and cutting-edge technology.

The Riva Group 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, Cartoon Network. In October 2017, The Riva Group in partnership with Los Angeles-based Firefly Games developed and launched the cutting-edge DreamWorks Universe of Legends Mobile Game where Shrek meets Kung-Fu Panda in a DreamWorks Hero mashup.

The Company intends to leverage Riva's network and capabilities to expand the Megastar Platform to include Esports and Mobile Gaming talent competitions with the objective to launch Megastar as the premier digital talent discovery and gaming platform in India. The Indian market has 1.3 billion+ people with 400 million+ smartphone or tablet users and the Company hopes to massively accelerate the growth of Megastar's user base in this market. The Company is negotiating a separate license agreement with the Riva Group for Esports and Mobile Games.

DIRECTORS' REPORT (continued)

The terms of the binding heads of agreement with Riva are as follows:

- MSM and Riva intend to incorporate a new joint venture entity, which will enter into a license agreement with the MSM Group for the use of the Platform and the Megastar brand to operate talent competitions in India;
- The joint venture must pay MSM an annual royalty of 5% of gross revenue, with a minimum annual guarantee of US\$500,000. Regardless of actual revenue generated by the joint venture, MSM is entitled to receive a minimum of US\$500,000 per annum. The minimum payment guarantee is intended to drive the rapid mobilisation and monetisation of Megastar in India by MSM's joint venture partners. The first royalty payment is due to be paid to MSM by 30 June 2019 (regardless of actual revenue generated) and subsequent payment due annually thereafter;
- MSM will have a 15% shareholding in the joint venture which entitles MSM to 15% of profit distributions paid by the Megastar India joint venture to its shareholders. This 15% is free-carried and non-dilutable in perpetuity. For the avoidance of doubt, this non-dilutable, 15% free-carried shareholding is in addition to the 5% revenue royalty entitlement described above; and
- The joint venture will pay all the costs of any building, testing and deployment of changes to the current Platform as specified by the joint venture for Megastar India.

CORPORATE & FINANCIAL

The Company incurred a loss after tax of \$18,921,838 (30 June 2017: \$12,969,655). The result included Project expenditure of \$9,960,911 (2017: \$7,908,036), share-based payments expenses for options, performance rights and shares issued as remuneration and payment of services of \$2,803,410 (2017: \$2,778,554).

The Group had cash on hand of \$303,875 at the end of the year (30 June 2017: \$720,307).

MSM was suspended from quotation on ASX pending the finalisation of legal advice regarding its 2018 strategy and the finalisation of consultation with the ASX for most of the second half of the year.

On 15 January 2018, the Company requested a trading halt to be placed on the Company's securities, effective immediately, pending an announcement regarding Data Analysis of World Wide Tournament 1 ("WWT1"), 2018 Strategy and a capital raise. Ms Sophie McGill also resigned as a director of the Company.

On 17 January 2018, the Company requested a voluntary suspension in the Company's securities until completion, and announcement of Data Analysis of WWT1, 2018 Strategy and capital raising.

On 8 February 2018, the Company announced:

- Binding commitments received for the placement of 40,000,000 shares to raise A\$1,720,000 before costs and the intention to undertake an entitlements issue to eligible shareholders on similar terms to the placements.
- Key insights from the WorldWide Tournament 1 Data Analysis.
- The Company's development of its 2018 strategy designed to accelerate organic acquisition of performers and fans by establishing discovery, promotion, and monetisation and management ecosystem around the Megastar Video Competition Platform.
- The progress of the Monthly Megastar Spotlight Competition.
- Three patents relating to the Megastar platform have progressed to non-provisional filings. Five Prime Advisors LLC had been engaged to provide independent valuations.

DIRECTORS' REPORT (continued)

On 21 February 2018, the Company announced the completion of a placement to raise A\$1,720,000 by the issue of 40,000,000 fully ordinary shares at \$0.043 per share, with a 1 for 2 free attaching listed option expiring at \$0.10 on 7 November 2019. On 18 June 2018, a further A\$139,774 was raised by the issue of 3,250,559 fully ordinary shares at \$0.043 per share under the same 1 for 2 free attaching listed option terms.

On 22 May 2018 the Company finalised discussions with ASX regarding its 2018 strategy and resumed trading on ASX upon lodgement of the Entitlement Offer to eligible shareholders to raise A\$3,670,000 at \$0.043 per share on a 1 for 5 basis together with a free attaching listed \$0.10 option expiring 7 November 2019, for every 4 new shares issued.

The Company confirmed that it had entered into a number of agreements with strategic investors to subscribe for approximately A\$3,397,000 of any shortfall in the Entitlement Offer and an undertaking pursuant to which Eligible Shareholders will apply for approximately A\$276,000 of their entitlements (Agreements). Subsequent to year end, the Company announced A\$2,082,000 had been received through the issue of shares and options per the Agreements and a further A\$1,590,000 was received through the issue of shares relating to the binding commitments pledged by the Riva Group and its major stakeholders to complete the placement.

The funds raised are intended to be used primarily for the following purposes:

- ongoing optimisation of the marketing and operation of existing competitions being operated by the Megastar platform;
- establishing the Megastar India joint venture with The Riva Group;
- investing in Riva Group's associated company Riva Technology and Entertainment Limited;
- establishing Megastar joint ventures in additional markets;
- establishing content distribution agreements;
- researching, partnering/acquiring and developing products that will drive users and or revenue to the Megastar platform; and
- repayments of interim loan funds; and
- general working capital and the costs of the Entitlements Offer.

As announced on 22 May 2018, the Company intended to undertake a two-stage capital raising through its wholly-owned US subsidiary, MSM Music Inc ("MSM-US") to raise between US\$3,000,000 and US\$5,000,000 pursuant to rule 506(c) of Regulation D under the US Securities Act of 1933 to 'accredited investors' (as defined in Regulation D) who are considered to be strategic to the MSM Group. However this initiative was placed on hold pending a further review of the Company's strategic outlook.

On 22 June 2018, shareholders approved all resolutions relating to the issue of February 2018 Placement Securities (refer ASX announcement dated 8 February 2018) and Committed Placement Securities (refer ASX announcement released 22 May 2018).

During the year, the Company entered into a series of loan arrangements pursuant to which an aggregate of A\$303,650 (Note 10) of interim loan funding from several parties has been advanced to date, including a loan amount of US\$50,000 advanced by the former Managing Director, and A\$236,000 received from other investors. A flat interest rate of 10% is payable on these loans, which are unsecured. The maturity date for the loans is the earlier of completion of a capital raising by the Company of at least A\$3,000,000, six months after drawdown or at the lender's request in the event of default. Subsequent to year end, the loans were converted to shares in the Company or repaid by the Company.

DIRECTORS' REPORT (continued)

2019 OUTLOOK

Additional Funding

The Company has engaged Emerald Capital Australia Pty Limited (ECA) to act as Lead Manager for a capital raising of \$1,752,000 consisting of a placement of 39,000,000 fully paid ordinary shares at \$0.008 per share to raise \$312,000 under the Company's existing Listing Rule 7.1 (3,900,000 fully paid ordinary shares) and 7.1A (35,100,000 fully paid ordinary shares) placement capacity (Capital Raise) and the subsequent capital raising of a further \$1,440,000, pending shareholder approval, via the issue of convertible notes in MSM (conversion at \$0.008 per share or such other conversion price as is agreed by MSM) on a best endeavours basis.

Commercialisation of Megastar through licensing strategy

The Company has confirmed its strategy to enter into agreements with a view to commercialising the Megastar brand, Platform, data and content in all markets outside North America under licensing arrangements (refer announcement dated 22 May 2018).

The licensing strategy is intended to:

- Expand the reach of the Megastar Platform; and
- Reduce the operating costs of the Company as the intention is for the costs associated with the operation of the platform and the competitions to be borne by the licensees.

As announced on 4 and 5 June 2018, the Company has already entered into a binding heads of agreement with The Riva Group ("Riva") committing the parties to work together to launch Megastar as the premier digital talent discovery platform in India.

The Board is continuing to consider other potential similar licensing arrangements in respect of other jurisdictions and the Company may enter into further licensing arrangements in the future. The Board will update the market as and when any such additional arrangements are executed.

Megastar India Joint Venture

The Company and Riva are continuing to develop the Megastar India opportunity via the Heads of Agreement framework announced on 4 June 2018.

MSM and Riva intend to incorporate a new joint venture entity, which it is proposed will enter into a license agreement with the MSM Group for the use of the Platform and the Megastar brand to operate talent competitions in India.

Mobile Gaming

A key component of MSM's growth strategy is to establish joint ventures to commercialise the Megastar Platform in new markets as announced 22 May 2018. A Heads of Agreement for the first of these Joint Ventures was signed with Riva in June 2018.

Further strengthening the Company's strategic relationship with Riva, MSM has agreed 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 over two instalments (US\$1,000,000 of which has been transferred following execution of the Subscription Agreement with RTE). RTE is in 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. (Firefly Games) pursuant to a Share Purchase Agreement. 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

DIRECTORS' REPORT (continued)

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 upcoming title DreamWorks Universe of Legends mobile game and other future game releases.

Esports

MSM and Riva intend to drive user growth on the Megastar platform by introducing live-streaming of major Esports events in the Middle East, South Asia and Australia. The Company also intends to expand its Megastar Talent Competition platform to discover and promote high profile Esports athletes and mobile gamers. Riva intends to use their expertise in the mobile gaming market to enhance the next release of the Megastar Product with gamification, interactive video content and high-profile Esports talent.

WWT2

During the period, the development team continued with the optimisation of the Megastar platform in preparation for WWT2. The Live Lightening and Spotlight competitions have been temporarily suspended to focus resources on delivering a new competition format. The new format is intended to feature greater functionality and re-engage with performers and fans in new ways.

Significant Reduction in Expenditures

The Company has been highly focused upon optimising expenditure on platform development, marketing and distribution whilst progressing toward the launch of the WWT2 competition, to generate maximum value for shareholders.

As part of this process, Ms Danika Mullins was contracted as an interim Chief Marketing Officer (CMO) based in MSM's San Francisco office to deliver a flexible, cost effective, and multi-dimensional approach to leveraging MSM's significant existing IP and technical capabilities, for the benefit of all users, both Performers and Fans. Ms Mullins contract concluded in December 2018.

As part of a far reaching overall operational review process, Software Developers Inc (SDI), a Silicon Valley based company specialising in app and online development and engineering projects, were appointed to perform an independent review of MSM's ongoing IP management and prompt a move toward a more flexible, low-cost, outsourced model to allow MSM to scale up when needed to execute and adapt quickly, while minimising costs. Former Director of Engineering, Mr Eric Crook has been contracted to work alongside SDI to maintain the Megastar platform.

In addition, MSM Music Inc is managing long outstanding creditors through an Assignment for the Benefit of Creditors process. This process is intended 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.

DIVIDENDS

No dividends have been provided for or paid by the Company in respect of the year ended 30 June 2018 (2017 – \$nil).

DIRECTORS' REPORT (continued)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 5 July 2018, the Company announced:

- The allotment of 42,000,000 ordinary shares and 10,500,000 listed \$0.10 options expiring 7 November 2019 on a 1 for 4 basis in relation to the shortfall on the Entitlement Issue as announced 14 June 2018 and 20,000,000 listed \$0.10 options expiring 7 November 2019 on a 1 for 2 basis to participants pursuant to the placement announced 8 February 2018, following shareholder approval at the general meeting held 22 June 2018 raising in total \$2,082,000.
- The issue of 35,051 fully paid ordinary shares to contractors following completion of vesting conditions pursuant to the Company's Stock Incentive Plan.
- Ms Danika Mullins was contracted as an interim Chief Marketing Officer ("CMO") to deliver a flexible, cost effective and multi-dimensional approach to leveraging MSM's significant existing IP and technical capabilities.

On 3 September 2018, the Company advised a delay in finalizing the strategy and market entry plan for Megastar India which was anticipated to be completed by RIVA by 30 August 2018 under the HOA announced 4 June 2018.

On 21 September 2018, the Company requested a trading halt to be placed on the Company's securities pending an announcement regarding the placement of securities under binding agreements as announced 5 July 2018 and Company's overall funding strategy. The Company requested the trading halt to remain in place until the earlier of the commencement of normal trading on 25 September 2018 or when the announcement is released to the market.

On 21 September 2018, the Company advised that 8,000,000 unlisted \$0.35 options exercisable on or before 19 September 2018 had expired without exercise.

On 25 September 2018, the Company requested a voluntary suspension of the Company's securities to finalize an announcement regarding the placement of securities under binding agreements and the Company's overall funding strategy.

On 27 September 2018, the Company requested extensions in the voluntary suspension of the Company's securities. The Company extended the suspension with the expectation that the securities would remain in voluntary suspension until 30 November 2018 pending an announcement regarding the placement of securities under binding commitments and the Company's overall funding strategy.

On 26 November 2018, the Company announced:

- The allotment of 37,000,000 shares at \$0.043 per share relating to the binding commitments pledged by The Riva Group (Riva or Riva Group) and its major stakeholders raising approximately \$1,590,000. The placement made to key stakeholders of Riva allows for the continuation of the launch of Megastar India and the expansion of the relationship between the Riva Group and MSM. The Company intends to leverage Riva's network and capability to expand the Megastar Platform to include Esports and Mobile Gaming talent competitions.
- To further strengthening the Company's strategic relationship with Riva, MSM agreed 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\$1.5M over two instalments (US\$1 million of which has been transferred following execution of the Subscription Agreement with RTE). RTE is in 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. (Firefly Games) pursuant to a Share Purchase Agreement. The loan notes are to be

DIRECTORS' REPORT (continued)

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.

- The engagement of Emerald Capital Australia Pty Limited (ECA) to act as Lead Manager for a capital raising of \$1,720,000 consisting of a placement of 39,000,000 fully paid ordinary shares at \$0.008 per share to raise \$312,000 under the Company's existing Listing Rule 7.1 (3,900,000 fully paid ordinary shares) and 7.1A (35,100,000 fully paid ordinary shares) placement capacity (Capital Raise) and the subsequent capital raising of a further \$1,440,000, pending shareholder approval, via the issue of convertible notes in MSM (conversion at \$0.008 per share or such other conversion price as is agreed by MSM) on a best endeavors basis.
- Continuing to progress the finalisation of the Assignment for the Benefit of Creditors (ABC) process which is intended to manage outstanding creditors of the Company's US subsidiary, MSM Music Inc. Creditors have until July 2019 to submit their claims with an amount of US\$110,000 being held in trust for the benefit of creditors.
- The appointment of Mr Chris Jones to join the MSM Board as a Non-Executive director following ECA exercising its right to appoint a director under the terms of its Lead Manager mandate.
- The resignation of Managing Director, Mr Dion Sullivan to pursue other interests. The composition of the Board will continue to be reviewed as the Company pursues its growth strategy.

On 30 November 2018, the Company requested an extension in the voluntary suspension of the Company's securities. The Company extended the request on 7 December 2018 and has remained in voluntary suspension pending the finalisation of the 2018 Annual Report, Appendix 4G in conjunction with the Notice of Annual General Meetings and Cleansing Prospectus.

On 29 December 2018, 50,000,000 Class A and 5,000,000 Class E Performance Rights expired without exercise.

On 10 January 2019, the Company announced it had raised \$870,000 of the \$1,440,000 convertible note funding lead managed by Emerald Capital Australia.

On 22 February 2019, the Company announced that it has been working with its advisors to progress outstanding compliance matters to finalise the 2018 Annual Report including finalising the Assignment for the Benefit of Creditors (ABC) process announced on 26 November 2018. This process is intended to manage outstanding creditors of the Company's US subsidiary 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.

No other matter or circumstance has arisen since 30 June 2018 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' REPORT (continued)

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, \$2,550 (2017: \$10,455) 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:

- 97,987,197 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;
- 3,500,000 options exercisable at \$0.40 on or before 19 September 2019;
- 3,500,000 options exercisable at \$0.45 on or before 19 September 2019;
- 1,500,000 options exercisable at \$0.55 on or before 19 September 2019; and
- 1,000,002 options exercisable at \$0.125 on or before 18 March 2020.

During the financial year the Company issued 182,066 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	11	11
Dion Sullivan	11	11
Mark Clements	11	11
Sophie McGill	6	6

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 2018. 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 Dion Sullivan	<i>Managing Director</i>	<i>resigned 20 November 2018</i>
Mr Mark Clements	<i>Non-Executive Director and Secretary</i>	
Ms Sophie McGill	<i>Executive Director</i>	<i>resigned 15 January 2018</i>

Key Executives

Mr Joshua Heenan	<i>Global General Manager</i>	<i>resigned 1 August 2018</i>
Mr Eric Crook	<i>Director of Engineering</i>	<i>resigned 31 August 2018</i>
Ms Jane Barrett	<i>Senior Marketing Directors</i>	<i>resigned 21 August 2018</i>

DIRECTORS' REPORT (continued)

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 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.

DIRECTORS' REPORT (continued)

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.

On 15 January 2018, the Company cancelled the remaining unvested unlisted options to Sophie McGill which were issued as part of her appointment remuneration package, following her resignation 15 January 2018. This resulted in a reversal of \$83,713 to the share based payment expense during the year.

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.

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. Further details on the valuation inputs of the performance rights are included in Note 3.

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

During 2018 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. Further details on the option equity valuation 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.

DIRECTORS' REPORT (continued)

Statutory Performance Indicators

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

	2018	2017	2016	2015	2014
Net profit/(loss)(\$)*	(18,921,838)	(12,969,655)	(8,491,150)	(724,890)	(1,985,620)
Share price (\$)	\$0.016	\$0.215	\$0.115	\$0.065	\$0.002
Earnings/(loss) per share (\$)*	(0.05)	(0.04)	(0.05)	(0.024)	(0.194)

* Net profit/(loss) and earnings/(loss) per share for the periods 2015 - 2014 are as previously disclosed and have 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 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 19.

KMP	Fixed Remuneration 2018	STI 2018	LTI 2018
Adam Wellisch	87%	-	13%
Dion Sullivan	80%	-	20%
Mark Clements	79%	-	21%
Sophie McGill ¹	100%	- ²	- ²
Joshua Heenan	92%	2%	6%
Eric Crook	92%	2%	6%
Jane Barrett	100%	-	-

Note 1: Sophie McGill resigned on 15 January 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.

Options

The terms and conditions of each grant of options affecting remuneration in the current reporting year are as follows:

Grant date	Vesting and exercise date	Number of Options	Expiry date	Exercise price	Value per option at grant date	% vested
29/11/2016 ¹	Various, 6 monthly instalments ²	2,000,000	18/3/2020	\$0.125	\$0.17	50

Note 1: Granted to Sophie McGill, Ms McGill resigned on 15 January 2018.

Note 2: The options vest and become exercisable in 6 tranches over a 3 year term subject to employment conditions at the time of vesting. At date of Ms McGill's resignation, three of these instalments were yet to vest, as Ms McGill would no longer meet the employment conditions, the options were eligible for reversal.

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	800,000	800,000	800,000	4,000,000	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
Sophie McGill ¹	400,000 ¹	400,000 ¹	400,000 ¹	-	1,200,000 ¹
Total number of rights	2,000,000	2,000,000	2,000,000	4,000,000	10,000,000
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: Sophie McGill resigned on 15 January 2018 and therefore will not meet the service condition and accordingly 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

During 2018, 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.

Under the 'option equity' agreements, eligible employees and KMP are entitled to 5,517,700 shares (30 June 2017: 4,792,252 shares) in the Company, of which 1,374,205 relates to KMP as at 30 June 2018 (30 June 2017 3,279,723).

As the equity option vests over 12, 24, 36 and 48 months, the share based payment expense has been expensed over this vesting period. As a result, a share based payment expense of \$41,198 has been recognised in relation to KMP.

DIRECTORS' REPORT (continued)

DETAILS OF REMUNERATION

FOR THE YEAR ENDED 30 JUNE 2018

KMP	Short-Term Benefits Base Remuneration ¹ \$	Post-Employment Benefits \$	Share Based Payments (ESS, Options & Performance Rights) \$	Total \$	Value of Share Based Payments as a Proportion of Remuneration %
Directors					
Adam Wellisch (Non-Executive Chairman)	222,000	-	29,263	251,263	12
Dion Sullivan (Managing Director) ¹	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) ²	131,125	-	(100,790)	30,335	-
Other Key Management Personnel					
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) ³	79,964	-	-	79,964	-
Total	1,483,184	-	109,495	1,592,679	-

Note 1: Resigned on 20 November 2018.

Note 2: Short-Term benefits paid to directors include consulting fees.

Note 3: Resigned on 15 January 2018.

Note 4: Resigned on 21 August 2017.

FOR THE YEAR ENDED 30 JUNE 2017

KMP	Short-Term Benefits Base Remuneration \$	Post-Employment Benefits \$	Share Based Payments (ESS, Options & Performance Rights) \$	Total \$	Value of Share Based Payments as a Proportion of Remuneration %
Directors					
Adam Wellisch (Non-Executive Chairman)	120,000	-	17,077	137,077	12
Dion Sullivan (Managing Director)	445,911 ¹	-	34,153	480,064	7
Sophie McGill (Executive Director)	263,044 ²	-	211,268	474,312	45
Mark Clements (Non-Executive Director and Company Secretary)	99,000	-	17,077	116,077	15
Other Key Management Personnel					
Joshua Heenan (Global General Manager) ³	233,756 ³	-	30,644	264,401	12
Eric Crook (Director of Engineering) ³	223,369 ³	-	30,644	254,014	12
Jane Barrett (Senior Marketing Director) ⁴	118,950 ⁴	-	34,166	153,115	22
Total	1,504,030	-	375,029	1,879,060	-

Note 1: Includes a performance bonus of US\$38,500 (AUD: \$50,683). AUD/USD 0.7891 exchange rate used to convert salaries paid in USD.

Note 2: Includes a performance bonus of \$50,000.

Note 3: The Company determined that the individuals were a KMP of the Company effective 1 July 2016.

Note 4: Appointed on 3 January 2017.

DIRECTORS' REPORT (continued)

Executive Service Agreements

Mr Dion Sullivan

Mr Dion Sullivan resigned as Managing Director on 20 November 2018. The Company entered into a services agreement with Mr Sullivan on 1 June 2015 to act in the capacity of full-time managing director of MSM Music, Inc. Mr Sullivan was paid an annual salary of US\$275,000 plus statutory benefits, 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 upon meeting certain performance milestones each calendar year.

The term of the agreement was 3 years and contained provisions under which the Company can 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. The Company 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.

Ms Sophie McGill

Ms Sophie McGill resigned as Executive Director on 15 January 2018. The Company entered into a consultancy agreement with Ms McGill on 27 October 2016 as Executive Director, Digital Media, Asia-Pacific. Under the agreement, Ms McGill was paid a fee of \$20,000 per month (including consulting fees), granted 1.2 million performance rights and up to 2 million unlisted options exercisable at \$0.125 on or before 18 March 2020. At the date of her resignation, vesting conditions were not satisfied and have accordingly been reversed. The options vest in six, 6-monthly tranches of 333,333 each on the condition that Ms McGill continues to be engaged by the Company on each vesting date. As at the date of her resignation, three of these instalments were yet to vest and accordingly were reversed.

The term of the agreement was for 12-months subject to extension by mutual agreement. It contained provisions under which the Company can terminate the agreement at any time without cause in which event Ms McGill will be entitled to receive 6 months fees. The Company could also terminate the agreement with immediate notice in the event of a prolonged illness or a material breach, in which case Ms McGill would only be eligible to receive any accrued fees.

There are no other service agreements for other KMP.

DIRECTORS' REPORT (continued)

Key Management Personnel Equity Holdings

The interests of directors and other key management personnel in securities of the Company as at 30 June 2018 are as follows:

KMP	Ordinary Shares	Ordinary Share Rights	Class A Performance Shares	Class B Performance Shares	Options	Class C Performance Rights	Class G Performance Right
Directors							
A Wellisch	5,827,338	-	6,474,821	6,474,819	4,742,802	1,200,000 ²	-
D Sullivan	8,573,854	-	4,676,259	4,676,258	6,307,364	2,400,000 ²	4,000,000 ⁴
M Clements	7,256,115	-	3,904,076	3,904,076	225,000	1,200,000 ²	-
S McGill	216,941 ¹	-	-	-	1,000,000 ¹	-	-
Other KMP							
J Heenan	245,000	687,103 ³	-	-	-	-	-
E Crook	343,551	687,103 ³	-	-	-	-	-
J Barrett	-	-	-	-	-	-	-

Note 1: Resigned 15 January 2018. Amount held at date of resignation.

Note 2: Granted 29 November 2016. Vest upon achieving various market capitalisations with 0% vested at 30 June 2018.

Note 3: Granted under the US 'option equity' agreements and vest in 4 equal instalments over 48 months. 50% vested at 30 June 2018.

Note 4: Granted 20 November 2017. Vest upon achieving a specified market capitalisation with 0% vested at 30 June 2018.

ORDINARY SHARE MOVEMENTS

KMP	Held at 1 July 2017	Acquired on Conversion of Options	Issued on Vesting of Ordinary Share Rights	Net Other Changes	Balance at 30 June 2018
A Wellisch	9,712,230	-	-	(3,884,892) ¹	5,827,338
D Sullivan	7,244,388	-	-	1,329,466 ²	8,573,854
M Clements	6,856,115	-	-	400,000 ³	7,256,115
S McGill ⁴	216,941	-	-	-	216,941 ⁴
E Crook	343,551	-	343,551	-	-
J Heenan	245,000	-	343,551	-	-

Note 1: Disposed 4,856,115 through off-market transfer and acquired 971,223 through participation of non-renounceable pro rata entitlement offer.

Note 2: Acquired 1,229,466 through participation of non-renounceable pro rata entitlement offer and 100,000 in on-market trade.

Note 3: Acquired through participation of non-renounceable pro rata entitlement offer.

Note 4: Resigned 15 January 2018. Amount held at date of resignation.

ORDINARY SHARE RIGHTS MOVEMENTS

KMP	Held at 1 July 2017	Granted as Remuneration	Vested during the year	Net Other Changes	Balance at 30 June 2018 (Unvested)	Maximum value yet to vest*
E Crook	1,030,654	-	(343,551)	-	687,103	\$31,209
J Heenan	1,030,654	-	(343,551)	-	687,103	\$31,209

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

OPTION MOVEMENTS

KMP	Held at 1 July 2017	Granted as Remuneration	Exercised/ (Expired)	Net Other Changes	Balance at 30 June 2018	Vested and Exercisable
A Wellisch	6,000,000	-	-	(1,257,198) ¹	4,742,802	4,742,802
D Sullivan	6,000,000	-	-	307,364 ²	6,307,364	6,307,364
M Clements	-	-	-	225,000 ²	225,000	225,000
S McGill ³	2,000,000	-	-	(2,000,000) ³	-	1,000,000

Note 1: Disposed 1,500,000 through off-market transfer and acquired 242,802 pursuant to non-renounceable pro rata entitlement offer.

Note 2: Acquired pursuant to non-renounceable pro rata entitlement offer.

Note 3: Sophie McGill resigned on 15 January 2018. At resignation 50% options vested with remainder of options forfeited.

DIRECTORS' REPORT (continued)

PERFORMANCE SHARES - CLASS A & B MOVEMENTS

KMP	Held at 1 July 2017		Net Other Changes		Balance as at 30 June 2018	
	Class A	Class B	Class A	Class B	Class A	Class B
A Wellisch	6,474,821	6,474,819	-	-	6,474,821	6,474,819
D Sullivan	4,676,259	4,676,258	-	-	4,676,259	4,676,258
M Clements	3,904,076	3,904,076	-	-	3,904,076	3,904,076

PERFORMANCE RIGHTS - CLASS C & G MOVEMENTS

KMP	Held at 1 July 2017	Issued as Remuneration	Net Other Changes	Balance at 30 June 2018	Maximum value yet to vest*
A Wellisch	1,200,000	-	-	1,200,000	\$102,460
D Sullivan	2,400,000	4,000,000	-	6,400,000	\$580,886
M Clements	1,200,000	-	-	1,200,000	\$102,460
S McGill	1,200,000	-	(1,200,000)	-	-

* 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

During the year, 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 is intended to be repaid from proceeds. There were no amounts repaid by the Company during the year.

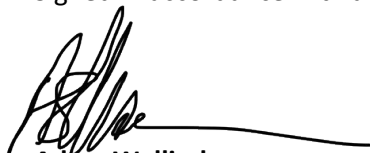
There were no other transactions with key management personnel during the year ended 30 June 2018.

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 24 and forms part of this Directors' Report for the year ended 30 June 2018.

Signed in accordance with a resolution of the Directors.



Adam Wellisch

Non-executive Chairman

12 March 2019

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 2018, 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, 12 March 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017
		\$	\$
Revenue from continuing operations	<i>Notes</i>		
In App Purchases		13,463	102
Interest Income		19,636	67,261
	4	33,099	67,363
Expenses			
Finance cost	4	60,349	40,382
Administration expenses	4	1,588,603	983,168
Employee benefits and directors fees	4	2,928,497	1,326,878
Marketing expenses		1,613,167	-
Share based payments - options, shares, performance rights	3	2,803,410	2,778,554
Project expenditure		9,960,911	7,908,036
Loss from continuing operations before income tax expense		(18,921,838)	(12,969,655)
Income tax expense	5	-	-
Net loss from continuing operations for the period		(18,921,838)	(12,969,655)
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on foreign operations		62,012	(326,438)
Total comprehensive loss for the period		(18,859,826)	(13,296,093)
Loss for the period attributable to owners of the Company		(18,859,826)	(13,296,093)
Total comprehensive loss for the period attributable to owners of the Company		(18,859,826)	(13,296,093)
Loss per share from continuing operations attributable to owners of the Company			
Basic and diluted loss per share	13	\$0.05	\$0.04

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

ASSETS	<i>Notes</i>	2018	2017
Current Assets		\$	\$
Cash and cash equivalents	6	303,875	720,307
Other current assets	7	337,944	281,803
Total Current Assets		641,819	1,002,110
Non-Current Assets			
Other non-current assets	7	75,887	92,362
Financial assets	8	657,556	604,402
Total Non-Current Assets		733,443	696,764
TOTAL ASSETS		1,375,262	1,698,874
LIABILITIES			
Current Liabilities			
Trade and other payables	9	3,043,959	609,199
Borrowings	10	303,650	-
Provisions	11	58,838	1,297,708
Total Current Liabilities		3,406,447	1,906,907
TOTAL LIABILITIES		3,406,447	1,906,907
NET LIABILITIES		(2,031,185)	(208,033)
EQUITY			
Issued capital	12	31,903,556	17,430,292
Reserves	14	7,574,220	4,948,798
Accumulated losses		(41,508,961)	(22,587,123)
TOTAL EQUITY		(2,031,185)	(208,033)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
For the year ended 30 June 2018				
Balance at 1 July 2017	17,430,292	4,948,798	(22,587,123)	(208,033)
<i>Comprehensive loss</i>				
Net loss for the period	-	-	(18,921,838)	(18,921,838)
Other comprehensive income	-	62,012	-	62,012
Total comprehensive income/(loss) for the period	-	62,012	(18,921,838)	(18,859,826)
Transactions with owners in their capacity as owners				
Issue of shares	15,331,774	-	-	15,331,774
Share-based payments - <i>Shares, options and performance rights</i>	240,000	2,563,410	-	2,803,410
Shares issued on conversion of options	18,207	-	-	18,207
Capital raising expenses	(1,116,716)	-	-	(1,116,716)
Total transactions with owners and other transfers	14,473,265	2,563,410	-	17,036,675
Balance at 30 June 2018	31,903,556	7,574,220	(41,508,961)	(2,031,185)

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
For the year ended 30 June 2017				
Balance at 1 July 2016	11,249,100	2,496,682	(9,617,468)	4,128,314
<i>Comprehensive loss</i>				
Net loss for the period	-	-	(12,969,655)	(12,969,655)
Other comprehensive loss	-	(326,438)	-	(326,438)
Total comprehensive loss for the period	-	(326,438)	(12,969,655)	(13,296,093)
Transactions with owners in their capacity as owners				
Issue of shares - prospectus	4,882,000	-	-	4,882,000
Share-based payments - <i>options and performance rights</i>	-	2,778,554	-	2,778,554
Shares issued on conversion of options	1,555,112	-	-	1,555,112
Capital raising expenses	(255,920)	-	-	(255,920)
Total transactions with owners and other transfers	6,181,192	2,778,554	-	8,959,746
Balance at 30 June 2017	17,430,292	4,948,798	(22,587,123)	(208,033)

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Cash receipts from customers		13,463	102
Interest received		19,636	61,043
Project development payments		(10,840,390)	(6,578,652)
Payments to suppliers and employees		(4,144,604)	(2,822,740)
Net cash outflows from operating activities	16(b)	(14,951,895)	(9,340,247)
Cash flows from investing activities			
Payments for investments		-	(204,867)
Net cash outflows from investing activities		-	(204,867)
Cash flows from financing activities			
Proceeds from issue of shares		15,349,986	6,437,112
Capital raising costs		(1,116,717)	(255,920)
Proceeds from short term loan		302,194	-
Net cash inflows from financing activities		14,535,463	6,181,192
Net decrease in cash and cash equivalents		(416,432)	(3,363,922)
Cash and cash equivalents at the beginning of the financial period		720,307	4,084,229
Cash at the end of the financial period	16(a)	303,875	720,307

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION

The financial statements of MSM Corporation International Limited for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 12 March 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 2018 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2018 the Group incurred a net loss of \$18,921,838 (2017: \$12,969,655) and incurred net cash outflows from operating activities of \$14,951,895 (2017: \$9,340,247). The Group had a net working capital deficiency of \$2,764,628 (2017: working capital deficiency of \$904,797), of which, \$1,631,429 related to trade creditors in MSM Music Inc., and a net liability position of \$2,031,185 (2017: net liability of \$208,033) at reporting date.

During the financial year, the Group was focussed on the Megastar Millionaire “Application” which contributed significantly to the net cash outflows. The ability for the Group to continue as a going concern is dependent on cash inflows generated from its strategic investment arrangement with the Riva Group and associated companies, including the repayment of note instruments receivable, successful fund raising under the executed mandate agreement with Emerald Capital Australia Pty Ltd and the continued support from related parties, to continue its operational activities during the next 12 months.

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 year end, the Group:
 - Successfully completed an equity raising of \$1,806,000 (before costs) through the issue of 42,000,000 shares at \$0.043 per share, of which \$258,000 had been received by the Company prior to reporting date (refer to Note 9).
 - Successfully completed an equity raising of \$136,570 (before costs) through the issue of 3,176,037 shares at \$0.043 per share.
 - Successfully completed an equity raising of \$1,591,000 (before costs) through the issue 37,000,000 shares at \$0.043 per share to the Riva Group.
 - Successfully completed an equity raising of \$312,000 (before costs) through the issue of 39,000,000 shares at \$0.008 per share.
 - Settled \$236,000 in short term loans recognised as reporting date (refer to Note 10) through the issue of 29,500,000 shares at a conversion price of \$0.008 per share.
 - Executed a strategic investment arrangement with the Riva Group and associated company, RIVA Technology and Entertainment Limited (‘RTEL’), which included the provision of US \$1,500,000 in note instruments. At the date of signing the financial report, US \$1,500,000 had been paid by the Company to RTEL under this arrangement.
 - Executed an Assignment for the Benefit of Creditors (‘ABC’) arrangement in relation to MSM Music Inc., a Delaware, USA, incorporated subsidiary of the Company.
 - Executed a mandate agreement with Emerald Capital Australia Pty Ltd to act as lead manager for a short term planned raising of \$1,440,000 (before costs) through the issue of 35,100,000 convertible notes at a conversion price of \$0.008 per share which will automatically convert to ordinary shares, following shareholder approval at the Company’s upcoming 2018 Annual General Meeting. At the date of signing the financial report, \$870,000 had been raised under this mandate.
 - The conversion of \$499,620 obligations into equity in lieu of cash for services rendered at \$0.008 per share subject to shareholder approval at the Company’s 2018 Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- The ability of RTEL to repay note instruments of USD \$1,500,000 due to the Company by December 2019, as per the executed note instrument terms and conditions.
- The ability to receive a minimum of USD \$500,000 in revenue under the executed strategic investment arrangement with RTEL by December 2019.
- The ability to receive a minimum annual income royalty guarantee of USD \$500,000 in relation to the Megastar India Joint Venture agreement, with first annual payment forecast in June 2019.
- The continued support from related party creditors of the Group.
- The ability to raise additional funding through debt and/or equity.

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) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2018

In the year ended 30 June 2018, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to group accounting policies.

Standards and Interpretations in issue not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

➤ *AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).*

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139 and introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 includes requirements to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.

- a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - The change attributable to changes in credit risk are presented in other comprehensive income (OCI).
 - The remaining change is presented in profit or loss.

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The Group is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019. The Group does not presently engage in hedge accounting.

➤ *AASB 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).*

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

There is no material impact on the Group's financial position or performance expected.

NOTES TO THE FINANCIAL STATEMENTS (continued)

➤ *AASB 16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019).*

The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonable certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

AASB 16 contains disclosure requirements for lessees.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

Early adoption is permitted, provided the new revenue standard, AASB 15 has been applied, or is applied at the same date as AASB 16.

The effect of this amendment on the Group's financial statements has yet to be determined.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Group.

(c) 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.

(d) Financial instruments

Classification

The Company classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2018 which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets, principally comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from 30 June 2018.

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.

When securities are classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets at fair value through profit or loss are subsequently carried at fair value, unless their fair value cannot be reliably determined, in which case they are recognised at cost. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of income from continuing operations when the Company's right to receive payment is established.

Fair value

The fair values of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), and where the fair value cannot be reliably determined, the Company recognises the assets at cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Impairment

At each balance date the Company assesses whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of profit and loss.

(e) 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).

(f) 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.

(g) Revenue recognition

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

(h) 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.

(i) 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.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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. Carrying value of unlisted investments

At each reporting period, the group assesses whether there is objective evidence that an unlisted investment is impaired by taking into account observable data that comes to the attention of the group about loss events such as significant financial difficulty of the investee, breach of contract and whether there were adverse effects that have taken place in the technological market, economic or legal environment in which the investee operates.

Other factors, such as subsequent share raising price is also taken into account when determining whether an indicator of the value of the investment is lower than its recoverable amount.

(q) 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:

	2018 \$	2017 \$
Recognised as a share-based payment expense:		
Options issued to employees (Note 3(e))	226,173	116,675
Options, performance rights and shares issued to key management personnel (Note 3(a), 3(c), 3(d), 3(e))	109,495	375,029
Options issued for services (Note 3(b)(i), 3(b)(iii))	146,733	2,286,850
Shares issued for services (Note 3(b)(ii))	240,000	-
Performance Rights issued for services (Note 3(c), 3(d))	2,081,009	-
Total share-based payment expense	2,803,410	2,778,554

(a) Options issued to Key Management Personnel

As announced on ASX, on 15 January 2018, Sophie McGill resigned as an executive director. As part of her remuneration package, Ms McGill was issued 2,000,000 unlisted options on 29 November 2016. These options vested over six equal instalments over a 3 year period and were exercisable at \$0.125 on or before 18 March 2020.

The Company had internally measured the fair value of options granted by adopting a Black-Scholes option pricing model. The model inputs are shown in the table below.

Black-Scholes Option Pricing Model

Date of grant	29/11/2016
Exercise price	\$0.125
Underlying share price (at issue date)	\$0.235
Risk free interest rate	1.80%
Volatility	95%
Date of expiry	18/03/2020
Years to expiry	3.9 years
Number of options granted	2,000,000
Fair value of options	\$345,628

As at 15 January 2018, three of these instalments were yet to vest and accordingly were eligible for reversal. This resulted in a reversal of \$83,713 to share based payment expense in the Statement of Profit or Loss and Other Comprehensive Income for the current year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(b) Fair Value of Options issued for services

(i) Options issued for services (Prior period)

On 1 February 2017, the Company issued a total of 6,000,000 options to Cadmon Advisory Pty Ltd for advisory services. Management could not reliably determine the fair value of services received and accordingly the Company has internally measured the fair value of the options granted by adopting a Black-Scholes option pricing model. The model inputs are shown in the table below.

Black-Scholes Option Pricing Model

Date of grant	01/02/2017	01/02/2017	01/02/2017
Underlying share price (at issue date)	\$0.220	\$0.220	\$0.220
Risk free interest rate	1.81%	1.94%	1.94%
Volatility	95%	95%	95%
Numbers of options granted	2,000,000	2,000,000	2,000,000
Date of expiry	19/09/2018	19/09/2019	19/09/2019
Exercise price	\$0.350	\$0.400	\$0.450
Years to expiry	0.22 years	1.22 years	1.22 years
Fair Value of Options	\$149,319	\$191,780	\$180,163

The options above vested on 31 July 2017 and have therefore been expensed over the vesting period. As a result, a share-based payment expense for the total of \$89,773 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018 (30 June 2017: \$431,489).

(ii) Shares issued for services

On 18 August 2017, MSM issued 1,000,000 ordinary shares in lieu of cash for services rendered. In accordance with AASB 2 Share-Based Payments, as the fair value of the services was unable to be reliably measured, the fair value of the services was by reference to the fair value of the equity instruments granted.

As a result, a share-based payment expense of \$240,000 was recognised based on the share price of the equity instruments on grant date of \$0.24 per share.

(iii) Options issued for services

On 2 May 2018, the Company issued a total of 1,500,000 options to Mr Douglas Barry for services. Management could not reliably determine the fair value of services received and accordingly the Company has internally measured the fair value of the options granted by adopting a Black-Scholes option pricing model. The model inputs are shown in the table below.

Black-Scholes Option Pricing Model

Date of grant	02/05/2018
Exercise price	\$0.043
Underlying share price (at issue date)	\$0.043
Risk free interest rate	2.54%
Volatility	95%
Date of expiry	02/05/2028
Years to expiry	10.0 years
Number of options granted	1,500,000
Fair value of options	\$56,960

The options above vested immediately. As a result, a share-based payment expense for the total of \$56,960 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(c) Fair Value of Performance Rights issued

During the period, the Company issued a total of 16,500,000 performance rights as detailed below:

- 2,500,000 Class D Performance Rights on 02/08/2017;
- 5,000,000 Class E Performance Rights on 17/08/2017;
- 5,000,000 Class F Performance Rights on 17/08/2017; and
- 4,000,000 Class G Performance Rights on 20/11/2017.

Class D Performance Rights (Celebrity Judge)

Class D performance rights were issued in three equal tranches, each with different market based performance milestones. Each performance share will convert into 1 ordinary share of MSM upon achievement of the performance milestone by the milestone expiry date. These performance rights have no service condition attached.

The performance rights were valued using the barrier trinomial valuation method. Details for each tranche are tabled below:

Tranche	Number	Grant Date	Exercise Price	Volatility	Expiry Date of Milestone Achievements	Fair value per Right	Total Fair Value
1	833,333	02/08/2017	Nil	95%	29/12/2021	\$0.19	\$157,500
2	833,333	02/08/2017	Nil	95%	29/12/2021	\$0.18	\$147,500
3	833,334	02/08/2017	Nil	95%	29/12/2021	\$0.17	\$140,000

Performance Milestones:

1. Vest upon achieving a market capitalisation of \$150 million, for a period of 30 consecutive days.
2. Vest upon achieving a market capitalisation of \$200 million, for a period of 30 consecutive days.
3. Vest upon achieving a market capitalisation of \$250 million, for a period of 30 consecutive days.

As a result, a share-based payment expense of \$445,000 was recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018.

Class E & F Performance Rights (Various)

On 17 August 2017, Class E and F performance rights were issued with different market and non-market based performance milestones. Each performance share will convert into 1 ordinary share of MSM upon achievement of the performance milestone by the milestone expiry date. These performance rights have no service condition attached.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The performance rights were valued using the barrier trinomial valuation method. Details for each class are tabled below:

Class	Number	Grant Date	Exercise Price	Volatility	Expiry Date of Milestone Achievements	Fair value per Right	Total Fair Value
E	5,000,000	17/08/2017	Nil	95%	29/12/2018	\$0.13	\$640,000

Performance Milestones:

- The Company \$5,000,000 in earnings before interest, tax, depreciation and amortisation (EBITDA);
- The MSM Platform achieves a number of unique registered users of at least 1,000,000 as determined by Google Analytics; and
- The Company achieves a market capitalisation of \$150 million for a period of 30 consecutive days.

Class	Number	Grant Date	Exercise Price	Volatility	Expiry Date of Milestone Achievements	Fair value per Right	Total Fair Value
F	5,000,000	17/08/2017	Nil	95%	29/12/2020	\$0.16	\$805,000

Performance Milestones:

- MSM achieves \$15,000,000 in earnings before interest, tax, depreciation and amortisation (EBITDA);
- The MSM Platform achieves a number of unique registered users of at least 2,000,000 as determined by Google Analytics; and
- MSM achieves a market capitalisation of \$250 million for a period of 30 consecutive days.

As a result, a share-based payment expense of \$1,445,000 was recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018.

Class G Performance Rights (Managing Director)

On 20 November 2017, at the Company's 2017 Annual General Meeting, the Company approved the issue of 4,000,000 performance rights to Mr Dion Sullivan, Managing Director of the Company. These performance rights will convert into 1 ordinary share of MSM upon completion of the performance milestone as per the below.

These performance rights contain attached service conditions, whereby Mr Dion Sullivan must be employed at the date of the performance milestone is achieved for the performance rights to vest.

Class	Number	Grant Date	Exercise Price	Volatility	Expiry Date of Milestone Achievements	Fair Value per Right	Total Fair Value
G	4,000,000	20/11/2017	Nil	95%	20/11/2022	\$0.11	\$428,000

Performance Milestone:

- Vest upon achieving a market capitalisation of \$270 million, for a period of 30 consecutive days. This milestone expires on 20 November 2022.

As a result, a share-based payment expense of \$53,035 was recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018.

The total share-based payment expense arising from performance rights issued during the year was \$1,942,035, of which \$53,035 related to those issued to key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(d) Fair Value of Performance Rights (Prior period)

On 28 and 29 December 2016, the Company issued 7,800,000 performance rights. Of these performance rights, 6,000,000 were approved at the Company's 2016 annual general meeting on 29 November 2016 and were issued to executive and non-executive directors. The remaining rights were issued to corporate advisors.

These performance rights were issued in three classes, each with different market based performance milestones. Each performance share will convert into 1 ordinary share of MSM upon achievement of the performance milestone.

The performance rights were valued using the barrier trinomial valuation method. The details of each class are tabled below:

	Class	Number	Grant Date	Exercise Price	Volatility	Expiry Date of Milestone Achievements	Fair value per Right \$	Total Fair Value \$
EXECUTIVE AND NON-EXECUTIVE DIRECTORS	A	1,600,000	29/11/2016	Nil	40%	29/12/2021	0.18	280,000
	B	1,600,000	29/11/2016	Nil	40%	29/12/2021	0.12	190,400
	C	1,600,000	29/11/2016	Nil	40%	29/12/2021	0.08	124,800
CORPORATE ADVISORS	A	600,000	28/12/2016	Nil	40%	29/12/2021	0.17	100,800
	B	600,000	28/12/2016	Nil	40%	29/12/2021	0.11	67,800
	C	600,000	28/12/2016	Nil	40%	29/12/2021	0.07	43,800

Performance Milestones:

- A. Vest upon achieving a market capitalisation of \$120 million, for a period of 30 consecutive days. This milestone expires on 29 December 2021.
- B. Vest upon achieving a market capitalisation of \$150 million, for a period of 30 consecutive days. This milestone expires on 29 December 2021.
- C. Vest upon achieving a market capitalisation of \$250 million, for a period of 30 consecutive days. This milestone expires on 29 December 2021.

The total expense arising from share-based payment transactions recognised during the year in relation to the prior period performance rights issued was \$290,983 of which \$99,975 relates to those issued to key management personnel.

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

During 2018, 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.

Under the 'option equity' agreements, eligible employees and KMP are entitled to 5,517,700 shares (30 June 2017: 4,792,252) in the Company.

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 has been expensed over this vesting period. As a result, a share based payment expense of \$249,001 (30 June 2017: \$190,910) has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period, of which \$41,198 relates to KMP.

The weighted average remaining contractual life of the options outstanding as at 30 June 2018 is 2.71 years (30 June 2017: 2.86 years).

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4: REVENUE AND EXPENSES

	2018	2017
(a) Revenue and other income	\$	\$
In App purchases	13,463	102
Interest and other income	19,636	67,261
	<u>33,099</u>	<u>67,363</u>
(b) Expenses		
Wages, salaries, director's fees and other remuneration expenses	2,928,497	1,326,878
Administration expense	1,588,603	983,168
Marketing expenses	1,613,167	-
Finance costs – short term loans	30,063	-
Finance costs – other	30,286	40,382
	<u>6,190,616</u>	<u>2,350,428</u>

NOTE 5: INCOME TAX EXPENSE

	2018	2017
(a) Income Tax Expense	\$	\$
Current tax expense	-	-
Deferred tax expense	-	-
	<u>-</u>	<u>-</u>
(b) Reconciliation of income tax to prima facie tax payable:		
Loss before tax	(18,921,838)	(12,969,655)
Income tax expense/ (benefit) @27.5%	(5,203,505)	(3,566,655)
Permanent differences	751,402	773,068
Current year tax loss not recognised	2,561,619	1,814,069
Timing differences not recognised	3,084,797	1,512,310
Differences in tax rate of subsidiaries operating in other jurisdictions	(1,194,312)	(532,791)
Total tax expense	<u>-</u>	<u>-</u>
(c) Unrecognised Deferred Tax Asset relates to:		
Tax losses	5,865,184	3,287,392
Other timing differences	5,221,941	1,838,273
	<u>11,087,125</u>	<u>5,125,664</u>

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

	2018 \$	2017 \$
Cash at bank and on hand	303,875	720,307
	<u>303,875</u>	<u>720,307</u>

NOTE 7: OTHER ASSETS

	2018 \$	2017 \$
Current other assets		
Other receivables	25,168	85,818
GST recoverable	39,052	167,311
Prepayments	273,724	28,674
	<u>337,944</u>	<u>281,803</u>
Non-current other assets		
Other receivables	<u>75,887</u>	<u>92,362</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 2018, no receivables were past due or impaired.

NOTE 8: FINANCIAL ASSETS

	2018 \$	2017 \$
Balance at 1 July	604,402	538,003
New investments during the year	-	133,476
Foreign exchange movements	53,154	(67,077)
Unlisted investments at cost	<u>657,556</u>	<u>604,402</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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

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).

The carrying amount of the unlisted investments is at cost as their fair value cannot be reliably measured at year end as the companies do not have quoted market prices.

Management have reviewed the latest financials and have held various discussions with management of the relevant entities. Based on their review, management have determined there is no objective evidence of impairment which would suggest the investments are impaired.

NOTE 9: TRADE AND OTHER PAYABLES

	2018 \$	2017 \$
Trade creditors	2,529,474	395,655
Share subscription account ¹	172,000	-
Accruals	139,536	27,000
Investment loan ²	202,950	186,544
Total trade and other payables	3,043,959	609,199

Note 1: Share application funds received and not yet issued by the Company at 30 June 2018.

Note 2: Outstanding payment for acquisition of 5% equity interest in ToneDen as accounted for under Financial Assets (Note 8).

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.

NOTE 10: BORROWINGS

	2018 \$	2017 \$
Short term loans	303,650	-
Total borrowings	303,650	-

During the year, the Company entered into loan arrangements with various related (as noted on page 23) and unrelated parties. The loans are advanced on an unsecured basis with interest payable at a flat rate of 10%. The maturity date for the loans 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 loans and interest are intended to be repaid from proceeds. As at 30 June 2018, no loan repayments had been made.

The total interest accrued on the short term loans as at 30 June 2018 was \$30,063 and is included in trade and other payables Note 9.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 11: PROVISIONS

	2018 \$	2017 \$
Provision for prize money	-	1,243,626
Provision for employee benefits	58,838	54,082
Total provisions	58,838	1,297,708

The provision for the Megastar competition prize money was settled during the year.

NOTE 12: CONTRIBUTED EQUITY

Share capital at 30 June 2018	\$	No. of Shares	Amount per share
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 <i>Note 3(b)(ii)</i>	240,000	1,000,000	\$0.240
Share issued under 'equity option' agreement <i>Note 3(e)</i>	-	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	31,903,556	430,418,591	

Share capital at 30 June 2017	\$	No. of Shares	Amount per share
Balance at beginning of period	11,249,100	276,802,110	
Proceeds from shares issued under the public offer	4,882,000	17,435,715	\$0.28
Share issued under 'equity option' agreement	-	1,346,721	-
Shares issued on conversion of options	1,555,112	15,551,116	\$0.10
Capital raising costs	(255,920)	-	
Total issued and paid up capital at the end of the period	17,430,292	311,135,662	

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.

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

	2018 \$	2017 \$
Basic loss per share	0.05	0.04
Diluted loss per share	0.05	0.04

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:

	2018 \$	2017 \$
Net loss	(18,921,838)	(12,969,655)
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	384,615,325	301,558,520

NOTE 14: RESERVES

Share Based Payment Reserve

	2018 \$	2017 \$
Opening Balance	5,089,753	2,311,199
Options, shares and performance rights issued to key management personnel <i>Note 3(a), 3(c), 3(d), 3(e)</i>	109,495	375,029
Options issued to employees <i>Note 3(e)</i>	226,173	116,675
Options issued for consulting and advisory services <i>Note 3(b)(i)</i>	146,733	2,286,850
Performance rights issued <i>Note 3(c), 3(d)</i>	2,081,009	-
	2,563,410	5,089,753

Foreign Exchange Translation Reserve

Opening Balance	(140,955)	185,483
Exchange differences on foreign operations	62,012	(326,438)
	(78,943)	(140,955)
Total Reserves	7,574,220	4,948,798

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

	2018 \$	2017 \$
Cash and cash equivalents	303,875	720,307

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

Loss for the year after tax	(18,921,838)	(12,969,655)
Share based payments	2,803,410	2,778,554
Plant and equipment written off	-	28,343
Unrealised foreign exchange gain/(loss)	(4,018)	25,939
<i>Changes in assets and liabilities</i>		
(Increase)/Decrease in trade and other receivables	205,383	(176,006)
(Increase)/Decrease in other current assets	(281,797)	4,927
Increase/(Decrease) in trade and other payables	2,485,835	(263,112)
Increase/(Decrease) in provisions	(1,238,870)	1,230,764
Net cash used in operating activities	(14,951,895)	(9,340,247)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(c) Categories of Financial Instruments

	2018	2017
	\$	\$
Financial Assets		
Cash and cash equivalents	303,875	720,307
Trade and other receivables	413,831	374,165
Financial assets	657,556	604,402
Total Financial Assets	1,375,262	1,698,874
Financial Liabilities		
Trade and other payables	3,043,960	609,199
Borrowings	303,650	-
Total Financial Liabilities	3,347,610	609,199
Net Financial Assets (Liabilities)	(1,972,348)	1,089,675

(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 2018 was \$752,206 (2017: \$604,402) 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.

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

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The carrying amount approximates fair value because of their short term to maturity; and
- the fair value of short term financial assets and liabilities and approximates the carrying amount because of their short term to maturity.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(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 material 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 \$3,435 and decreased by \$3,435 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 2018 are at a fixed interest rate.

(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
2018	%	\$	\$	\$	\$
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>
2017					
Financial Liabilities					
Trade payables	Nil	609,199	-	-	609,199

NOTE 18: KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2018	2017
	\$	\$
Short-term employee benefits	1,483,184	1,504,030
Post-employment benefits	-	-
Share based payments	109,495	375,029
	<u>1,592,679</u>	<u>1,879,060</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 (2017: 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 on page 23 under Other Transactions with Key Management Personnel.

(b) Other transactions with Directors and Director related entities

During the year, other than key management personnel compensation and the Performance rights, options and shares issued, no transactions occurred between the Company and a Director or a Director related entity.

In the prior year, in connection with the reverse acquisition the Company issued Performance shares to KMP as part of the remuneration for the reverse acquisition, which did not form part of remuneration for services provided. The applicable KMP were existing shareholders of Megastar, and accordingly received a portion of the performance shares issued as part of the consideration.

The Incentive Rights granted under the Company's Performance Rights Plan have a 3-year and 5-year measurement period. Performance rights are measured against Class A, Class B, Class C and Class G Performance Hurdles, as follows:

- A. 50,000,000 Class A Performance Shares will convert into 50,000,000 Shares if the Company achieves \$5,000,000 in earnings before interest, tax, depreciation and amortisation (EBITDA) or the MSM Platform achieves a number of unique registered users of at least 1,000,000 as determined by Google Analytics; and
- B. 50,000,000 Class B Performance Shares will convert into 50,000,000 Shares if the Company achieves \$15,000,000 in EBITDA or the MSM Platform achieves a number of unique registered users of at least 2,000,000 as determined by Google Analytics.

The expiry date in respect of the Class A Performance Hurdle, is the date that is 3 years from the date of issue of Class A Performance Shares and in respect of the Class B Performance Hurdle, is the date that is 5 years from the date of issue of Class B Performance Shares. If a Performance Hurdle is not met by the relevant Expiry Date, the relevant Performance Shares held by each Holder will automatically consolidate into one Performance Share and will then convert into one Share for each Holder.

(c) Controlled entities

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

	Equity Interest 2018 %	Equity Interest 2017 %
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

	2018 \$	2017 \$
Audit or review of the financial report - BDO Audit (WA) Pty Ltd	41,125	44,296
Taxation and other services - BDO Corporate Tax (WA) Pty Ltd and BDO Corporate Finance (WA) Pty Ltd	2,550	10,455
	43,675	54,751

NOTE 21: PARENT ENTITY FINANCIAL INFORMATION

The following details information related to the parent entity, MSM Corporation International Limited, at 30 June 2018. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

Financial Position	2018 \$	2017 \$
<i>Assets</i>		
Current Assets	322,352	705,541
Non-Current Assets	135,299	124,362
Total Assets	457,652	829,903
<i>Liabilities</i>		
Current Liabilities	1,185,096	1,355,857
Total Liabilities	1,185,096	1,355,857
Net Liabilities	(727,444)	(525,954)
<i>Equity</i>		
Issued capital	31,903,556	17,430,292
Reserves	8,877,961	4,877,624
Accumulated losses	(41,508,961)	(22,833,870)
Total Equity	(727,444)	(525,954)

Financial Performance	2018 \$	2017 \$
Loss for the year	(18,675,091)	(13,744,870)
Other comprehensive income	-	-
Total comprehensive loss	(18,675,091)	(13,744,870)

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 and 23.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 22: COMMITMENTS

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\$202,950) 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 quarterly commitment is \$12,500. The Company is in discussions with the majority owner of EMP 4068 to transfer ownership to them 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

	2018	2017
	\$	\$
Not later than 12 months	182,070	173,369
Later than 12 months	478,696	647,786
	660,776	821,156

There have been no other changes in commitments requiring disclosure since the last annual reporting date, 30 June 2017.

NOTE 23: CONTINGENT LIABILITIES AND LIABILITIES

Contingent Payments

Contingent Payments

	2018	2017
	\$	\$
Contingent Payments	23,001	311,831

During the year the Company entered into various contracts for the promotion of the Megastar brand, payment of contracts are contingent on the achievement of certain milestones including measured audience reach, social media posts, number of public appearances and media interviews.

There have been no other changes in contingent liabilities or payments requiring disclosure since the last annual reporting date, 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 24: SUBSEQUENT EVENTS

On 5 July 2018, the Company announced:

- The allotment of 42,000,000 ordinary shares and 10,500,000 listed \$0.10 options expiring 7 November 2019 on a 1 for 4 basis in relation to the shortfall on the Entitlement Issue as announced 14 June 2018 and 20,000,000 listed \$0.10 options expiring 7 November 2019 on a 1 for 2 basis to participants pursuant to the placement announced 8 February 2018, following shareholder approval at the general meeting held 22 June 2018 raising in total \$2,082,000.
- The issue of 35,051 fully paid ordinary shares to contractors following completion of vesting conditions pursuant to the Company's Stock Incentive Plan.
- Ms Danika Mullins was contracted as an interim Chief Marketing Officer ("CMO") to deliver a flexible, cost effective and multi-dimensional approach to leveraging MSM's significant existing IP and technical capabilities.

On 3 September 2018, the Company advised a delay in finalizing the strategy and market entry plan for Megastar India which was anticipated to be completed by RIVA by 30 August 2018 under the HOA announced 4 June 2018.

On 21 September 2018, the Company requested a trading halt to be placed on the Company's securities pending an announcement regarding the placement of securities under binding agreements as announced 5 July 2018 and Company's overall funding strategy. The Company requested the trading halt to remain in place until the earlier of the commencement of normal trading on 25 September 2018 or when the announcement is released to the market.

On 21 September 2018, the Company advised that 8,000,000 unlisted \$0.35 options exercisable on or before 19 September 2018 had expired without exercise.

On 25 September 2018, the Company requested a voluntary suspension of the Company's securities to finalize an announcement regarding the placement of securities under binding agreements and the Company's overall funding strategy.

From 27 September 2018, the Company requested extensions in the voluntary suspension of the Company's securities. The Company extended the suspension with the expectation that the securities would remain in voluntary suspension until 30 November 2018 pending an announcement regarding the placement of securities under binding commitments and the Company's overall funding strategy.

On 26 November 2018, the Company announced:

- The allotment of 37,000,000 shares at \$0.043 per share relating to the binding commitments pledged by The Riva Group (Riva or Riva Group) and its major stakeholders raising approximately \$1,590,000. The placement made to key stakeholders of Riva allows for the continuation of the launch of Megastar India and the expansion of the relationship between the Riva Group and MSM. The Company intends to leverage Riva's network and capability to expand the Megastar Platform to include Esports and Mobile Gaming talent competitions.
- To further strengthening the Company's strategic relationship with Riva, MSM agreed 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\$1.5M over two instalments (US\$1 million of which has been transferred following execution of the Subscription Agreement with RTE). RTE is in 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. (Firefly Games) pursuant to a Share Purchase Agreement. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- The engagement of Emerald Capital Australia Pty Limited (ECA) to act as Lead Manager for a capital raising of \$1,720,000 consisting of a placement of 39,000,000 fully paid ordinary shares at \$0.008 per share to raise \$312,000 under the Company's existing Listing Rule 7.1 (3,900,000 fully paid ordinary shares) and 7.1A (35,100,000 fully paid ordinary shares) placement capacity (Capital Raise) and the subsequent capital raising of a further \$1,440,000, pending shareholder approval, via the issue of convertible notes in MSM (conversion at \$0.008 per share or such other conversion price as is agreed by MSM) on a best endeavours basis.
- Continuing to progress the finalisation of the Assignment for the Benefit of Creditors (ABC) process which is intended to manage outstanding creditors of the Company's US subsidiary, MSM Music Inc. Creditors have until July 2019 to submit their claims with an amount of US\$110,000 being held in trust for the benefit of creditors.
- The appointment of Mr Chris Jones to join the MSM Board as a Non-Executive director following ECA exercising its right to appoint a director under the terms of its Lead Manager mandate.
- The resignation of Managing Director, Mr Dion Sullivan to pursue other interests. The composition of the Board will continue to be reviewed as the Company pursues its growth strategy.
- On 30 November 2018, the Company requested an extension in the voluntary suspension of the Company's securities. The Company extended the request on 7 December 2018 and has remained in voluntary suspension pending the finalisation of the 2018 Annual Report, Appendix 4G in conjunction with the Notice of Annual General Meetings and Cleansing Prospectus.

On 29 December 2018, 50,000,000 Class A and 5,000,000 Class E Performance Rights expired without exercise.

On 10 January 2019, the Company announced it had raised \$870,000 of the \$1,440,000 convertible note funding lead managed by Emerald Capital Australia.

On 22 February 2019, the Company announced that it has been working with its advisors to progress outstanding compliance matters to finalise the 2018 Annual Report including finalising the Assignment for the Benefit of Creditors (ABC) process announced on 26 November 2018. This process is intended to manage outstanding creditors of the Company's US subsidiary 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.

No other matter or circumstance has arisen since 30 June 2018 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

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 2018 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.

A handwritten signature in black ink, appearing to read 'Adam Wellisch', followed by a horizontal line.

Adam Wellisch
Chairman
12 March 2019

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 2018, 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 2018 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.

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.

Carrying value of unlisted investments

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 8 of the financial report, the carrying value of the Group's unlisted investments recognised as non-current financial assets, represents a significant asset of the Group.</p> <p>The Group's policy for accounting and significant estimates and judgements applied to these assets are disclosed in Notes 2(d) and 2(p)(iii) of the financial report.</p> <p>In accordance with Australian Accounting Standards, the unlisted investments do not have quoted market prices and their fair value cannot be reliably measured, and accordingly are recognised at cost. At the end of each reporting period, management are required to assess whether there is any objective evidence that the assets are impaired.</p> <p>Due to the quantum of these assets and the subjectivity involved in determining whether there is any objective evidence of impairment on these assets, we have determined that the carrying value of unlisted investments is a key audit matter.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewing management's assessment that there were no objective indicators of impairment for reasonableness; • Holding discussions with management to understand the business operations and performance of the unlisted investments, and whether this information is consistent with management's impairment assessment position; • Considering whether any other data exists which would constitute indicators of impairment, including reviewing, where available, corporate transactions and documentation on recent and/or planned capital raisings by the investee; and • Assessing the adequacy of the related disclosures in Notes 2(d), 2(p)(iii) and 8 of the financial report.

Accounting for share-based payments

Key audit matter	How the matter was addressed in our audit
<p>During the financial year ended 30 June 2018, the Group issued performance rights, options and shares to employees, consultants and key management personnel, which have been accounted for as share-based payments, as disclosed in Note 3 of the financial report.</p> <p>The Group's policy for accounting for share-based payments and significant judgements applied to these arrangements are disclosed in Notes 2(m) and 2(p)(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 share-based payments 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"> • Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • 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; • 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; • Involving our valuation specialists to assess the reasonableness of management's valuation inputs, where necessary; • Assessing the allocation of the share-based payment expense over the relevant vesting period; and • Assessing the adequacy of the related disclosures in Notes 2(m), 2(p)(ii) and 3 of the financial report.

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 2018, 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

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 15 to 23 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of MSM Corporation International Limited, for the year ended 30 June 2018, 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

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a faint, handwritten 'BDO' in the same ink.

Dean Just

Director

Perth, 12 March 2019

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 February 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	109	60
1,001 - 5,000	202	29
5,001 - 10,000	146	21
10,001 - 100,000	598	117
100,001 and over	450	153
	1,505	380
Holding less than a marketable parcel	901	188

Ordinary Share Capital

581,363,031 fully paid, ordinary shares are held by 1,505 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 February 2019, the register of substantial shareholders disclosed the following information:		
TIMOTHY PAUL NEESHAM	23,972,976	5.60
Ordinary Shareholders		
ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C>	57,242,215	9.85
DEEPANSHU SUREKA	18,974,359	3.26
PETER VANDA RESOURCES PTY LTD <JOHN A ZAMBONI FAMILY A/C>	17,700,000	3.04
VELVET BAY HOLDINGS PTY LTD <THE VELVET BAY A/C>	17,700,000	3.04
MR DAVID CHARLES NEESHAM + MRS PAMELA CHRISTINE NEESHAM <DC & PC NEESHAM SUPER A/C>	15,925,287	2.74
LIGHTHOUSE HOLDINGS WA PTY LTD <THE LIGHTHOUSE A/C>	12,700,000	2.18
SUNLIGHT BAY HOLDINGS PTY LTD <THE SUNLIGHT BAY A/C>	12,700,000	2.18
DOUGLAS BARRY <DOUGLAS C BARRY A/C>	12,546,763	2.16
SOUTH WEST INVESTMENT HOLDINGS PTY LTD <SOUTH WEST A/C>	11,098,021	1.91
DION MATTHEW SULLIVAN	8,243,854	1.42
JTJK INVESTMENTS PTY LTD	7,950,000	1.37
PENINSULA INVESTMENTS (WA) PTY LTD)	7,890,000	1.36
ANGKOR IMPERIAL RESOURCES PTY LTD <TURKISH BREAD S/F A/C>	6,910,286	1.19
BLACKWALL INVESTMENTS PTY LTD	6,756,115	1.16
SISU INTERNATIONAL PTY LTD	6,529,167	1.12
MR ADAM GEOFFREY WELLISCH <THE WELSON FAMILY A/C>	5,827,338	1.00
AUSSIE MERCHANDISE PTY LTD	5,600,000	0.96
RMVIC PTY LTD <RMVIC S/F A/C>	5,085,000	0.87
BERETTA NICKEL PTY LTD	5,056,115	0.86
MR ANDREW GRANTON BROWN	5,000,000	0.86
	247,434,520	42.56

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
	51,072,208	52.12
Unquoted Equity Securities	Number on Issue	Number of Holders
Options exercisable at \$0.10 expiring 7 November 2019	97,987,197	380
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 \$0.40 expiring 19 September 2019	3,500,000	2
Options exercisable at \$0.45 expiring 19 September 2019	3,500,000	2
Options exercisable at \$0.55 expiring 19 September 2019	1,500,000	1
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

Holders of 20% or more of Unquoted Options

	Number Held	%
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
3,500,000 Options exercisable at \$0.40 expiring 19 September 2019		
Name: Odeon Capital Group LLC	1,500,000	43
Name: Cadmon Ventures Pty Ltd	2,000,000	57
3,500,000 Options exercisable at \$0.45 expiring 19 September 2019		
Name: Odeon Capital Group LLC	1,500,000	43
Name: Cadmon Ventures Pty Ltd	2,000,000	57
1,500,000 Options exercisable at \$0.55 expiring 19 September 2019		
Name: Odeon Capital Group LLC	1,500,000	100

Convertible Notes

There are 8,900 Convertible Notes and 19 holders.

On Market Buy-Back

There is no current on-market buy-back.

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%)