msmci

MSM CORPORATION INTERNATIONAL LIMITED

ABN 51 002 529 160

INTERIM FINANCIAL REPORT
31 DECEMBER 2018

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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
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Subiaco WA 6008

SECURITIES EXCHANGE
ASX

HOME EXCHANGE
Melbourne

SHARE REGISTRY
Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

ASX CODE
MSM

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by MSM Corporation International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of MSM Corporation International Limited and the entities it controlled at the end of or during the half year ended 31 December 2018 (“**MSM”** or “**the Company”**) and the Independent Review Report thereon.

DIRECTORS DETAILS

The persons who were directors of MSM during the whole of the half-year and up to the date of this report are:

Mr Adam Wellisch *(Chairman and Non-Executive)*	
Mr Chris Jones *(Non-Executive Director)*	*appointed 20 November 2018*
Mr Mark Clements *(Non-Executive Director)*	
Mr Dion Sullivan *(Managing Director)*	*resigned 27 November 2018*

REVIEW AND RESULTS OF OPERATIONS

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 (or "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.

Strategic Cornerstone Investor – Riva Group

In November 2018, the Company announced that it had allotted 37M shares at $0.043 per share relating to the binding commitments pledged by The Riva Group and its major stakeholders of approximately $1.59M as announced on 17 April 2018.

The placement made to key stakeholders of Riva allows for the continuation of the launch of Megastar India (refer to announcement of 4 June 2018) and the expansion of the relationship between the Riva Group and MSM.

The Company intends to leverage Riva's network and capabilities to expand the Megastar Platform to include Esports and Mobile Gaming talent competitions. The Company is currently negotiating a separate license agreement with the Riva Group for Esports and Mobile Games.

The $1.59M funds raised under the placement have been applied primarily for the following purposes:

- Ongoing optimization of the marketing and operation of competitions on the Megastar platform;
- Progressing the Megastar India joint venture with The Riva Group;
- Investing in Riva Group's associated company Riva Technology and Entertainment Limited (RTE);
- 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;
- Repayment of interim loan funds; and
- General working capital.

Megastar India Joint Venture and WWT2

The Company has been working with the Riva Group and software engineers, Software Developers Inc (SDI), to enhance the Megastar online platform with the objective of delivering a premier digital multi-genre talent discovery and Esports platform in India.

The platform will be focused on offering genre specific competitions such as cricket, music, dance and Esports and several potential collaboration and partnering opportunities are being negotiated.

The Company and Riva are continuing to develop the Megastar India opportunity via the Heads of Agreement framework announced on 4 June 2018, refer to Note 2(f) and as per the details below;

- 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;
- It is proposed that 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, it is proposed that MSM will be entitled to receive a minimum of US$500,000 per annum and that the first royalty payment will be due to be paid to MSM by 30 June 2019 (regardless of actual revenue generated) and subsequent payment due annually thereafter; and
- In addition, it is proposed that MSM will have a 15% shareholding in the joint venture which will entitle MSM to 15% of profit distributions paid by the Megastar India joint venture to its shareholders. It is intended that this 15% will be free-carried and non-dilutable in perpetuity and will be in addition to the 5% revenue royalty entitlement described above.

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 subscribed for 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 prior to 31 December 2018 following execution of the Subscription Agreement with RTE). On 9 January 2019, the remaining US$500,000 was transferred under the arrangement. In addition, MSM anticipates to receive 10% in equity of RTE and will update the market once the shares have been received. 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, which were executed subsequent to period end, are to be repaid by 31 December 2019. MSM (together 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. Firefly Games was founded in January of 2015 with a focus of developing and publishing IP based mobile gaming titles.

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.

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 at the date of this report, the Group has no full time employees and utilises third party consultants, as part of executing the cost reduction strategy.

As part of a far reaching overall operational review process, 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 has managed long outstanding creditors through an Assignment for the Benefit of Creditors process which was formalised and executed on 7 December 2018. 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.

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 (before costs), following 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. As at 31 December 2018, $870,000 (before costs) had been raised. As at date of this report, $890,000 (before costs) had been raised.

Board Appointment

In November 2018, Mr Chris Jones joined 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.

Mr Jones will ensure a focus on ongoing cost reductions and driving shareholder value by developing the relationship with Riva Group's associated company RTE to foster and provide a framework around the potential license of the Megastar platform for mobile gaming and Esports.

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 ECA. Mr Jones has a large breadth of expertise in corporate finance, capital raising, and funds management and has through his role as Investment manager formed close working relationships with fund managers around the globe.

The Company also announced it had accepted 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.

CORPORATE & FINANCIAL

During the half-year the Company incurred a loss after tax of $72,897 after crediting an amount of $1,382,678 in relation to the de-recognition of the Company's US subsidiary, MSM Music Inc.'s, trade creditors following the execution of an Assignment for the Benefit of Creditors (ABC) agreement on 8th December 2018, and a further non-cash reversal of $433,220 relating to previously recognised share based payment expenses (31 December 2017 – loss of $13,674,134).

In July 2018, the Company successfully completed an equity raising of $1,806,000 (before costs) through the issue of 42,000,000 shares at $0.043 per share.

In November 2018, the Company successfully completed an equity raising of:

- $136,570 (before costs) through the issue of 3,176,037 shares at $0.043 per share.
- $1,591,000 (before costs) through the issue 37,000,000 shares at $0.043 per share to the Riva Group.
- $312,000 (before costs) through the issue of 39,000,000 shares at $0.008 per share.

During the half year, the Company executed a mandate agreement with ECA 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 automatically convert to ordinary shares following approval at the Company's 2018 Annual General Meeting. As at 31 December 2018, $870,000 (before costs) has been raised. At the date of signing the interim financial report, $890,000 (before costs) had been received under this mandate with the balance to be raised by ECA on a best endeavours basis.

EVENTS SUBSEQUENT TO THE END OF THE HALF-YEAR

On 7 January 2019, the Company requested an extension in the voluntary suspension of the Company's securities 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. Since this date, several addition extensions in the voluntary suspension of the Company's securities have been requested.

On 10 January 2019, the Company announced that $870,000 (before costs) of the $1,440,000 (before costs) convertible note funding, lead managed by ECA, had been raised prior to 31 December 2018. As at the date of this report, $890,000 (before costs) had been raised under the mandate.

On 2 February 2019, the Company executed the payment of US$110,000 under the Asset Purchase Agreement with the assignee of MSM Music Inc to acquire the intellectual property held in the subsidiary.

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.

On 18 March 2019, the Company executed a strategic investment arrangement with the Riva Group and associated company, RIVA Technology and Entertainment Limited ('RTE') which included the provision of US$1,500,000 in note instruments of which US$1,000,000 was paid in advance prior to period end. At the date of signing the interim financial report, US$1,500,000 had been paid by the Company to RTE under this arrangement and the loan notes issued to reflect these payments. As at the date of this report, MSM anticipate receiving 10% in equity of RTE and will update the market once the shares have been received.

On 22 March 2019, the Company advised that 50,000,000 unlisted Class A Performance Rights and 5,000,000 unlisted Class E Performance Rights expiring on 29 December 2018 have lapsed without exercise.

On 1 April 2019, the Company provided a market update on the ongoing discussions regarding the licensing of the Company's extensively built Megastar online competition platform for use across other sectors and genres of the global mobile competition framework. This will be initially focused around current partners and affiliates of the Riva Group's Esports talent identification. *Dreamworks: Universe of Legends* is expected to be the first of numerous games that will launch through the collaboration of Firefly Games and RTE, utilising intellectual property developed by the Riva Group and gaming delivery and implementation by Firefly Games.

Subsequent to period end *DreamWorks: Universe of Legends* mobile game embarked on a soft launch across selected countries including Macau, Thailand, Taiwan and Hong Kong with pre-registrations on the Google Play store hitting over 1 million users. An official release global road map is expected to follow shortly.

On 26 April 2019, the Company's 2018 Annual General Meeting was held, at which time all resolutions passed with the exception of Resolution 12.

On 26 April 2019, the Company announced the issue of 70,102 fully paid ordinary shares in accordance with the Company's Stock Incentive Plan approved by shareholders at the 2016 Annual General Meeting.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial periods, or

b) the results of those operations in future financial periods, or

c) the Group's state of affairs in future financial periods.

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 review of the interim financial report. This Independence Declaration is set out on page 9 and forms part of this Directors' Report for the half-year ended 31 December 2018.

Signed in accordance with a resolution of the Directors.

Adam Wellisch
Non-Executive Chairman
30 April 2019

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

As lead auditor for the review of MSM Corporation International Limited for the half-year ended 31 December 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 review; and

2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 30 April 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 $	31 December 2017 $
Revenue from continuing operations			
In-App purchases		437	5,497
Interest income		935	28,882
Other income	7	1,382,678	-
		1,384,050	34,379
Expenses			
Finance cost		17,869	26,613
Administration expenses		136,571	716,085
Employee benefits and directors fees		457,084	1,127,613
Share based payments	*3*	(433,220)	2,480,137
Marketing expenditure		36,418	1,840,929
Project expenditure		553,742	7,517,136
Changes in fair value of investments at fair value	*6*	688,483	-
Loss from continuing operations before income tax expense		(72,897)	(13,674,134)
Income tax expense		-	-
Net loss from continuing operations after income tax expense		**(72,897)**	**(13,674,134)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on foreign operations		(615,504)	(418,948)
Total comprehensive loss for the period		**(688,401)**	**(14,093,082)**
Loss for the period attributable to owners of the Company			
Total comprehensive loss for the period attributable to owners of the Company		**(688,401)**	**(14,093,082)**
Loss per share from continuing operations attributable to owners of the Company			
Basic loss per share	*10*	$0.01	$0.04

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December 2018 $	30 June 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	1,143,018	303,875
Other assets	*5*	1,501,994	337,944
Total Current Assets		2,645,012	641,819
Non-Current Assets			
Other assets	*5*	-	75,887
Financial assets	*6*	-	657,556
Total Non-Current Assets		-	733,443
TOTAL ASSETS		**2,645,012**	**1,375,262**
LIABILITIES			
Current Liabilities			
Trade and other payables	*7*	1,126,254	3,043,959
Borrowings	*8*	822,026	303,650
Provisions		-	58,838
Total Current Liabilities		1,948,280	3,406,447
TOTAL LIABILITIES		**1,948,280**	**3,406,447**
NET ASSETS/(LIABILITIES)		**696,732**	**(2,031,185)**
EQUITY			
Issued capital	*9*	35,841,094	31,903,556
Reserves	*11*	6,437,496	7,574,220
Accumulated losses		(41,581,858)	(41,508,961)
TOTAL EQUITY		**696,732**	**(2,031,185)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2018	31,903,556	7,574,220	(41,508,961)	(2,031,185)
Net loss for the period	-	-	(72,897)	(72,897)
Other comprehensive loss	-	(615,504)	-	(615,504)
Total comprehensive income/(loss) for the period	-	(615,504)	(72,897)	(688,401)
Transactions with owners in their capacity as owners				
Issue of shares	3,993,570	-	-	3,993,570
Share based payments	88,000	(521,220)	-	(433,220)
Capital raising expenses	(144,032)	-	-	(144,032)
Total transactions with owners and other transfers	3,937,538	(521,220)	-	3,416,318
Balance at 31 December 2018	**35,841,094**	**6,437,496**	**(41,581,858)**	**696,732**
Balance at 1 July 2017	17,430,292	4,948,798	(22,587,123)	(208,033)
Net loss for the period	-	-	(13,674,134)	(13,674,134)
Other comprehensive loss	-	(418,948)	-	(418,948)
Total comprehensive income/(loss) for the period	-	(418,948)	(13,674,134)	(14,093,082)
Transactions with owners in their capacity as owners				
Issue of shares - prospectus	13,712,000	-	-	13,712,000
Share based payments	-	2,240,137	-	2,240,137
Shares issued on conversion of options	18,207	-	-	18,207
Capital raising expenses	(922,009)	-	-	(922,009)
Total transactions with owners and other transfers	12,808,198	2,240,137	-	15,048,335
Balance at 31 December 2017	**30,238,489**	**6,769,987**	**(36,261,257)**	**747,219**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	31 December 2018 $	31 December 2017 $
Cash flows from operating activities		
Cash receipts from customers	437	5,497
Interest received	935	19,563
Project development payments	(518,265)	(8,803,092)
Payments to suppliers and employees	(1,369,850)	(3,078,058)
Net cash outflow from operating activities	(1,886,473)	(11,856,090)
Cash flows from investing activities		
Payments for deposits	(1,382,501)	-
Net cash outflows from investing activities	(1,382,501)	-
Cash flows from financing activities		
Proceeds from issue of shares	3,537,000	13,490,207
Capital raising costs	(144,032)	(922,009)
Proceeds from convertible loans	870,000	-
Repayment of short term loans	(154,850)	-
Net cash inflows from financing activities	4,108,118	12,568,198
Net increase in cash and cash equivalents	839,143	712,108
Cash and cash equivalents at the beginning of the financial period	303,875	720,307
Cash at the end of the financial period	**1,143,018**	**1,432,415**

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

Note 1: CORPORATE INFORMATION

The Financial Report of MSM Corporation International Limited and its associated entities (“**MSM”** or “**the Company”**) for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 30 April 2019.

MSM is a company incorporated in Australia and limited by shares which are publicly traded on the ASX.

Note 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

(a) Basis of preparation

The financial statements have been prepared on the basis of historical cost, unless otherwise stated. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

(b) Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the most recent period end financial statements.

(c) New and amended standards adopted by the entity

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

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

AASB 15 and 9 have had no impact on adoption on these financial statements. The new accounting policies relating to the adoption of AASB 9 have been detailed in note 1(c)(i).

(i) AASB 9 Financial Instruments

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

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

Investments and other financial assets

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

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

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

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

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

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

i. Measurement

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

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

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

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

ii. Impairment

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

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

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

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

(e) Significant Accounting Estimates and Judgements

The preparation of the interim 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.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018. The only exception is the impairment assessment of receivables and deposits.

i. *Impairment of receivables*

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

ii. *Impairment of deposits*

In accordance with AASB 9, MSM has undertaken an assessment of deposits, based on the Riva Group's and Firefly Games' historic experience and understanding of the industry/customer base of the mobile gaming market, to determine what factors are likely to have the greatest impact on the recoverability of the deposit. There has been no evidence of impairment triggers such as signs of significant financial difficulty, any breach of contract, that the investment will not proceed or any indications there is no longer an active market.

(f) 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 half-year ended 31 December 2018 the Group incurred a net loss of $72,897 after crediting an amount of $1,382,678 in relation to the de-recognition of the Company's US subsidiary, MSM Music Inc.'s, trade creditors following the execution of an Assignment for the Benefit of Creditors (ABC) agreement on 7 December 2018, and a further non-cash reversal of $433,220 relating to previously recognised share based payment expenses (31 December 2017: $13,674,134), incurred net cash outflows from operating activities of $1,886,473 (31 December 2017: $11,856,090), held cash at bank of $1,143,018 (30 June 2018: $303,875), trade and other payables of $1,126,254 (30 June 2018: $3,043,959) and borrowings of $822,026 (30 June 2018: $303,650).

As at the date of this report, the Group held cash at bank of $74,637 and had trade and other payables of $586,517. Of this amount, trade and other payables totalling $210,778 to non-related entities which are not expected to be converted into equity in the Company are overdue.

In addition, $890,000 (before costs) in borrowings are to be settled in equity instruments of the Company, following shareholder approval obtained at the Company's 2018 Annual General Meeting held on 26 April 2019.

The Group has also invested US $1,500,000 (AUD $2,133,230) in an interest free, secured promissory note ('promissory note') issued by RIVA Technology and Entertainment Limited ('RTE') payable on 31 December 2019. RTE is a subsidiary of The Riva Group. RTE is a start-up entity and was founded in December 2016. RTE is in the process, through the collaboration of Firefly Games of launching *Dreamworks: Universe of Legends,* which is expected to be the first of numerous games launched.

The Group has no full time employees, currently has no customers or any ability to generate revenue other from potential revenue from its arrangements with The Riva Group and associated company, RTE.

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, specifically the repayment of the US $1,500,000 (AUD $2,133,230) promissory note due from RTE, successful fund raising under the executed mandate agreement with Emerald Capital Australia Pty Ltd (ECA) of the remaining $570,000 (before costs), of which $550,000 (before costs) remains outstanding at the date of this report, the continued support from related parties, to continue its operational activities during the next 12 months and the settlement of select liabilities through shares.

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 period end a strategic investment arrangement was executed with RTE. The arrangement included the provision of US $1,500,000 (AUD $2,133,230) in secured note instruments of which US $1,000,000 advanced prior to period end. On 9 January 2019, the Company paid the remaining US $500,000 (AUD $708,316) under the arrangement.
- Receipt of the outstanding $550,000 (before costs) under the ECA mandate.
- The conversion of $248,765 in obligations owing as at 31 December 2018 into equity in lieu of cash for services rendered at $0.008 per share, following shareholder approval obtained at the Company's 2018 Annual General Meeting held on 26 April 2019.
- The successful commercialisation of the various projects with Riva Group and associated company, RTE.
- 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.

Note 3: SHARE BASED PAYMENTS

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

	31 December 2018 $	31 December 2017 $
Recognised as a share based payment expense:		
Options issued to Employees	-	10,697
Options issued to Key Management Personnel	-	(83,713)
Options issued for Services	-	89,773
Shares issued for services Note 3(b)	88,000	240,000
Equity options issued to Employees Note 3(a)	(406,009)	90,831
Performance Rights issued for services	-	2,081,009
Performance Rights issued to Key Management Personnel Note 3(c)	(115,211)	51,540
Total share based payment expenses	**(433,220)**	**2,480,137**

(a) Equity options issued to Employees (MSM Music Inc.) - Employee Option Plan

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

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

As at 31 December 2018, the unvested employee entitlements were eligible for reversal for those recipients no longer employees of the Company. As a result, a reversal of $406,009 (31 December 2017: an expense of $90,831) has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

(b) Shares issued for services

On 5 July 2018, the Company issued shares to unrelated parties in consideration for corporate advisory services. The fair value of equity granted was by reference to the fair value of services received by reference to invoices received. As a result, an expense of $88,000 was recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

(c) Performance rights issued for services – prior period

As approved at Company's 2016 and 2017 Annual General Meeting's, the Company issued 2,400,000 and 4,000,000 performance right to Mr Dion Sullivan, respectively. As announced on ASX, 26 November 2018, Mr Dion Sullivan resigned from MSM. As Mr Sullivan resigned from the Company, he will no longer meet the service condition attached to the performance rights. As a result, a reversal of $144,714 in relation to Mr Sullivan's rights has been recognised in the Statement of Profit or Loss and Other Comprehensive Income and has been recorded for the period.

As at 31 December 2018, a share based payment expense of $29,503 relating to key management personnel issued in prior periods was recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Note 4: CASH AND CASH EQUIVALENTS

	31 December 2018 $	30 June 2018 $
Cash at bank and on hand	1,143,018	303,875
Total cash and cash equivalents	**1,143,018**	303,875

Note 5: OTHER ASSETS

	31 December 2018 $	30 June 2018 $
Current other assets		
Other receivables	103,570	25,168
GST recoverable	15,923	39,052
Prepayments	-	273,724
Deposit (a)	1,382,501	-
Total current other assets	**1,501,994**	337,944
Non-current other assets		
Other receivables	-	75,887
Total non-current other assets	**-**	75,887

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

- the payment in advance of US$1,000,000 ($1,382,501) on 23 November 2018.
- the payment of US$500,000 ($708,316) on 9 January 2019. At 31 December 2018, this is accounted for under Commitments (Note 13)

The agreement was executed subsequent to period end (refer to Note 12) and the loan is repayable in full by 31 December 2019. In accordance with AASB 9, MSM has undertaken an assessment, based on the Riva Group's and Firefly Games' historic experience and understanding of the industry/customer base of the mobile gaming market, to determine what factors are likely to have the greatest impact on the recoverability of the RTE Loan. There has been no evidence of impairment triggers such as signs of significant financial difficulty of RTE, any breach of contract, that the investment in J&D will not proceed or any indications there is no longer an active mobile gaming market.

Note 6: FINANCIAL ASSETS

	31 December 2018 $	30 June 2018 $
Balance at 1 July	657,556	604,402
Foreign exchange movements	30,927	53,154
Fair value movement	(688,483)	-
Total unlisted investments at fair value	**-**	657,556

As at 31 December 2018, the fair value of the Company's unlisted investments were assessed in accordance with AASB 9 Financial Instruments, and as a result a fair value decrease of $688,483 was recognised in this period.

Note 7: TRADE AND OTHER PAYABLES

	31 December 2018 $	30 June 2018 $
Trade creditors (a)	799,059	2,529,474
Share subscription account	-	172,000
Accruals	114,700	139,536
Other Payables	212,495	202,950
Total trade and other payables	**1,126,254**	3,043,960

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

Note 8: BORROWINGS

	31 December 2018 $	30 June 2018 $
Short term loans (a)	-	303,650
Convertible notes (b)	822,026	-
Total borrowings	**822,026**	303,650

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

(b) At period end, the Company had raised $870,000 (before costs) under the Emerald Convertible Note Issue before costs. The Convertible Notes are unsecured, interest free and have a redemption date 24 months from the date of issue. The Convertible Notes will automatically convert having been approved by shareholders at the Company's Annual General Meeting held on 26 April 2019.

Note 9: CONTRIBUTED EQUITY

Shares at 31 December 2018

Issued and paid up capital	**$**	**No. of Shares**	**Amount per share**
Movements in issued and paid up capital			
Balance at beginning of period	31,903,556	430,418,591	
Proceeds from shares issued	3,445,570	80,129,525	$0.043
Proceeds from shares issued	548,000	68,500,000	$0.008
Shares issued under 'equity option' agreement	-	268,403	
Shares issued for services (a)	88,000	2,046,512	$0.043
Capital raising costs	(144,032)	-	
Total issued and paid up capital at the end of the period	**35,841,094**	**581,363,031**	

(a) Refer to Note 3 for additional details on these shares issued for services received.

Shares at 30 June 2018

Issued and paid up capital	**$**	**No. of Shares**	**Amount per share**
Movements in issued and paid up capital			
Balance at beginning of period	17,430,292	311,135,662	
Proceeds from shares issued	10,072,000	50,360,000	$0.200
Proceeds from shares issued	3,400,000	22,666,667	$0.150
Proceeds from shares issued	1,859,774	43,250,559	$0.043
Shares issued for services	240,000	1,000,000	$0.240
Shares issued under 'equity option' agreement	-	1,823,637	-
Shares issued on conversion of options	18,207	182,066	$0.100
Capital raising costs	(1,116,716)	-	
Total issued and paid up capital at the end of the period	31,903,556	430,418,591	

Note 10: BASIC LOSS PER SHARE

	31 December 2018 $	31 December 2017 $
Basic loss per share	(0.01)	(0.04)
Diluted loss per share	(0.01)	(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:

	31 December 2018 $	31 December 2017 $
Net loss	(72,897)	(13,674,134)
	Number	**Number**
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	498,553,428	353,367,107

Note 11: RESERVES

	31 December 2018 $	30 June 2018 $
Balance at beginning of period	7,574,220	5,089,753
Movement in Option Premium Reserve		
Options, shares and performance rights issued to key management personnel (Note 3(c))	(115,211)	109,495
Options issued to other employees (Note 3(a))	(406,009)	226,173
Options issued for consulting and advisory services	-	146,733
Performance rights issued	-	2,081,009
	(521,220)	2,563,410
Movement in Foreign Exchange Translation Reserve		
Exchange differences on foreign operations	(615,504)	(78,943)
	(615,504)	(78,943)
Balance at end of period	**6,437,496**	7,574,220

Note 12: SUBSEQUENT EVENTS

On 7 January 2019, the Company requested an extension in the voluntary suspension of the Company's securities 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. Since this date, several addition extensions in the voluntary suspension of the Company's securities have been requested.

On 10 January 2019, the Company announced that $870,000 (before costs) of the $1,440,000 (before costs) convertible note funding, lead managed by ECA, had been raised prior to 31 December 2018. As at the date of this report, $890,000 (before costs) had been raised under the mandate.

On 2 February 2019, the Company executed the payment of US$110,000 under the Asset Purchase Agreement with the assignee of MSM Music Inc to acquire the intellectual property held in the subsidiary.

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.

On 18 March 2019, the Company executed a strategic investment arrangement with the Riva Group and associated company, RIVA Technology and Entertainment Limited ('RTE') which included the provision of US$1,500,000 in note instruments of which US$1,000,000 was paid in advance prior to period end. At the date of signing the interim financial report, US$1,500,000 had been paid by the Company to RTE under this arrangement and the loan notes issued to reflect these payments. As at the date of this report, MSM anticipate receiving 10% in equity of RTE and will update the market once the shares have been received.

On 22 March 2019, the Company advised that 50,000,000 unlisted Class A Performance Rights and 5,000,000 unlisted Class E Performance Rights expiring on 29 December 2018 have lapsed without exercise.

On 1 April 2019, the Company provided a market update on the ongoing discussions regarding the licensing of the Company's extensively built Megastar online competition platform for use across other sectors and genres of the global mobile competition framework. This will be initially focused around current partners and affiliates of the Riva Group's Esports talent identification. *Dreamworks: Universe of Legends* is expected to be the first of numerous games that will launch through the collaboration of Firefly Games and RTE, utilising intellectual property developed by the Riva Group and gaming delivery and implementation by Firefly Games.

Subsequent to period end *DreamWorks: Universe of Legends* mobile game embarked on a soft launch across selected countries including Macau, Thailand, Taiwan and Hong Kong with pre-registrations on the Google Play store hitting over 1 million users. An official release global road map is expected to follow shortly.

On 26 April 2019, the Company's 2018 Annual General Meeting was held at which time all resolutions passed with the exception of Resolution 12.

On 26 April 2019, the Company announced the issue of 70,102 fully paid ordinary shares in accordance with the Company's Stock Incentive Plan approved by shareholders at the 2016 Annual General Meeting.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial periods, or

b) the results of those operations in future financial periods, or

c) the Group's state of affairs in future financial periods.

Note 13: COMMITMENTS AND CONTINGENCES

During the period, the Company entered into an agreement to subscribe for shares and secured, first ranking, interest free loan notes in Riva Group's associated company Riva Technology and Entertainment Limited (RTE) for US$1,500,000, which was executed subsequent to reporting date. At reporting date US$1,000,000 was paid in advance by the Company (refer to Note 5) and the balance of US$500,000 was payable under the subscription commitment with RTE.

As per Note 7, MSM Music Inc. is party to the ABC process. While MSM Corporation International Limited and MSM Music Inc. engaged US based legal and other advisers in respect of the ABC process and such parties advised MSM Corporation International Limited that the ABC process was a generally accepted insolvency process in California (the State of incorporation of MSM-US), neither the Company nor MSM Music Inc. can guarantee that no creditor of MSM Music Inc. will challenge the ABC process in general or seek to make further claims against MSM Music Inc. and attempt to include MSM Corporation International Limited in such claims. No guarantees have been entered into by the Company in relation to the debts of its subsidiaries.

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

Note 14: CONTINGENT LIABILITIES

There have been no changes in contingent liabilities or payments requiring disclosure since the last reporting date, 30 June 2018.

Note 15: SEGMENT REPORTING

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

Note 16: RELATED PARTY

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

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

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

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

In the opinion of the Directors of MSM Corporation International Limited ('the Company'):

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; and
   b. giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the half-year then ended; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Adam Wellisch
Non-Executive Chairman
30 April 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MSM Corporation International Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of MSM Corporation International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 2 (f) 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 30 April 2019