



MSM CORPORATION INTERNATIONAL LIMITED

ABN 51 002 529 160

UNAUDITED PRELIMINARY REPORT
30 JUNE 2020

	2020 \$	2019 \$	Change	
Revenues from ordinary activities	74	1,509	decreased	95%
Loss from ordinary activities after tax attributable to the owners	420,199	423,216	decreased loss	1%
Loss for the year attributable to the owners	420,199	423,216	decreased loss	1%

	2020	2019
NET TANGIBLE ASSETS/(LIABILITIES) PER SECURITY (cents)	0.031	0.009

DIVIDENDS

No dividends have been provided for or paid by the consolidated entity in respect of the year ended 30 June 2020 (2019 – nil).

BASIS OF FINANCIAL REPORT PRESENTATION

This financial report is for the year ended 30 June 2020 and has been prepared in accordance with the Australian Securities Exchange Listing Rules as they relate to Appendix 4E and in accordance with the Corporations Act 2001. The accounting policies adopted with the contents of this report are consistent with those of the previous financial year and corresponding interim reporting period. Comments are for the twelve months ended 30 June 2020 with comparatives for the twelve months ended 30 June 2019. All amounts are measured in Australian dollars.

AUDIT STATUS

The financial statements contained within this Appendix 4E are in the process of being audited and, as such, the accounts are presented unaudited.

CORPORATE

During the year, the Company was focussed on ongoing cost reductions and maintaining the support of all stakeholders including strengthening the strategic partnership with The Riva Group, Galaxy Racer Esports and Firefly Games to maximise shareholder value.

As such, project expenditure has been managed in conjunction with the Company's available working capital and Director and company secretarial fees have been deferred since January 2020.

Subsequent to period end, the Company announced it had received the second of five milestone payments of US\$100k from The Riva Group to fund the continued development of Megastar Version 2.0 with a more gamified and interactive experience skill based competition with Esports and mobile gaming.

In addition to the above, MSMCI is scheduled to receive the first instalment of the US\$1.5M waterfall loan note from RTE with regular repayments to follow. The Company will apply these funds for general working capital and expects to provide an update once received.

As noted in the ASX announcement of 26 June 2020, it is anticipated that MSMCI's working capital requirements going forward will be met by these waterfall loan note repayments as gamification revenue is generated by Firefly Games and distributed via RTE to MSMCI who has a priority right, along with other loan note holders, to be paid all profits or distributions received by RTE in repayment of the notes. MSMCI may also benefit from any ongoing distributions post loan repayment as an RTE shareholder.

FINANCIAL

The Company incurred a loss after tax of \$420,199 (30 June 2019 – loss of \$423,216). The loss includes a finance expense of \$417,232 that includes an amount of \$411,429 which relates to the \$1,440,000 (before costs) raised in the prior period under a Convertible Note Issue. The Convertible Notes were unsecured, interest free and had a redemption date 24 months from the date of issue. On 15 July 2019 the Convertible Notes converted at a fair value of \$0.009 per share, following shareholder approval at the Company's Annual General Meeting on 26 April 2019 (Refer Note 10). The fair value of the equity instruments issued was \$1,851,429.

The Group had cash on hand of \$26,800 at the end of the period (30 June 2019: \$357,779). As at 30 June 2020, the Group has a net asset position of \$2,618,339 (30 June 2019 – net asset position of \$709,292). As at 30 June 2020, the fair value of the Company's financial assets were assessed in accordance with AASB 9 Financial Instruments and as a result a fair value increase of \$1,004,744 was recognised in this year (Refer Note 5).

As noted above, on 15 July 2019, the Company issued 205,714,286 shares at a deemed issue price of \$0.007 per share (fair value of \$0.009 per share) to convert previously issued convertible notes of \$1,440,000 (before costs) following approval at the Company's 2018 Annual General Meeting.

On 22 July 2019, the Company announced its notice of intention to sell shares in the Company of less than a marketable parcel. The offer applied to shareholders who on 19 July 2019 were holders of shares in the Company valued at less than \$500 based on the closing price of the Company shares of \$0.009 per share on the record date. This concluded on 1 October 2019.

On 17 July 2019 and 24 September 2019, the Company issued 35,050 shares and 35,050 shares, respectively in relation to the Company's prior period 'equity option' agreement and advised that 8,500,000 unlisted options exercisable on or before 19 September 2019 at various prices between \$0.40 and \$0.55, expired without exercise.

In December 2019, the Company successfully completed an equity option raising of \$137,237 (before costs) through the issue of 137,237,197 options exercisable at \$0.04 per share at an issue price of \$0.001 per option, exercisable on or before 27 December 2022. A further 18,234,232 options were issued to the underwriter and lead manager pursuant to this capital raising and 4,666,667 fully paid ordinary shares to directors in satisfaction of directors and company secretarial fees owing at a deemed issue price of \$0.015 per share (being the market price of the Shares on ASX as at 21 October 2019) (fair value per share of \$0.013) following shareholder approval at the annual general meeting held 29 November 2020.

2021 OUTLOOK

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

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

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
Revenue from contracts with customers			
In App Purchases		-	442
Interest Income	3	74	1,067
Other Income	3	68,000	1,382,678
		<u>68,074</u>	<u>1,384,187</u>
Expenses			
Finance cost	3	417,232	87,965
Administration expenses	3	587,340	277,087
Employee benefits and directors fees	3	214,064	419,840
Marketing expenses		-	36,882
Share based payments/(reversal)	2	58,686	(404,197)
Project expenditure		215,695	696,829
Changes in fair value of investments at fair value	5	(1,004,744)	692,997
Loss from continuing operations before income tax expense		(420,199)	(423,216)
Income tax expense		-	-
Net loss from continuing operations after income tax expense		<u>(420,199)</u>	<u>(423,216)</u>
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on foreign operations	12	233,601	(623,405)
Total comprehensive loss for the year		<u>(186,598)</u>	<u>(1,046,621)</u>
Loss for the period attributable to owners of the Company		(186,598)	(1,046,621)
Total comprehensive loss for the year attributable to owners of the Company		<u>(186,598)</u>	<u>(1,046,621)</u>
Loss per share from continuing operations attributable to owners of the Company			
Basic and diluted loss per share	11	<u>\$0.001</u>	<u>\$0.001</u>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	<i>Notes</i>	2020	2019
ASSETS			
Current Assets		\$	\$
Cash and cash equivalents		26,800	357,779
Other current assets	4	67,119	119,172
Total Current Assets		93,919	476,951
Non-Current Assets			
Financial assets	5	3,206,980	2,138,885
Total Non-Current Assets		3,209,980	2,138,885
TOTAL ASSETS		3,300,899	2,615,836
LIABILITIES			
Current Liabilities			
Trade and other payables	6	537,485	480,029
Contract Liability	7	145,075	-
Borrowings	8	-	1,426,515
Total Current Liabilities		682,560	1,906,544
TOTAL LIABILITIES		682,560	1,906,544
NET ASSETS		2,618,339	709,292
EQUITY			
Issued capital	10	38,064,341	36,182,851
Reserves	12	6,906,374	6,458,618
Accumulated losses		(42,352,376)	(41,932,177)
TOTAL EQUITY		2,618,339	709,292

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2019	36,182,851	6,458,618	(41,932,177)	709,292
Net loss for the period	-	-	(420,199)	(420,199)
Other comprehensive income	-	233,601	-	233,601
Total comprehensive loss for the period	-	233,601	(420,199)	(186,598)
Transactions with owners in their capacity as owners				
Issue of shares	1,912,096	-	-	1,912,096
Issue of options	-	155,469	-	155,469
Share based payments	-	58,686	-	58,686
Capital raising expenses	(30,606)	-	-	(30,606)
Total transactions with owners and other transfers	1,881,490	214,155	-	2,095,645
Balance at 30 June 2020	38,064,341	6,906,374	(42,352,376)	2,618,339
Balance at 1 July 2018	31,903,556	7,574,220	(41,508,961)	(2,031,185)
Net loss for the period	-	-	(423,216)	(423,216)
Other comprehensive loss	-	(623,405)	-	(623,405)
Total comprehensive loss for the period	-	(623,405)	(423,416)	(1,046,621)
Transactions with owners in their capacity as owners				
Issue of shares	4,373,190	-	-	4,373,190
Share based payments/(reversal)	88,000	(492,197)	-	(404,197)
Capital raising expenses	(181,895)	-	-	(181,895)
Total transactions with owners and other transfers	4,279,295	(492,197)	-	3,787,098
Balance at 30 June 2019	36,182,851	6,458,618	(41,932,177)	709,292

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

		2020	2019
	<i>Notes</i>	\$	\$
Cash flows from operating activities			
Cash receipts from customers		-	442
Interest received		74	1,067
Project development receipts		145,075	-
Project development payments		(187,379)	(622,149)
Payments to suppliers and employees		<u>(424,457)</u>	<u>(1,853,100)</u>
Net cash outflows from operating activities		<u>(466,687)</u>	<u>(2,473,740)</u>
Cash flows from investing activities			
Payments for financial assets	5	<u>(1,529)</u>	<u>(2,083,163)</u>
Net cash outflows from investing activities		<u>(1,529)</u>	<u>(2,083,163)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	3,469,691
Capital raising costs		-	(144,032)
Proceeds from convertible loans		-	1,440,000
Proceeds from issue of options	12	137,237	-
Repayments of short term loans		<u>-</u>	<u>(154,850)</u>
Net cash inflows from financing activities		<u>137,237</u>	<u>4,610,808</u>
Net increase/(decrease) in cash and cash equivalents		(330,979)	53,904
Cash and cash equivalents at the beginning of the financial year		<u>357,779</u>	<u>303,875</u>
Cash at the end of the financial year		<u>26,800</u>	<u>357,779</u>
Non-cash financing statement			
Shares issued in repayment of short term loans	8	<u>1,440,000</u>	<u>236,000</u>
		<u>1,440,000</u>	<u>236,000</u>

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

NOTE 1: BASIS OF PREPARATION

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the financial report for the year ended 30 June 2020 and any public announcements made by MSM during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Statement of compliance

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3.A and the disclosure requirements of ASX Appendix 4E. Australian Accounting Standards include Australian equivalents of International Reporting Standards ("AIFRS").

The preliminary financial report has been prepared on the basis of historical cost. 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.

NOTE 2: SHARE-BASED PAYMENTS

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

	2020 \$	2019 \$
Recognised as a share-based payment expense:		
Options issued to employees	-	(406,009)
Performance rights and shares issued to key management personnel (a)	58,686	(86,188)
Shares issued for services	-	88,000
Total share-based payment expense	58,686	(404,197)

(a) Fair Value of Performance Rights issued – prior period

As at 30 June 2020, a share-based payment expense of \$58,686 relating to KMP issued in prior periods was recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTE 3: REVENUE AND EXPENSES

	2020 \$	2019 \$
(a) Revenue and other income		
In App purchases	-	442
Interest and other income	74	1,067
Other income (i)	68,000	1,382,678
	68,074	1,384,187
(b) Expenses		
Wages, salaries, director's fees and other remuneration expenses	214,064	419,840
Administration expense	587,340	277,087
Marketing expenses	-	36,882
Finance costs – other	417,232	87,965
	1,218,636	821,774

Note (i): During the year, \$68,000 (30 June 2019: \$1,382,678) of trade creditors recorded in the Company were de-recognised. This has been reflected as Other Income in the Statement of Profit or Loss and Other comprehensive Income.

NOTE 4: OTHER ASSETS

	2020	2019
Current other assets	\$	\$
GST recoverable	8,316	15,602
Prepayments	58,803	203,570
	67,119	119,172

NOTE 5: FINANCIAL ASSETS

	2020	2019
Financial assets at fair value through profit or loss ("FVPL")	\$	\$
Balance at 1 July	2,138,885	657,556
Acquisition	1,529	2,083,163
Foreign exchange movements	61,822	91,163
Changes in fair value	1,004,744	(692,997)
Total unlisted investments at FVPL	3,206,980	2,138,885

On 7 July 2016, the Company made a strategic investment of US\$100,000 (A\$145,709) 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\$52,455).

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\$145,709) on 7 August 2015;
- The payment of US\$50,000 (A\$72,854) on 8 December 2016; and
- US\$150,000 (A\$218,563) in the form of either cash or MSM shares, at MSM's election. This is accounted for under Trade and Other Payables (Note 6).

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\$72,854).

On 18 March 2019, the Company entered into an agreement to subscribe for shares and secured, first ranking, interest free loan notes in Riva Group's associated company Riva Technology and Entertainment Limited (RTE) for US\$1,500,000 paid over two instalments:

- the payment of US\$1,000,000 (A\$1,457,089) on 23 November 2018.
- the payment of US\$500,000 (A\$728,544) on 9 January 2019.

The loan notes were repayable in full by 31 December 2019. However the repayment has been delayed. The Riva Group have advised that the first repayment is scheduled to be transferred with regular repayments to follow. The Riva Group have confirmed its commitment to make these payments. In accordance with AASB 9 Financial Instruments ("AASB 9"), the loan notes and equity shares have been recognised at fair value on initial recognition and at subsequent measurement.

At 30 June 2020, the Company held an equity interest of 10.91% in RTE. The directors have taken the approach to fair value the investment based on recent share raisings.

As at 30 June 2020, the fair value of the Company's financial assets were assessed in accordance with AASB 9 Financial Instruments, and as a result a fair value increase of \$1,004,744 was recognised in this year.

NOTE 6: TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Trade creditors	243,053	228,340
Accruals	75,869	37,800
Other Payables (i)	218,563	213,889
Total trade and other payables	<u>537,485</u>	<u>480,029</u>

Note (i): The Company has not fully completed its acquisition of a 5% equity investment in ToneDen, Inc. The remaining commitment of US\$150,000 (\$218,563) can be satisfied in the form of either cash or MSM shares, at MSM's election.

NOTE 7: CONTRACT LIABILITY

	2020	2019
	\$	\$
Contract liability	145,075	-
Total contract liability	<u>145,075</u>	<u>-</u>

During the year, the Group received the first of five milestone payments of US\$100,000 each in advance for the development of Megastar Version 2.0 under the terms of the varied Heads of Agreement with The Riva Group subsidiary, RTE. As at 30 June 2020, this has been recognised as a contract liability under AASB 15 *Revenue from contracts with customers*.

NOTE 8: BORROWINGS

	2020	2019
	\$	\$
Convertible notes (i)	-	1,426,515
Total borrowings	<u>-</u>	<u>1,426,515</u>

Note (i): In a prior period, the Company had raised \$1,440,000 (before costs) under a Convertible Note Issue. The Convertible Notes were unsecured, interest free and had a redemption date 24 months from the date of issue. On 15 July 2019 the Convertible Notes converted at a fair value of \$0.009 per share, following shareholder approval at the Company's Annual General Meeting on 26 April 2019. The fair value of the equity instruments issued was \$1,851,429, resulting in a finance expense of \$411,429 being recognised in the Statement of Profit or Loss for the year ended 30 June 2020.

NOTE 9: PROVISIONS

	2020	2019
	\$	\$
Provision for employee benefits	-	58,838
Total provisions	<u>-</u>	<u>58,838</u>

NOTE 10: CONTRIBUTED EQUITY

Share capital at 30 June 2020	\$	No. of Shares	Amount per share
Balance at beginning of period	36,182,851	628,885,633	
<i>Movements in issued and paid up capital</i>			
Proceeds from shares issued on conversion of convertible notes	1,851,429	205,714,286	\$0.009
Shares issued in settlement of liabilities (a)	60,667	4,666,667	\$0.013
Shares issued under 'equity option' agreement	-	70,100	-
Capital raising costs (b)	(30,606)	-	
Total issued and paid up capital at the end of the period	38,064,341	839,336,686	

(a) Shares issued in settlement of liabilities

During the year shares were issued in lieu of director and company secretarial fees accrued to Mr Clements and director fees accrued to Mr Wellisch following shareholder approval at the Company's annual general meeting held 29 November 2019. The fair value of these equity instruments granted was \$60,667. As a result, a gain on settlement of liabilities of \$9,333 has been recognised in the Statement of Profit or Loss for the year ended 30 June 2020.

(b) Options issued for consideration of services

On 27 December 2019, the Company issued 18,234,232 options in lieu of cash for lead manager and underwriting services rendered (capital raising costs). The fair value of equity granted was by reference to the fair value of services received by reference to invoices received. As a result, a share issue cost of \$18,234 was recognised. As these services relate to share capital, the costs have been accounted for as capital raising costs under equity, with a corresponding increase in the Option Reserve.

Share capital at 30 June 2019	\$	No. of Shares	Amount per share
Balance at beginning of period	31,903,556	430,418,591	
<i>Movements in issued and paid up capital</i>			
Proceeds from shares issued	3,445,570	80,129,525	0.043
Proceeds from shares issued	312,000	39,000,000	0.008
Shares issued for services	88,000	2,046,512	0.043
Shares issued for liability settlement	346,620	43,327,500	0.043
Shares issued for liability settlement	33,000	4,125,000	0.008
Share issued under 'equity option' agreement	-	338,505	
Shares issued for short term loan settlement	236,000	29,500,000	0.008
Capital raising costs	(181,895)	-	
Total issued and paid up capital at the end of the period	36,182,851	628,885,633	

NOTE 11: BASIC LOSS PER SHARE

	2020	2019
	\$	\$
Basic loss per share	0.001	0.001
Diluted loss per share	0.001	0.001

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:

	2020	2019
	\$	\$
Net loss	(420,199)	(423,216)
	Number	Number
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	829,506,175	499,190,771

NOTE 12: RESERVES

	2020	2019
	\$	\$
Share Based Payment Reserve		
Balance at beginning of period	7,160,966	7,653,163
Options, shares and performance rights issued to key management personnel (Refer Note 2(a))	58,868	(86,188)
Options issued to employees	-	(406,009)
	7,219,651	7,160,966
Option Reserve		
Balance at beginning of period	-	-
Proceeds from options issued	137,237	-
Options issued for services	18,232	-
	155,469	-
Foreign Exchange Translation Reserve		
Balance at beginning of period	(702,348)	(78,943)
Exchange differences on foreign operations	233,601	(623,405)
	(468,746)	(702,348)
Total Reserves	6,906,374	6,458,618

NOTE 13: COMMITMENTS AND CONTINGENCIES

On 15 July 2019, the Company executed a license agreement for utilization of the Company's extensively built Megastar online platform for mobile gaming and Esports with the RTE. The Licensee will pay MSM US\$2,000,000 for the rights and use of the platform.

In addition, the Company varied the terms of the Heads of Agreement (HOA) with Riva Digital FZ LLC (Riva) as announced on 4 June 2018. Under the terms of the varied HOA MSM will receive five milestone payments of US\$100,000 each around the continued development with Esports and mobile gaming. At year end, as per the terms of the agreement, four milestone payments of US\$100,000 are due to the Company. The agreed royalty of 5% of gross revenue derived from competitions with a minimum guarantee of US\$500,000 paid annually will continue after the milestone payments are completed.

As per Note 22 of the 30 June 2019 annual report, 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.

On 29 August 2019, the Company announced it had engaged with YDigital Media, a technology company with some of the most innovative digital marketing solutions, responsible for developing award-winning campaigns for the top global brands, to add functionality to the Megastar platform post WWT1 findings around gamification and user interaction. Under this arrangement, YDigital Media is to complete the engagement in three stages. As at 30 June 2020, MSM had committed to stage one of the app development and remitted US\$20,000 to YDigital Media. The Company remains focussed upon the app development and intends to commit to the remaining two stages totalling US\$230,000 with consideration to its working capital position.

There have been no other changes in contingent liabilities, contingent assets or other commitments since the last annual reporting date, 30 June 2019.

NOTE 14: SUBSEQUENT EVENTS

On 13 July 2020, the Company received the second of five milestone payments of US\$100,000 from The Riva Group to fund the continued development of Megastar Version 2.0 with a more gamified and interactive experience skill based competition with Esports and mobile gaming.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and the Company has updated the market on the impact on the entity up to 30 June 2020. However it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 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 year.