

APPENDIX 4D

Half-Year Report for the period ending 31 December 2020

MSM CORPORATION INTERNATIONAL LIMITED

| ACN | Current Period | Previous Corresponding Period |
|-------------|--------------------------------|-------------------------------|
| 002 529 160 | Half year ended 31 Dec 2020 | Period ended 31 Dec 2019 |

Results for announcement to the market

| Financial Results | % | | | \$A |
|---|---|------|----|-----------|
| Revenues from ordinary activities (Item 2.1) | - | to | - | |
| Profit from ordinary activities after tax attributable to members (Item 2.2) | Up | 142% | to | 2,823,791 |
| Profit loss for the period attributable to members (Item 2.3) | Up | 142% | to | 2,823,791 |
| Final and interim dividends (Item 2.4) | It is not proposed that either a final or interim dividend be paid. | | | |
| Record date for determining entitlements to the dividend (Item 2.5) | N/A | | | |
| Brief explanation of any of the figures reported above (Item 2.6): | | | | |
| The profit includes a fair value movement in financial assets of \$2,928,490 (31 December 2019 – nil) which has been recognised in the Statement of Profit and Loss in relation to the Company’s 10% strategic equity interest in RTE. The profit also includes the disposal of the Company’s equity investment in ToneDen, Inc which was recognised at nil fair value. The Company received US\$150,000 (\$206,031) for the disposal of the investment which was recognised in the Statement of Profit and Loss and Other Comprehensive Income. Further, as a result of the disposal, US\$150,000 (\$206,031) of other payables recorded in the Company was de-recognised on disposal of its equity investment in ToneDen, Inc. This has been reflected as Other Income in the Statement of Profit or Loss and Other comprehensive Income. | | | | |

| | Current Period | Previous Corresponding Period |
|--|----------------|-------------------------------|
| Net tangible assets per ordinary share (Item 3) (cents per share) | 0.741 | 0.289 |

Details of entities over which control has been gained or lost (Item 4)
N/A

Details of dividends or distribution payments (Item 5)
No dividends or distributions are payable.

Details of dividend or distribution reinvestment plans (Item 6)
There is no dividend or distribution reinvestment program in operation.

Details of associates and joint venture entities (Item 7)
The Company does not have any investments in associate entities or joint venture interests.

Foreign entities to disclose which accounting standards are used in compiling the report (Item 8)
N/A

Details of any audit dispute or qualification (Item 9)
None

This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the Company.



MSM CORPORATION INTERNATIONAL LIMITED

ABN 51 002 529 160

INTERIM FINANCIAL REPORT
31 DECEMBER 2020

CONTENTS

| | |
|---|----|
| DIRECTOR'S REPORT | 3 |
| REVIEW AND RESULTS OF OPERATIONS | 3 |
| AUDITOR'S INDEPENDENCE DECLARATION | 7 |
| CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 8 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 9 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 10 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 11 |
| NOTES TO THE FINANCIAL STATEMENTS | 12 |
| DIRECTORS' DECLARATION | 20 |
| INDEPENDENT AUDITOR'S REVIEW REPORT | 21 |

COMPANY INFORMATION

DIRECTORS

Mr Antoine Massad
(Non-Executive Chairman)

Mr Adam Wellisch
(Non-Executive Director)

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 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 2020 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 2020 (“**MSM**” or “**the Company**”) and the Independent Auditor’s 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 Antoine Massad (*Non-Executive Chairman*)

Mr Adam Wellisch (*Non-Executive Director*)

Mr Chris Jones (*Non-Executive Director*)

Mr Mark Clements (*Non-Executive Director*)

REVIEW AND RESULTS OF OPERATIONS

During the period the Company continued to strengthen the strategic relationships with The Riva Group and the association with Firefly Games and Galaxy Racer 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.

Subsequent to period end the Company was suspended from quotation at the request of the Company, following the announcement that it has entered into an agreement proposing to acquire all of the issued capital of The Riva Group subsidiary, Riva Technology and Entertainment Limited (RTE) whilst the Company consults with ASX on the regulatory and shareholder requirements for the quotation of the merged entity.

Megastar Version 2.0

During the period the Company announced that RTE and Galaxy Racer had appointed senior Disney veteran and consumer products expert Guenther Hake as their advisor to maximize the brand partnerships, consumer products and merchandise.

As announced on 26 June 2020, RTE has entered into an agreement with Galaxy Racer to manage all Esports content for the Megastar Version 2.0 platform licenced to RTE.

Guenther Hake has over 30 years of experience with some of the leading brands in the world, with 15 years in the entertainment industry. Guenther was the first CEO of Oriental DreamWorks, where he created the foundation for the extremely popular “Kung Fu Panda 3”.

Guenther is most well-known for his role as the Senior Vice President and General Manager of Disney Consumer Products in Greater China where under his leadership the consumer products business grew significantly, all while franchises such as Disney Princess, Marvel and Star Wars were introduced to Greater China.

Gunther will be lending his expertise to build a comprehensive strategy around consumer products, apparel and merchandise for Galaxy Racer and RTE, including the Megastar Version 2.0 platform which is planned to deliver a more gamified and interactive experience skill based competition with Esports and mobile gaming under the license agreement executed with RTE (refer ASX announcement dated 15 July 2019).

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.

Galaxy Racer

Galaxy Racer recently announced its partnership with eLaLiga Santander Fan Cup for the ongoing season. eLaLiga is the official virtual competition of La Liga Santander, the top professional football division of the Spanish league system. This partnership is the first time a Dubai-based Esports organisation will team up with a significant worldwide FIFA event and is one of a series of initiatives that have drawn inspiration from the Dubai government's projects to foster future-oriented innovation such as Dubai 10X.

The partnership between Galaxy Racer and eLaLiga also supports the goal of Dubai 10X Media, an initiative of the Government of Dubai Media Office, to drive the development of the region's Esports industry and establish Dubai as a regional and global hub for competitive Esports events. The partnership is expected to contribute to the growth of a global Esports international ecosystem while also connecting the competition to a massive audience of over 50 million followers.

Intellectual Property

During the period the Company continued to advance its intellectual property assets to maximise the benefit of the Megastar platform concepts in the global digital technology and entertainment industry.

On 21 December 2020 the Company announced the issuance of US Patent No. US 10,733,561 had strengthened the legal protection for the Megastar platform, underpinned MSM's licensing strategy and created the potential for new revenue opportunities.

In the short term, US Patent No. US 10,733,561 enhances the value of the license agreement with RTE for utilisation of the Megastar platform for mobile gaming and Esports (as announced on 15 July 2019).

Both MSM and RTE continue to be committed to clear strategic priorities to maximise user engagement and monetisation opportunities to optimize the user experience. By doing so, enabling an increase in the global reach of Megastar Version 2.0 through RTE's already established portfolio of industry contacts, IP and infrastructure, including Galaxy Racer whose engagement has resulted in a clearer development pathway for the Megastar online platform, now significantly enhanced by the recent US patent examinations.

Firefly Games

During the period Firefly Games successfully completed its global launch of *Zombie Rollerz: Pinball Heroes* which is available worldwide on Apple Arcade.

The game has been co-developed with Zing Games Inc and is the first for Firefly Games on Apple Arcade targeting global mobile gaming audiences. The game was featured by Apple globally across all regions on Apple Arcade. The statistics from Apple Inc for the first 3 days since launch included 30 million impressions, over 325,000 page views and Day 1 retention at 45%.

RTE Loan

During the period RTE transferred the two loan repayments totalling US\$200,000 of the US\$1.5M waterfall loan note. The Company has applied these funds for general working capital.

As announced on 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 Inc 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 10% shareholder in RTE.

CORPORATE & FINANCIAL

During the half-year the Company recognised a profit after tax of \$2,823,791 (31 December 2019: loss of \$1,184,176).

The profit includes a fair value movement in financial assets of \$2,928,490 (31 December 2019 – nil) which has been recognised in the Statement of Profit and Loss in relation to the Company's 10% strategic equity interest in RTE.

The profit also includes the disposal of the Company's equity investment in ToneDen, Inc which was recognised at nil fair value. The Company received US\$150,000 (\$206,031) for the disposal of the investment which was recognised in the Statement of Profit and Loss and Other Comprehensive Income. Further, as a result of the disposal, US\$150,000 (\$206,031) of other payables recorded in the Company was de-recognised on disposal of its equity investment in ToneDen, Inc. This has been reflected as Other Income in the Statement of Profit or Loss and Other comprehensive Income.

On 30 December 2020, the Company issued 3,076,600 fully paid ordinary shares to directors at a deemed issue price of \$0.041 per share (fair value per share of \$0.059) as payment in lieu for services provided following shareholder approval at the Annual General Meeting held 27 November 2020.

During the period the Company continued to focus on ongoing cost reductions and maintaining the support of all stakeholders including strengthening the strategic partnership with RTE, Galaxy Racer and Firefly Games to progress toward the relaunch of the Megastar online platform to re-establish value for shareholders.

EVENTS SUBSEQUENT TO THE END OF THE HALF-YEAR

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 31 December 2020, 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.

On 3 February 2021, the Company announced it had advanced another significant patent to reinforce the value attributable to the Company's Megastar online platform. The claims of this patent cover a method and system, performed by processing devices for conducting a networked contest which has broad applications in digital entertainment including, talent and trivia contests. The patent cover backdates to 2015 and extends to 20 years to 2035.

On 5 February 2021, the Company was placed in trading halt at the request of the Company pending a release of an announcement.

DIRECTORS' REPORT

On 9 February 2021, the Company was suspended from quotation at the request of the Company, following the announcement that it has entered into an agreement proposing to acquire all of the issued capital of RTE.

No other matter or circumstance has arisen since 31 December 2020 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 7 and forms part of this Directors' Report for the half-year ended 31 December 2020.

Signed in accordance with a resolution of the Directors.



Antoine Massad
Non-Executive Chairman
26 February 2021

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF MSM CORPORATION INTERNATIONAL LIMITED

As lead auditor for the review of MSM Corporation International Limited for the half-year ended 31 December 2020, 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.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 26 February 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

| | | 31 December 2020 | 31 December 2019 |
|---|--------------|-----------------------------|-----------------------------|
| | <i>Notes</i> | \$ | \$ |
| Revenue from continuing operations | | | |
| Interest income | | - | 61 |
| Other income | 3 | 682,835 | 68,000 |
| Changes in fair value of investments at fair value | 5 | 2,928,490 | - |
| | | <u>3,611,325</u> | <u>68,061</u> |
| Expenses | | | |
| Finance cost | | 63,688 | 416,722 |
| Administration expenses | | 505,487 | 555,153 |
| Employee benefits and directors fees | | 132,000 | 131,857 |
| Share based payments | | 29,503 | 34,784 |
| Project expenditure | | 56,856 | 113,721 |
| Profit/(loss) from continuing operations before income tax expense | | <u>2,823,791</u> | <u>(1,184,176)</u> |
| Income tax expense/(benefit) | | - | - |
| Net profit/(loss) from continuing operations after income tax expense | | <u>2,823,791</u> | <u>(1,184,176)</u> |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Exchange differences on foreign operations | 10 | 5,314 | 234,597 |
| Total comprehensive profit/(loss) for the period | | <u>2,829,105</u> | <u>(949,579)</u> |
| Total comprehensive profit/(loss) for the period attributable to owners of the Company | | <u>2,829,105</u> | <u>(949,579)</u> |
| Profit/(loss) per share from continuing operations attributable to owners of the Company | | | |
| Basic and diluted profit/(loss) per share | 9 | \$0.34 | \$(0.14) |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

| | | 31 December 2020 | 30 June 2020 |
|----------------------------|-------|---------------------|------------------|
| | Notes | \$ | \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 319,535 | 26,800 |
| Other current assets | | 70,115 | 67,119 |
| Total Current Assets | | 389,650 | 93,919 |
| Non-Current Assets | | | |
| Financial assets | 5 | 5,842,638 | 3,206,980 |
| Total Non-Current Assets | | 5,842,638 | 3,206,980 |
| TOTAL ASSETS | | 6,232,288 | 3,300,899 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 6 | 285,178 | 537,485 |
| Contract Liability | 7 | 288,644 | 145,075 |
| Total Current Liabilities | | 573,822 | 682,560 |
| TOTAL LIABILITIES | | 573,822 | 682,560 |
| NET ASSETS | | 5,658,466 | 2,618,339 |
| EQUITY | | | |
| Issued capital | 8 | 38,245,860 | 38,064,341 |
| Reserves | 10 | 6,941,191 | 6,906,374 |
| Accumulated losses | | (39,528,585) | (42,352,376) |
| TOTAL EQUITY | | 5,658,466 | 2,618,339 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

| | Issued Capital \$ | Reserves \$ | Accumulated Losses \$ | Total \$ |
|---|-------------------------|------------------|-----------------------------|------------------|
| Balance at 1 July 2020 | 38,064,341 | 6,906,374 | (42,352,376) | 2,618,339 |
| Net profit for the period | - | - | 2,823,791 | 2,823,791 |
| Other comprehensive income | - | 5,314 | - | 5,314 |
| Total comprehensive income for the period | - | 5,314 | 2,823,791 | 2,829,105 |
| Transactions with owners in their capacity as owners | | | | |
| Issue of shares | 181,519 | - | - | 181,519 |
| Share based payments | | 29,503 | - | 29,503 |
| Total transactions with owners and other transfers | 181,519 | 29,503 | - | 211,022 |
| Balance at 31 December 2020 | 38,245,860 | 6,941,191 | (39,528,585) | 5,658,466 |
| Balance at 1 July 2019 | 36,182,851 | 6,458,619 | (41,932,177) | 709,292 |
| Net loss for the period | - | - | (1,184,176) | (1,184,176) |
| Other comprehensive income/(loss) | - | 234,597 | - | 234,597 |
| Total comprehensive income/(loss) for the period | - | 234,597 | (1,184,176) | (949,579) |
| Transactions with owners in their capacity as owners | | | | |
| Issue of shares | 1,912,095 | - | - | 1,912,095 |
| Issue of options | - | 155,469 | - | 155,469 |
| Share based payments | - | 34,784 | - | 34,784 |
| Capital raising expenses | (30,606) | - | - | (30,606) |
| Total transactions with owners and other transfers | 1,881,489 | 190,253 | - | 2,071,742 |
| Balance at 31 December 2019 | 38,064,340 | 6,883,469 | (43,116,353) | 1,831,456 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

| | | 31 December 2020 | 31 December 2019 |
|--|-------|-----------------------|-----------------------|
| | Notes | \$ | \$ |
| Cash flows from operating activities | | | |
| Interest received | | - | 61 |
| Project development receipts | 7 | 143,569 | 145,075 |
| Project development payments | | (35,709) | (102,306) |
| Payments to suppliers and employees | | <u>(291,929)</u> | <u>(332,691)</u> |
| Net cash outflow from operating activities | | <u>(184,069)</u> | <u>(289,861)</u> |
| Cash flows from investing activities | | | |
| Receipt from disposal of financial assets | 3 | 206,031 | - |
| Receipts from financial assets (loan receivable) | 3 | <u>270,773</u> | <u>-</u> |
| Net cash inflows from investing activities | | <u>476,804</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of options | | <u>-</u> | <u>137,237</u> |
| Net cash inflows from financing activities | | <u>-</u> | <u>137,237</u> |
| Net increase/(decrease) in cash and cash equivalents | | 292,735 | (152,623) |
| Cash and cash equivalents at the beginning of the financial period | | <u>26,800</u> | <u>357,779</u> |
| Cash at the end of the financial period | 4 | <u>319,535</u> | <u>205,157</u> |

Non-cash financing activities

During the period ended 31 December 2020, 3,076,600 fully paid ordinary shares to directors at a deemed issue price of \$0.041 per share (fair value per share of \$0.059) as payment in lieu for services provided following shareholder approval at the Annual General Meeting held 27 November 2020. Refer to Note 8.

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 2020 was authorised for issue in accordance with a resolution of the Directors on 26 February 2021.

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

The Group has adopted all of the new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(d) 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 2020.

(e) 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 period ended 31 December 2020 the Group incurred a net profit of \$2,823,791 (2019: loss of \$1,184,176). The Group also incurred net cash outflows from operating activities of \$184,069 (31 December 2019: \$289,861) and had a working capital deficiency of \$184,172 (30 June 2020: \$588,641).

In addition, the COVID-19 pandemic is continuing to create uncertainty on world stock markets, currencies and general business activities. As at the date of this report the full impact of the COVID-19 pandemic continues to evolve and the Group is not able to estimate the full effects of the COVID-19 pandemic on its results, financial condition, or liquidity for the 2021 financial year. If the pandemic continues, it may have a material adverse effect on the Group's results, financial position, and liquidity.

The ability for the Group to continue as a going concern is dependent on cash inflows generated from its strategic investment arrangement with Riva Technology and Entertainment Ltd (RTE), specifically the US\$1,500,000 (A\$1,947,546), of which the total amount received to date of US\$200,000 (A\$270,773) has been recognised in the Statement of Profit and Loss and Other Comprehensive Income as disclosed in Note 3, cash inflows in relation to the remaining two milestone payments of US\$100,000 (A\$138,322) each under the varied Heads of Agreement (HOA) with Riva, the continued support from related parties and the raising of capital as and when required for working capital purposes.

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

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

- The directors are confident that the Group will be successful in commercialising the Company's investment and projects.
- The Directors expect to be successful in receiving funds from the Group's strategic investment arrangement in RTE as disclosed in Note 5.
- The Directors expect to receive the remaining two milestone payments of US\$100,000 (A\$138,322) each over the next year under the terms of the varied Heads of Agreement with RTE.
- The Directors expect the continued support from creditors of the Group.
- The Directors expect the Company to be able to raise additional funding through debt and/or equity as and when required.

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

Note 3: OTHER INCOME

| | 31 December 2020 \$ | 31 December 2019 \$ |
|---|---------------------------|---------------------------|
| Disposal of financial asset at fair value (a) | 206,031 | - |
| Reversal of creditors (b) | 206,031 | 68,000 |
| Loan note proceeds (c) | 270,773 | - |
| Total other income | 682,835 | 68,000 |

Note (a): During the period, the Company disposed of its equity investment in ToneDen, Inc which was recognised by the Company at nil fair value. The Company received US\$150,000 (\$206,031) for the disposal of the investment which was recognised in the Statement of Profit and Loss and Other Comprehensive Income. Refer to Note 5.

Note (b): During the period US\$150,000 (\$206,031) of other payables recorded in the Company was de-recognised on disposal of its equity investment in ToneDen, Inc. This has been reflected as Other Income in the Statement of Profit or Loss and Other comprehensive Income. Refer to Note 6.

Note (c): During the period, the Company received the first two instalments of the RTE US\$1,500,000 (\$1,947,546) loan note. The total amount received of US\$200,000 (A\$270,773) has been recognised in the Statement of Profit and Loss and Other Comprehensive Income. Refer to Note 5.

Note 4: CASH AND CASH EQUIVALENTS

| | 31 December 2020 \$ | 30 June 2020 \$ |
|--|---------------------------|-----------------------|
| Cash at bank and on hand | 319,535 | 26,800 |
| Total cash and cash equivalents | 319,535 | 26,800 |

Note 5: FINANCIAL ASSETS

| | 31 December 2020 | 30 June 2020 |
|---|---------------------|------------------|
| | \$ | \$ |
| Financial assets at fair value through profit or loss ("FVPL") | | |
| Balance at 1 July | 3,206,980 | 2,138,885 |
| Acquisition | - | 1,529 |
| Foreign exchange movements | (292,832) | 61,822 |
| Fair value movement | 2,928,490 | 1,004,744 |
| Total financial assets at fair value | 5,842,638 | 3,206,980 |

During the period, the Company disposed of its 5% equity interest in ToneDen, Inc which was recognised by the Company at nil fair value. The Company received US\$150,000 (\$206,031) for the disposal of its equity interest which has been recognised in the Statement of Profit and Loss and Other Comprehensive Income. Refer to Note 3.

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.

During the period, the Company received the first two instalments of the US\$1,500,000 (\$1,947,546) loan note totalling US\$200,000 (A\$270,773) which has been recognised in the Statement of Profit and Loss and Other Comprehensive Income. Refer to Note 3.

At 31 December 2020, the Company held an equity interest of 10% in RTE. The directors have taken the approach to fair value the investment based on recent share raisings.

As at 31 December 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 \$2,928,490 was recognised in this period (30 June 2020 - \$1,004,744).

Note 6: TRADE AND OTHER PAYABLES

| | 31 December 2020 | 30 June 2020 |
|---------------------------------------|---------------------|-----------------|
| | \$ | \$ |
| Trade creditors | 222,178 | 243,053 |
| Accruals | 63,000 | 75,869 |
| Other Payables (a) | - | 218,563 |
| Total trade and other payables | 285,178 | 537,485 |

Note (a): During the period, US\$150,000 (\$206,031) of other payables recorded in the Company was de-recognised on disposal of its equity interest in ToneDen, Inc. This has been reflected in the Statement of Profit or Loss and Other comprehensive Income. Refer to Note 3.

Note 7: CONTRACT LIABILITY

| | 31 December 2020 | 30 June 2020 |
|---------------------------------|---------------------|-----------------|
| | \$ | \$ |
| Contract Liability | 288,644 | 145,075 |
| Total Contract Liability | 288,644 | 145,075 |

During the period, the Group received the second 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 31 December 2020, US\$200,000 (\$288,644) (30 June 2020 – \$145,075) has been recognised as a contract liability under AASB 15 Revenue from contracts with customers.

Note 8: CONTRIBUTED EQUITY

| Shares at 31 December 2020 | \$ | No. of Shares | Amount per share |
|--|-------------------|--------------------|---------------------|
| Issued and paid up capital | | | |
| Balance at beginning of period | 38,064,341 | 839,336,686 | |
| <i>Movements in issued and paid up capital</i> | | | |
| Shares issued in settlement of liabilities (a) | 181,519 | 3,076,600 | \$0.059 |
| Capital raising costs | - | | |
| Total issued and paid up capital at the end of the period | 38,245,860 | 842,413,286 | |

Note (a): Shares issued in settlement of liabilities

During the period shares were issued in lieu of director fees accrued to Mr Wellisch and Mr Massad and company secretarial fees accrued to Mr Clements following shareholder approval at the Company's annual general meeting. The fair value of these equity instruments granted was \$181,519. As a result, a loss on settlement of liabilities of \$58,455 has been recognised in the Statement of Profit or Loss for the period ended 31 December 2020.

| Shares at 30 June 2020 | \$ | No. of Shares | Amount per share |
|--|-------------------|--------------------|---------------------|
| Issued and paid up capital | | | |
| 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 | 60,667 | 4,666,667 | \$0.013 |
| Shares issued under 'equity option' agreement | - | 70,100 | |
| Capital raising costs | (30,606) | - | |
| Total issued and paid up capital at the end of the period | 38,064,341 | 839,336,686 | |

Note 9: BASIC PROFIT/(LOSS) PER SHARE

| | 31 December 2020 | 31 December 2019 |
|---------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Basic profit/(loss) per share | 0.34 | (0.14) |
| Diluted profit/(loss) per share | 0.34 | (0.14) |

Basic profit/(loss) per share

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

| | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Net profit/(loss) | 2,823,791 | (1,184,176) |
| | Number | Number |
| Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share | 840,874,986 | 819,729,382 |

Note 10: RESERVES

| | 31 December 2020 | 30 June 2020 |
|---|---------------------|------------------|
| | \$ | \$ |
| Share Based Payment Reserve | | |
| Balance at beginning of period | 7,219,652 | 7,160,966 |
| Shares issued to key management personnel | 29,503 | 58,686 |
| | 7,249,155 | 7,219,652 |
| Option Reserve | | |
| Balance at beginning of period | 155,469 | - |
| Proceeds from options issued | - | 137,237 |
| Options issued for services | - | 18,232 |
| | 155,469 | 155,469 |
| Movement in Foreign Exchange Translation Reserve | | |
| Balance at beginning of period | (468,746) | (702,348) |
| Exchange differences on foreign operations | 5,314 | 233,601 |
| | (463,433) | (468,746) |
| Balance at end of period | 6,941,191 | 6,906,374 |

Note 11: FAIR VALUE MEASUREMENT

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

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

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2020 and 30 June 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------|---------|-----------|-----------|
| | \$ | \$ | \$ | \$ |
| 31 December 2020 | | | | |
| Financial assets at FVPL | - | - | 5,842,638 | 5,842,638 |
| | - | - | 5,842,638 | 5,842,638 |
| 30 June 2020 | | | | |
| Financial assets at FVPL | - | - | 3,206,980 | 3,206,980 |
| | - | - | 3,206,980 | 3,206,980 |

The fair value of the level 3 financial assets have been based on recent share raising prices during the financial year. For the period ended 31 December 2020 financial assets, refer to Note 5 for additional details.

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

Note 12: SUBSEQUENT EVENTS

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 31 December 2020, 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.

On 3 February 2021, the Company announced it had advanced another significant patent to reinforce the value attributable to the Company's Megastar online platform. The claims of this patent cover a method and system, performed by processing devices for conducting a networked contest which has broad applications in digital entertainment including, talent and trivia contests. The patent cover backdates to 2015 and extends to 20 years to 2035.

On 5 February 2021, the Company was placed in trading halt at the request of the Company pending a release of an announcement.

On 9 February 2021, the Company was suspended from quotation at the request of the Company, following the announcement that it has entered into an agreement proposing to acquire all of the issued capital of RTE.

No other matter or circumstance has arisen since 31 December 2020 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

There have been no other changes in contingent liabilities, contingent assets or other commitments since the last annual reporting date, 30 June 2020.

Note 14: 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 15: RELATED PARTY

On 30 December 2020, the Company issued in lieu of director fees accrued to Mr Wellisch and Mr Massad and company secretarial fees accrued to Mr Clements following shareholder approval at the Company's annual general meeting. The fair value of these equity instruments granted was \$181,519. As a result, a loss on settlement of liabilities of \$58,455 has been recognised in the Statement of Profit or Loss for the period ended 31 December 2020. (Refer to Note 8).

During the previous 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 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.

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 2020 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.



Antoine Massad
Non-Executive Chairman
26 February 2021

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 2020, 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 ended on that date, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 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 the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 2 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.

Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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.

BDO Audit (WA) Pty Ltd



Jarrad Prue

Director

Perth, 26 February 2021