



MSM CORPORATION INTERNATIONAL LIMITED

(formerly Minerals Corporation Limited)

ABN 51 002 529 160

ANNUAL FINANCIAL REPORT
30 JUNE 2016

CONTENTS

COMPANY INFORMATION	2
CHAIRMAN'S LETTER	3
DIRECTORS' REPORT	4
AUDITOR'S INDEPENDENCE DECLARATION	20
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	21
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	22
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	23
CONSOLIDATED STATEMENT OF CASH FLOWS	24
NOTES TO THE FINANCIAL STATEMENTS	25
DIRECTORS' DECLARATION	51
INDEPENDENT AUDITOR'S REVIEW REPORT	52
ASX ADDITIONAL INFORMATION	54

COMPANY INFORMATION

DIRECTORS

Mr Adam Wellisch
(Chairman and Non-Executive Director)

Mr Dion Sullivan
(Managing Director)

Ms Sophie McGill
(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

STOCK EXCHANGE

Australian Securities Exchange Ltd

HOME EXCHANGE

Melbourne

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
Nedlands 6009
Western Australia

ASX CODE

MSM

CHAIRMAN'S LETTER

Dear Shareholders,

On behalf of the board, I would like to take the opportunity to thank you for your support this year and provide you with an overview of the tremendous success of our Company.

During the 2016 financial year, MSMCI listed on the Australian Securities Exchange (ASX) and, since our listing, we have significantly progressed towards the launch of our first product offering, the Megastar Millionaire competition platform.

Megastar Millionaire will be the world's richest online, mobile-first, talent discovery competition platform once launched. The competition will be unique and will connect performers and fans in an innovative and interactive gamification experience. We are enormously excited about its potential to transform, mobilise and individualise the search for new artists on a global scale.

On the road to the launch of the competition, we have built a world-class Advisory Board to support the Company, substantially adding to our media and technical capabilities. Our Advisory Board includes leading digital media executives, former Netflix and Google senior technical staff and highly experienced US-based movie and video game producers.

We have also significantly invested into the development of our platform to ensure it is of the highest possible quality once launched. During FY16 we undertook both qualitative and quantitative testing, both of which provided a range of valuable findings that have helped us to refine the Megastar Millionaire competition platform. This ensures the best possible user experience once our competition is launched in 2017.

We commissioned industry leading entertainment researchers, Hub Entertainment Research to undertake independent research into our platform to shine a light on its potential as well as ways to optimise it. The research demonstrated the significant commercial potential of Megastar Millionaire, with users indicating that they were willing to pay amounts that exceeded our expectations. In addition, the Hub Entertainment Research demonstrated the strong willingness of users to engage with the competition platform.

Our strategic partners, ToneDen and Digital Riot Media also made substantial progress during the year. ToneDen, a music creation software platform reported substantial user growth, something that we will be able to leverage to help build the success of the Megastar Millionaire Platform. Digital Riot Media, a dedicated direct-to-consumer digital movie studio, released its first film, with more films in the pipeline that are currently undergoing production and are expected to be released in the near future. Importantly, in addition to winning the US\$1 million prize, the winner of the Megastar Millionaire competition will appear in a film produced by Digital Riot.

The key focus of our Company for the 2017 financial year is the launch of the Megastar Millionaire competition platform, which we expect to occur early in the 2017 calendar year. As part of the launch, we are focused on the selection of celebrities to judge the competition entrants.

Once again, I would like to thank Shareholders for their tremendous support during the year and we look forward to continuing our strong progress towards our competition launch in early 2017.

Yours sincerely,



Adam Wellisch
Chairman

DIRECTORS' REPORT

Your directors present their report on MSM Corporation International Limited ("**the Company**" or "**MSM**") for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

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

Mr Adam Wellisch	<i>(Chairman and Non-Executive Director)</i>	<i>Appointed 29 December 2015</i>
Mr Dion Sullivan	<i>(Managing Director)</i>	<i>Appointed 29 December 2015</i>
Ms Sophie McGill	<i>(Executive Director)</i>	<i>Appointed 26 April 2016</i>
Mr Mark Clements	<i>(Non-Executive Director)</i>	<i>Appointed 12 January 2016</i>
Mr Matthew Foy	<i>(Non-Executive Director)</i>	<i>Resigned 12 January 2016</i>
Mr Nicholas Ong	<i>(Non-Executive Director)</i>	<i>Resigned 29 December 2015</i>
Mr Andrew Tunks	<i>(Non-Executive Director)</i>	<i>Resigned 29 December 2015</i>

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Mr Adam Wellisch (Chairman and Non-Executive Director)

Mr Wellisch has 18 years' experience in technology strategy, business administration, systems consulting and software development. He has held executive and non-executive positions with technology organisations ranging from start-ups to large multinationals. Recent appointments include Asia-Pacific CIO for market-leading FTSE 100 company Compass Group Plc and Information Systems Director for Bupa's fast-growing health services division.

Mr Wellisch holds an interest in 9,712,230 ordinary shares, 6,474,820 Class A Performance Shares, 6,474,820 Class B Performance Shares and 6,000,000 options expiring 7 November 2019 with an exercise price of \$0.10.

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

Mr Dion Sullivan (Managing Director)

Mr Sullivan is a digital marketing veteran with more than 20 years' experience. He has held positions of increasing responsibility with Clairol/Bristol Myers Squibb and FTD.com, where he assisted in spearheading the launch of FTD.com (Interflora internationally), transforming a 90-year-old, struggling not-for-profit company into a successful NASDAQ listing. Since 2000 he has lived in Silicon Valley and has held executive positions within Bank of America, Viacom, MTV Kids & Family, VideoJax and Betfair/TVG North America.

Mr Sullivan holds an interest in 7,014,389 ordinary shares, 4,676,259 Class A Performance Shares, 4,676,259 Class B Performance Shares and 6,000,000 options expiring 7 November 2019 with an exercise price of \$0.10.

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

Ms Sophie McGill (Executive Director)

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

DIRECTORS' REPORT (continued)

Ms McGill has an interest in 2,000,000 options with an exercise price of \$0.125 subject to shareholder approval at the Company's 2016 AGM.

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

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

Mr Clements has more than 20 years' experience in corporate accounting and public company administration. He is a Fellow of the Institute of Chartered Accountants and a member the Australian Institute of Company Directors. Mr Clements is executive chairman of MOD Resources Limited and Company Secretary for a number of publically listed companies.

Mr Clements holds an interest in 6,856,115 ordinary shares, 3,904,076 Class A Performance Shares and 3,904,076 Class B Performance Shares.

Directorships of listed entities: MOD Resources Limited (ASX: MOD).

Matthew Foy (Non-executive Director) (resigned 12 January 2015)

Mr Foy is an active member of the WA State Governance Council of the Governance Institute of Australia (GIA) and spent four years at the ASX facilitating the listing and compliance of companies.

Directorships of listed entities: Auroch Minerals Ltd (ASX: AUO).

Directorships of listed entities in the past 3 years: Segue Resources Ltd (ASX: SEG) (resigned 1 September 2014) and SWW Energy Limited (ASX: SWW) (resigned 22 July 2015).

Mr Foy does not hold an interest in the Company.

Nicholas Ong (Non-executive Director) (resigned 29 December 2015)

Mr Ong was a Principal Adviser at the Australian Securities Exchange (ASX) in Perth and brings ten years' experience in compliance and corporate governance to the Board. He has overseen the admission of over 100 companies on to the official list of the ASX. Mr Ong is a member of the Governance Institute of Australia and is Managing Director of Minerva Corporate, a corporate advisory firm that specialises in providing transaction advisory, financial reporting and company secretarial services. Mr Ong holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia.

Directorships of listed entities: Auroch Minerals Ltd (ASX: AUO) and Segue Resources Ltd (ASX: SEG).

Directorships of listed entities in the past 3 years: Fraser Range Metals Group Ltd (ASX: FRN).

Mr Ong does not hold an interest in the Company.

Dr Andrew Tunks (Non-executive director) (resigned 29 December 2015)

Dr Tunks holds a B.Sc (Hons) from Monash University and a Ph.D. in Geology from the University of Tasmania. He is a geologist with over 25 years' experience, and has led numerous successful exploration campaigns in Africa, leading to the discovery of several gold deposits in Ghana, as well as Botswana's largest Uranium deposit.

Directorships of listed entities: None.

Directorships of listed entities in the past 3 years: Emergent Resources Limited (ASX: EMG).

Dr Tunks does not hold an interest in the Company.

DIRECTORS' REPORT *(continued)*

BASIS OF FINANCIAL REPORT PRESENTATION

This financial report is for the year ended 30 June 2016 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 2016 with comparatives for the period from 12 August 2014 to 30 June 2015. All amounts are measured in Australian dollars.

REVIEW AND RESULTS OF OPERATIONS

MSMCI is a leading digital technology and entertainment company that is preparing to launch the world's richest online, mobile-first, talent discovery competition platform, Megastar Millionaire.

The competition will be a world first, connecting performers and fans in a unique and innovative manner. Participants will be able to showcase their talents to a global digital audience online. This offers significant advantages over traditional television platforms.

This highly disruptive, first to market platform will monetise mobile video and will sit at the apex of the highly successful talent competition format, the US\$25bn online gaming sector and social media phenomenon of allowing individuals to demonstrate their skills and talents.

Operations

Platform developments

Prototype Completion

During FY16, MSM completed the first prototype of the Megastar Millionaire platform, completing a significant technical milestone. The prototype included the basic features and functionalities that will be wrapped into the final consumer ready product. From the prototype, a limited audience was able to log in and utilise the platform in the same way that competition talent and fans will be able to when the completed Megastar Millionaire platform is launched.

The prototype was delivered ahead of schedule and in advance of the Company's Friends and Family testing and the Hub Research project, which were conducted to further refine the platform and maximise user engagement.

Friends and Family

To refine the Megastar Millionaire prototype, close associates of the Company participated in a qualitative testing program of the platform to identify areas where improvements could be made. The results were remarkable, with 62% of the participants rating the platform favourably.

The testing also provided the Company with highly valuable feedback on the modality and functionality of the platform. This data has already assisted the Company with debugging the platform and refining its user experience. Following the feedback received, the on-boarding process for users was refined and the video uploading process streamlined, helping to minimise barriers to competition participation and to maximise the audience reach.

DIRECTORS' REPORT (continued)

Hub Research

With the view of quantifying the commercial potential and developing a deeper understanding of the potential level of user engagement of the Megastar Millionaire competition platform, the Company commissioned leading entertainment research firm, Hub Entertainment Research to undertake quantitative testing of the platform.

A number of key findings of the research validated the Company's position that the Megastar Millionaire platform has great potential. Included in these important findings, was that an overwhelming proportion of study participants, some 91% of respondents, were somewhat/very interested in being a Fan on the platform and that over 54% were interested/very interested in being a Performer. Another finding revealed the strong commercial potential of the platform with 83% of respondents finding the Megastar Millionaire concept *appealing* and 43% finding it *very appealing*, even when details of costs are revealed. Far exceeding the Company's expectations, the weighted average price-point across all groups was US\$62.

Management and Advisory Board

Sophie McGill

During the year, Megastar Millionaire appointed leading Australian media executive, Sophie McGill as Executive Director on the Board of the Company. Sophie brings her extensive networks and experience from across the Australian media industry to the Company. Her appointment further enhances Megastar Millionaire's already strong management and leadership team.

Ms McGill is focused on investor relations, promotional strategy and corporate development for MSMCI.

Advisory Board

A number of key appointments were made to Megastar Millionaire's Advisory Board, with each appointment bringing technical and commercial skills to the Company as well as validating the Company's exciting offering. These appointments included accomplished TV and film producer, Mr John Baldecchi and Mr Michael Pole, a studio executive with over 25 years' experience managing the development of hit video games. Also appointed to the Advisory Board were Pandora Music co-founder, Mr Jon Kraft, and former Electronic Arts and Zynga executive, Jennifer Herman. These appointments complement world-class data scientist, Mr Antonio Mollins who was also appointed to the Advisory Board. Mr Mollins was previously a key data scientist at Netflix and brings substantial quantitative analytical skills to the Advisory Board role.

US Technical Team Enhanced

During FY16, MSMCI made significant investments into its US based technical team to drive the platform toward its planned launch. These new hires included Mr Roman Sharkey, formerly a Google Data Scientist, was hired as a Data Scientist at Megastar Millionaire. Through his highly valuable skill set, Mr Sharkey will drive the enhancement of the Company's unique and compelling talent discovery experience platform.

The Company also recruited Josh Heenan as Executive Producer of Studio and Eric Cook as Director of Engineering. Mr Heenan has more than 12 years of experience in the digital gaming industry, and six years working with social and mobile platforms. Mr Cook has spent more than 8 years in the mobile and gaming industry having begun as a senior software engineer at Digital Chocolate in 2008 where he worked on the Facebook game MillionaireCity.

Further appointments to strengthen the technical development team included a Lead Senior Mobile Developer, a Lead Game Designer, a User Interface Designer, a Front End Engineer and a Quality Assurance/Systems Engineer to the technical team.

DIRECTORS' REPORT (continued)

Director of Marketing Appointed

Ms Janet Casamento was appointed as Director of Marketing. Ms Casamento joined with a diverse digital and traditional marketing background and previously held a number of senior roles at digital-focused companies. Ms Casamento is responsible for the Company's promotional strategy Millionaire in early 2017

Strategic partnerships

ToneDen

MSM's investment partner, ToneDen has reported substantial platform user growth over the course of FY16. ToneDen is a music creation software platform designed to help millions of artists directly connect with their fans online.

Over 475,000 content creators, labels and businesses across music and media are now on the platform. This gives the platform access to millions of fans worldwide.

ToneDen's growing registered fan and content creators base is set to provide substantial support for the commercialisation of the Megastar Millionaire platform.

Roar

During FY16, the Company successfully finalised its arrangement with leading talent management agency ROAR Asia Pacific to act as Strategic Advisor to MSM, substantially adding to the Company's brand and celebrity capabilities.

MSM will be working closely with ROAR Asia Pacific Managing Director; Trent Blacket who is a Los Angeles-based, Australian born attorney and entrepreneur with deep expertise in cross-border strategy, particularly between Australia and North America in media industries.

Digital Riot

MSM's strategic partner, Digital Riot Media has launched its first movie called "FML". Starring Jason Nash and Brandon Calvillo, FML is Digital Riot's first "direct to fan" online film.

Corporate

During the year the Group incurred a loss after tax of \$8,491,150 (2015 – loss of \$1,126,318). The result included the recognition of the finance cost of the conversion of the convertible notes to shares of \$979,652, share based payments expenses for options and shares issued as remuneration and payment of services of \$1,694,640 and the share based payments recognised as part of the reverse acquisition of \$2,335,265.

The Group's financial position is sound as at the end of the year, with cash on hand of \$4,084,229.

MSM Reverse Take-over

During the year, MSM acquired all of the securities in Megastar Millionaire Pty Ltd ("**Megastar**") via a reverse takeover offer. The takeover was affected through a share sale and purchase agreement between MSM and all of the shareholders of Megastar. Shareholders of Megastar received 1.079 new MSM shares for every 1 Megastar share held.

The acquisition of Megastar was subject to the satisfaction of a number of conditions precedent outlined below and resulted in MSM acquiring up to 100% of the issued capital of Megastar.

DIRECTORS' REPORT (continued)

Under the terms of the acquisition agreement, MSM acquired 100% of Megastar for the following consideration:

- 75,000,000 ordinary shares to the Vendors; and
- The Company also issued 100,000,000 Performance Shares to Vendors of Megastar, which will convert into ordinary shares upon achievement of the following milestones:
 - 50,000,000 upon Megastar achieving \$5 million in EBITDA or if the MSM Platform achieves a number of unique registered users of at least 1 million on or before five years from the date of issue (Class A Performance Shares); and
 - 50,000,000 upon Megastar achieving \$15 million in EBITDA or if the MSM Platform achieves a number of unique registered users of at least 2 million on or before five years from the date of issue (Class B Performance Shares).

Megastar was deemed the acquirer for accounting purposes as it owned 63.06% of the entity following completion. The acquisition of Megastar by MSM is not deemed to be a business combination, as MSM is not considered to be a business under the accounting standard AASB 3 Business Combinations.

As such the consolidation of these two companies reflects the continuation of Megastar with no fair value adjustments, whereby Megastar was deemed to be the accounting parent. Therefore the appropriate treatment for the transaction was to account for it under AASB 2 'Share Based Payments', whereby Megastar is deemed to have issued shares to MSM shareholders in exchange for the net assets held by MSM. The comparative information presented in the consolidated interim financial statements is that of Megastar, as presented in its audited financial statements for the period ended 30 June 2015.

Additionally, on 7 October 2015, Minerals Corporation Limited obtained shareholder approval to change its name to MSM Corporation International Ltd. On 29 December 2015, MSM announced that it had received 100% acceptances from Megastar's shareholders and, following recompliance with Chapters 1 & 2 of the ASX Listing Rules, the Company was re-listed on the ASX on 13 January 2016.

About MSM

MSM Corporation International Limited is a digital technology and media entertainment company that, via the first product offering, Megastar Millionaire, will launch the world's richest online, mobile-first, talent discovery competition platform.

Megastar Millionaire is a consumer digital entertainment technology platform; connecting performers and fans in an innovative and interactive gamification experience. It is designed to transform, mobilise and individualise the search for new artists, allowing people to easily showcase their talents to a global digital audience and offers significant advantages over traditional television platforms.

This highly disruptive, first-to-market platform will monetise mobile video via a highly successful talent competition format. Operating squarely within the US\$25bn online gaming and US\$30bn mobile sectors, Megastar Millionaire draws on the social media phenomenon, allowing individuals to demonstrate their skills and talents.

DIVIDENDS

No dividends have been provided for or paid by the Company in respect of the year ended 30 June 2016 (2015 – nil).

DIRECTORS' REPORT (continued)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In July 2016, the Company announced that it had successfully delivered its next platform development milestone, with the completion of independent third-party commissioned quantitative research by Hub Entertainment Research.

Since the end of the year, 10,065,947 ordinary shares have been issued as a result of the exercise of options at \$0.10 each, increasing the Company's issued share capital by \$1,006,595.

On 14 September 2016, the Company announced that it had completed a successful placement, raising \$4.882M before costs to accelerate the development of the Megastar Millionaire competition platform. The placement involved the issue of 17,435,714 fully paid ordinary shares at an issue price of \$0.28 per share.

On 15 September 2016, the Company announced that it had appointed EAS Advisors LLC to provide equity capital market services and assist the Company with building its investor profile in the USA.

On 20 September 2016, the Company issued the following options:

- 6,000,000 exercisable at \$0.35 on or before 19 September 2018, vesting 19 March 2017;
- 1,500,000 exercisable at \$0.40 on or before 19 September 2019, vesting 19 March 2017;
- 1,500,000 exercisable at \$0.45 on or before 19 September 2019, vesting 19 March 2017; and
- 1,500,000 exercisable at \$0.55 on or before 19 September 2019, vesting 19 March 2017.

Other than the above, there have been no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:

- the Company's operations in future years; or
- the results of those operations in future years; or
- the Company's state of affairs in future years.

ENVIRONMENTAL REGULATIONS

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

PROCEEDINGS OF THE COMPANY

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

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

DIRECTORS' REPORT *(continued)*

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

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 21 to the financial statements.

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

The directors are of the opinion that the services as disclosed in Note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

DIRECTORS' MEETINGS

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

Director	Number of meetings held while in office	Number of meetings attended
A Wellisch	3	3
D Sullivan	3	3
S McGill	2	2
M Clements	3	3
N Ong	-	-
A Tunks	-	-
M Foy	-	-

DIRECTORS' REPORT *(continued)*

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

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

- 71,547,683 options exercisable at \$0.10 on or before 7 November 2019;
- 757,576 options exercisable at \$0.30 on or before 30 June 2017;
- 900,000 options exercisable at \$0.15 on or before 18 March 2020;
- 6,000,000 exercisable at \$0.35 on or before 19 September 2018, vesting 19 March 2017;
- 1,500,000 exercisable at \$0.40 on or before 19 September 2019, vesting 19 March 2017;
- 1,500,000 exercisable at \$0.45 on or before 19 September 2019, vesting 19 March 2017; and
- 1,500,000 exercisable at \$0.55 on or before 19 September 2019, vesting 19 March 2017.

During the financial year the Company issued 1,294,441 ordinary shares as a result of the exercise of options.

REMUNERATION REPORT - AUDITED

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the key management personnel of the Company for the financial year ended 30 June 2016. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

Key Management Personnel

Directors

Mr Adam Wellisch	<i>(Chairman and Non-Executive Director)</i>	<i>Appointed 29 December 2015</i>
Mr Dion Sullivan	<i>(Managing Director)</i>	<i>Appointed 29 December 2015</i>
Ms Sophie McGill	<i>(Executive Director)</i>	<i>Appointed 26 April 2016</i>
Mr Mark Clements	<i>(Non-Executive Director)</i>	<i>Appointed 12 January 2016</i>
Mr Nicholas Ong	<i>(Non-Executive Director)</i>	<i>Resigned 29 December 2015</i>
Mr Andrew Tunks	<i>(Non-Executive Director)</i>	<i>Resigned 29 December 2015</i>
Mr Matthew Foy	<i>(Non-Executive Director)</i>	<i>Resigned 12 January 2016</i>

There were no executives in the Company other than the Directors during the financial year.

Remuneration Philosophy

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

Non-executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the board. The chairman's fees are determined independently to the fees of non-executive directors based on comparative

DIRECTORS' REPORT (continued)

roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

Directors Fees

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

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

Executive Remuneration

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

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

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

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

Short Term Incentives

The company issued share options to provide ongoing incentives to key employees, consultants and offices of the Company.

On 29 December 2015, the Company issued 12 million unlisted options to Dion Sullivan (6 million) and Adam Wellisch (6 million) as part of their remuneration package in connection with the reverse acquisition. These options are exercisable at \$0.10 on or before 7 November 2019. These options vested immediately.

On 26 April 2016, the Company entered into an agreement to issue 2 million unlisted options to Sophie McGill as part of her appointment remuneration package. These options are exercisable at \$0.125 on or before 18 March 2020 and will vest in six equal instalments (333,334 options) over a 3 year period. These options are subject to shareholder approval at the Company's 2016 Annual General Meeting.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using the Black-Scholes methodology. Further details on the valuation inputs of the options are included in Note 5.

DIRECTORS' REPORT (continued)

For the year ended 30 June 2016, the KPIs linked to the STI for the Managing Director were based on the establishment of an Advisory Board, securing strategic partnerships and project development, weighted depending on the accountabilities of the role and impact on the Group's performance.

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

Long Term Incentives

As referred to above, the Company entered into an agreement to issue 2 million unlisted options to Sophie McGill as part of her appointment remuneration package. These options are exercisable at \$0.125 on or before 18 March 2020 and will vest in six equal instalments (333,334 options) over a 3 year period. These options are subject to shareholder approval at the Company's 2016 Annual General Meeting.

Statutory Performance Indicators

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

	2016	2015	2014	2013	2012
Net profit/ (loss)(\$)*	(8,491,150)	(724,890)	(1,985,620)	(645,002)	(502,916)
Share price (\$)	\$0.115	\$0.065	\$0.002	\$0.01	\$0.01
Earnings/(loss) per share (\$)*	(0.05)	(0.024)	(0.194)	(0.002)	(0.001)

*Net profit/(loss)and earnings/(loss) per share for the periods 2015 -2012 are as previously disclosed and have not been updated for the reverse acquisition of Megastar which occurred on 29 December 2015 and therefore these comparatives may not be comparative to the 2016 figures.

Relative Proportion of Fixed vs Variable Remuneration Expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense on page 15.

	Fixed Remuneration	STI	LTI
	2016	2016	2016
Adam Wellisch	20%	80% ¹	-
Dion Sullivan	35%	65% ²	-
Sophie McGill	54%	28% ³	18%
Mark Clements	100%	-	-
Matthew Foy	100%	-	-
Andrew Tunks	100%	-	-
Nicholas Ong	100%	-	-

Note 1: Relates to options issued which vest immediately.

Note 2: Of the STI %, 6% relates to a cash bonus and 59% to options issued which vest immediately.

Note 3: Of the options issued, 28% are STI which vest within 12 months and the remaining 18% are classified as LTI as they vest in a period that exceeds 12 months.

DIRECTORS' REPORT (continued)

Options

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

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	% vested
29/12/2015	29/12/2015	7/11/2019	\$0.10	\$0.082	100%
26/4/2016*	Various, 6 monthly instalments ¹	18/3/2020	\$0.125	\$0.039	0%

Note 1: Options are subject to shareholder approval at the Company's 2016 Annual General Meeting.

Details of Remuneration

REMUNERATION FOR THE YEAR ENDED 30 JUNE 2016

	Short-Term Benefits \$ <i>Base Remuneration</i>	Post-Employment Benefits \$ <i>Super-annuation</i>	Share Based Payments \$ <i>Value of Options and ESS</i>	Total \$	Value of Share Based Payments as a Proportion of Remuneration %
Directors					
Adam Wellisch (Non-Executive Chairman) ¹	60,000	-	235,116	295,116	80
Dion Sullivan (Managing Director) ²	163,694 ⁵	-	235,116	398,810	59
Sophie McGill (Executive Director) ³	27,885	-	23,927	51,812	46
Mark Clements (Non-Executive Director) ⁴	50,805	-	-	50,805	-
Matthew Foy ⁵	15,000	-	-	15,000	-
Andrew Tunks ⁶	12,000	-	-	12,000	-
Nicholas Ong ⁶	9,000	-	-	9,000	-
Total	338,384	-	494,159	832,543	58

Note 1: Appointed 29 December 2015.

Note 2: Appointed 29 December 2015. Includes sign on bonus of US\$25,000.

Note 3: Appointed 26 April 2016.

Note 4: Appointed 12 January 2016. Includes fees for company secretary services.

Note 5: Resigned 12 January 2016.

Note 6: Resigned 29 December 2015.

DIRECTORS' REPORT (continued)

REMUNERATION FOR THE YEAR ENDED 30 JUNE 2015

	Short-Term Benefits \$ <i>Base Remuneration</i>	Post- Employment Benefits \$ <i>Super- annuation</i>	Share Based Payments \$ <i>Value of Options and ESS</i>	Total \$	Value of Share Based Payments as a Proportion of Remuneration %
Directors					
Daniel Smith (<i>Executive Director</i>) ¹	6,500	-	-	6,500	-
Matthew Foy ²	9,000	-	-	9,000	-
Andrew Tunks	24,000	-	-	24,000	-
Nicholas Ong	15,500	-	-	15,500	-
Total	55,000	-	-	55,000	-

Note 1: Resigned 16 January 2015.

Note 2: Appointed 16 January 2015.

There was no remuneration received by Mr Adam Wellisch as sole director of Megastar Millionaire Pty Ltd for the year ended 30 June 2015.

Executive Service Agreements

Mr Dion Sullivan

The Company entered into a services agreement with Mr Sullivan on 1 June 2015 to act in the capacity of full-time managing director of MSM Music, Inc. Mr Sullivan is paid an annual salary of US\$275,000 plus statutory benefits, with annual increases to be no more than 10% and no less than 3%. In addition, Mr Sullivan was entitled to a US\$25,000 sign-on bonus and a performance bonus of up to 40% of his base salary upon meeting certain performance milestones each calendar year.

The term of the agreement is 3 years and it contains provisions under which the Company can terminate the agreement at any time without cause in which event Mr Sullivan will be entitled to his base salary for 12 months and a pro-rata payment for any non-base salary up to the date of termination to the extent that any performance conditions have been met and accrued entitlements. The Company can also terminate the agreement with 30 days' notice in the event of a prolonged illness, or by summary notice in the event of a material breach, in which case Mr Sullivan will only be eligible to receive his accrued entitlements.

Ms Sophie McGill

The Company entered into a consultancy agreement with Ms McGill on 26 April 2016 as Executive Director, Digital Media, Asia-Pacific. Under the agreement, Ms McGill will be paid a fee of \$12,500 per month and, subject to shareholder approval, being granted up to 2 million options exercisable at \$0.125 on or before 18 March 2020. The options vest in six, 6-monthly tranches of 333,334 each on the condition that Ms McGill continues to be engaged by the Company on each vesting date.

DIRECTORS' REPORT (continued)

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

Key Management Personnel Equity Holdings

The interests of directors and other key management personnel in securities of the Company:

Director	Ordinary Shares	Class A Performance Shares	Class B Performance Shares	Options
A Wellisch	9,712,230	6,474,820	6,474,820	6,000,000 ¹
D Sullivan	7,014,389	4,676,259	4,676,259	6,000,000 ¹
S McGill	-	-	-	2,000,000 ²
M Clements	6,856,115	3,904,076	3,904,076	-
M Foy ³	-	-	-	-
A Tunks ⁴	-	-	-	-
N Ong ⁴	-	-	-	-

Note 1: Exercisable at \$0.10.

Note 2: Exercisable at \$0.125. Subject to shareholder approval at the Company's 2016 Annual General Meeting.

Note 3: Resigned on 12 January 2016.

Note 4: Resigned 29 December 2015.

Share Movements

Director	Held at 1 July 2015	Shares Acquired	Other Changes	Balance at 30 June 2016
A Wellisch	-	-	9,712,230 ¹	9,712,230
D Sullivan	-	-	7,014,388 ¹	7,014,388
S McGill	-	-	-	-
M Clements	-	1,000,000	5,856,115 ¹	6,856,115
M Foy	21,134	-	(21,134) ²	-
A Tunks	11,364	-	(11,364) ²	-
N Ong	60,608	-	(60,608) ²	-

Note 1: Shares acquired as part of the reverse takeover.

Note 2: Movement as a result of resignation as a director.

DIRECTORS' REPORT (continued)

Options Movements

Director	Held at 1 July 2015	Options Acquired (Expired)	Issued as Remuneration	Other Changes	Balance at 30 June 2016	Vested and Exercisable
A Wellisch	-	-	6,000,000	-	6,000,000	6,000,000
D Sullivan	-	-	6,000,000	-	6,000,000	6,000,000
S McGill	-	-	2,000,000	-	2,000,000	-
M Clements	-	-	-	-	-	-
M Foy	7,576	(7,576)	-	-	-	-
A Tunks	-	-	-	-	-	-
N Ong	45,456	(15,152)	-	(30,304) ¹	-	-

Note 1: Movement as a result of resignation as a director.

Performance Shares - Class A and B Movements

Director	Held at 1 July 2015		Other changes ¹		Balance as at 30 June 2016	
	Class A	Class B	Class A	Class B	Class A	Class B
A Wellisch	-	-	6,474,820	6,474,820	6,474,820	6,474,820
D Sullivan	-	-	4,676,259	4,676,259	4,676,259	4,676,259
S McGill	-	-	-	-	-	-
M Clements	-	-	3,904,076	3,904,076	3,904,076	3,904,076
M Foy	-	-	-	-	-	-
A Tunks	-	-	-	-	-	-
N Ong	-	-	-	-	-	-

Note 1: Performance shares were issued in consideration for the reverse acquisition and are do not form part of remuneration for services provided. The applicable KMP were existing shareholders of Megastar, and accordingly received a portion of the performance shares issued as part of the consideration. Refer to Note 3 for further details on the terms of the performance shares.

Other Transactions with Key Management Personnel

Performance shares were issued to KMP as part of the remuneration for the reverse acquisition transaction as set out in the table above.

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

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

DIRECTORS' REPORT (continued)

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

There were no other transactions with key management personnel during the year ended 30 June 2016.

End of Audited Remuneration Report

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual financial report. This Independence Declaration is set out on page 20 and forms part of this Directors' Report for the year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to be 'A Wellisch', followed by a horizontal line extending to the right.

Adam Wellisch
Non-executive Chairman
30 September 2016

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

As lead auditor of MSM Corporation International Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 \$	Company Period to 30 June 2015 \$
Revenue from continuing operations			
Interest income	6	29,230	-
Expenses			
Finance cost	6	984,833	800,462
Administration expenses	6	947,566	162,266
Employee benefits and directors fees	6	498,573	35,552
Share based payments - reverse acquisition	3	2,335,265	-
Share based payments - options and shares	5	1,694,640	-
Project expenditure		2,059,503	128,038
Loss from continuing operations before income tax expense		(8,491,150)	(1,126,318)
Income tax expense	7	-	-
Net loss from continuing operations for the period		(8,491,150)	(1,126,318)
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on foreign operations		185,483	-
Total comprehensive loss for the period		(8,305,667)	(1,126,318)
Loss for the period attributable to owners of the Company		(8,305,667)	(1,126,318)
Total comprehensive loss for the period attributable to owners of the Company		(8,305,667)	(1,126,318)
Loss per share from continuing operations attributable to owners of the Company			
Basic loss per share	14	\$0.05	\$0.05

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	2016 \$	Company 30 June 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	4,084,229	652,954
Other assets	9	173,153	16,398
Total Current Assets		4,257,382	669,352
Non-Current Assets			
Plant & equipment		28,343	-
Financial assets	10	538,003	-
Total Non-Current Assets		566,346	-
TOTAL ASSETS		4,823,728	669,352
LIABILITIES			
Current Liabilities			
Trade and other payables	11	628,470	147,556
Provisions	12	66,944	-
Loan from convertible note holders	4	-	1,578,763
Total Current Liabilities		695,414	1,726,319
TOTAL LIABILITIES		695,414	1,726,319
NET ASSETS (LIABILITIES)		4,128,314	(1,056,967)
EQUITY			
Issued capital	13	11,249,100	69,351
Reserves	15	2,496,682	-
Accumulated losses		(9,617,468)	(1,126,318)
TOTAL EQUITY		4,128,314	(1,056,967)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2015	69,351	-	(1,126,318)	(1,056,967)
<i>Comprehensive Income</i>				
Net loss for the period	-	-	(8,491,150)	(8,491,150)
Other comprehensive income	-	185,483	-	185,483
Total comprehensive income/ (loss) for the period	-	185,483	(8,491,150)	(8,305,667)
Transactions with owners in their capacity as owners				
Issue of shares - prospectus	7,000,000	-	-	7,000,000
Conversion of convertible notes	1,600,000	-	-	1,600,000
Share based payment - acquisition	2,636,304	-	-	2,636,304
Share based payments - options	951,104	2,311,199	-	3,262,303
Shares issued on conversion of options	129,454	-	-	129,454
Capital raising expenses	(1,137,113)	-	-	(1,137,113)
Total transactions with owners and other transfers	11,179,749	2,311,199	-	13,490,948
Balance at 30 June 2016	11,249,100	2,496,682	(9,617,468)	4,128,314
Company				
Balance at 12 August 2014	-	-	-	-
<i>Comprehensive Income</i>				
Net loss for the period	-	-	(1,126,318)	(1,126,318)
Total comprehensive income for the period	-	-	(1,126,318)	(1,126,318)
Transactions with owners in their capacity as owners				
Issue of shares	101,951	-	-	101,951
Capital raising expenses	(32,600)	-	-	(32,600)
Total transactions with owners and other transfers	69,351	-	-	69,351
Balance at 30 June 2015	69,351	-	(1,126,318)	(1,056,967)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

		2016	Company to 30 June 2015
	<i>Notes</i>	\$	\$
Cash flows from operating activities			
Interest received		29,230	-
Project development payments		(2,104,986)	(128,035)
Payments to suppliers and employees		(984,078)	(88,362)
Net cash outflow from operating activities	17(b)	(3,059,834)	(216,397)
Cash flows from investing activities			
Payments for investments		(329,338)	-
Purchase of property, plant and equipment		(28,343)	-
Net cash outflows from investing activities		(357,681)	-
Cash flows from financing activities			
Proceeds from issue of shares		7,437,903	101,951
Capital raising costs		(589,113)	(32,600)
Proceeds from issue of convertible notes		-	800,000
Net cash inflows from financing activities		6,848,790	869,351
Net increase in cash and cash equivalents		3,431,275	652,954
Cash and cash equivalents at the beginning of the financial period		652,954	-
Cash at the end of the financial period	17(a)	4,084,229	652,954

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial statements of MSM Corporation International Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 29 September 2016.

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

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

2. BASIS OF PREPARATION

(a) Basis of preparation

Statement of Compliance

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

Acquisition of Megastar Millionaire Pty Ltd – Capital Restructure

During the year, MSM acquired all the shares in Megastar Millionaire Pty Ltd (Megastar) by issuing 75,000,000 shares in MSM, to Megastar shareholders, giving Megastar a controlling interest in MSM and equating to a controlling interest in the combined entity. Megastar has thus been deemed the acquirer for accounting purposes. The acquisition of MSM by Megastar is not deemed to be a business combination, as MSM is not considered to be a business under AASB 3: Business Combinations (AASB 3). As such, the consolidation of these two companies was on the basis of the continuation of Megastar with no fair value adjustments, whereby Megastar was deemed to be the accounting parent. The comparative information of MSM is subsequently Megastar for the period.

The transaction has therefore been treated as a share based payment under AASB 2: Share Based Payments (AASB 2), whereby Megastar is deemed to have issued shares in exchange for the net assets and listing status of MSM. As the deemed acquirer, Megastar has acquisition accounted for MSM as at 30 June 2016. Refer to Note 3 for further details on the acquisition accounting treatment.

The results for the year ended 30 June 2016 comprise the results of Megastar, and the results of MSM subsequent to the acquisition.

The 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MSM Corporation International Limited as at 30 June 2016 and the results of all subsidiaries for the year then ended. MSM Corporation International Limited and its subsidiaries together are referred to in these financial statements as the “consolidated entity” or “Group”.

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

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

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

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2016

In the year ended 30 June 2016, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

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

Standards and Interpretations in issue not yet adopted

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Company accounting policies.

Standards and Interpretations in issue not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

- *AASB 9 Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018).*

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

Amendments to AASB 9 (December 2009 & 2010 editions) (AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.

- a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
 - The remaining change is presented in profit or loss

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

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in December 2014.

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on or after 1 January 2015.

Based on the financial assets and liabilities currently held, the Group does not anticipate any impact on the financial statements upon adoption of this standard. The Group does not presently engage in hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

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

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

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

There will be no impact on the Group's financial position or performance.

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

The key features of AASB 16 are as follows:

Lessee accounting

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

IFRS 16 contains disclosure requirements for lessees.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Lessor accounting

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

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.

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

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

(c) **Income Tax**

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

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

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

(d) **Plant and equipment**

Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 2 to 5 years.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not shown in the accounts at a value in excess of the recoverable amount from assets.

(e) **Financial instruments**

Classification

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

Financial assets at fair value through profit and loss

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after 30 June 2016 which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held-to-maturity investments

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

Available-for-sale financial assets

Available-for-sale financial assets, principally comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of 30 June 2016.

Recognition and derecognition

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

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

Subsequent measurement

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

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

Fair value

The fair values of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), the company establishes fair value by using valuation techniques.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Impairment

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

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

(h) Revenue recognition

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

(i) Trade and other payables

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

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

(j) Provisions

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

Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly costs are determined on the basis that the restoration will be completed within one year of abandoning the site.

(k) Employee benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(l) Borrowings

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

(m) Contributed equity

Ordinary shares are classified as equity.

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

(n) Share based payments

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

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

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

(o) Segment reporting

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

(p) Earnings per share

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

(q) Significant Accounting Judgements, Estimates and Assumptions

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

i. Deferred Tax

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

ii. Share-based payment arrangements

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

iii. Employee provisions

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

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

3. REVERSE ACQUISITION ACCOUNTING TREATMENT

MSM made a takeover offer for all of the securities in Megastar. The takeover offer was affected through an off-market takeover bid for all of the ordinary shares in Megastar on the basis of 1.079 MSM shares for every 1 Megastar share held.

Under the acquisition, MSM acquired all of the shares in Megastar by issuing 75,000,000 shares in MSM to Megastar shareholders, giving Megastar a controlling interest in MSM and equating to a controlling interest in the combined entity. Megastar was thus deemed the acquirer for accounting purposes as it owned 63.06% of the consolidated entity. The acquisition of Megastar by MSM (legal acquirer) is not deemed to be a business combination, as MSM is not considered a business under AASB 3: Business Combinations.

As such the consolidation of these two companies reflects the continuation of Megastar with no fair value adjustments, whereby Megastar was deemed to be the accounting parent. Therefore the most appropriate treatment for the transaction was to account for it under AASB 2: Share Based Payments (AASB 2), whereby Megastar is deemed to have issued shares in exchange for the net assets and listing status of MSM.

In this instance, the value of the MSM shares provided has been determined as the notional number of equity instruments that the shareholders of Megastar would have had to issue to MSM to give the owners of MSM the same percentage ownership in the combined entity. This has been determined to be \$2,636,304.

The pre-acquisition equity balances of MSM are eliminated against this increase in Share capital of \$4,500,000 on consolidation. The balance is deemed to be the amount paid for the listing status of MSM, being \$2,335,265 (recognised as a share based payment in the Statement of Profit or Loss and Other Comprehensive Income). This is tabled below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	\$
<i>Deemed Share Based Payment</i>	2,636,304
<i>Net fair value in MSM at Acquisition date</i>	<u>(301,039)</u>
<i>Share Based Payment – Acquisition</i>	<u>2,335,265</u>
Assets and Liabilities Acquired	
Cash	94,636
Plant and equipment	13
Loan receivable	135,000
GST receivable	83,235
Other debtors and prepayments	<u>121</u>
	<u>313,005</u>
Trade and other payables	<u>11,966</u>
	<u>11,966</u>
Net Assets	<u>301,039</u>

The equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of MSM, including the equity instruments issued by MSM to effect the acquisition.

As part of the acquisition consideration the vendors of Megastar have been issued with 100 million Performance Shares. The Performance Shares have the following vesting conditions:

- 50 million Performance Shares will convert into 50 million Ordinary Shares if the Company achieves \$5 million in earnings before interest, tax, depreciation and amortization (EBITDA) or the Megastar platform achieves a number of unique registered users of at least 1 million on or before 3 years from the date of issue; and
- 50 million Performance Shares will convert into 50 million Ordinary Shares if the Company achieves \$15 million in EBITDA or the Megastar platform achieves a number of unique registered users of at least 2 million on or before 5 years from the date of issue.

The performance shares were issued as part of the consideration for the Megastar acquisition, and accordingly the value attributable to these shares is incorporated into the acquisition share based payment amount recognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. CONVERTIBLE NOTES

	2016 \$	Company 30 June 2015 \$
Convertible Notes – Sophisticated Investors (held at fair value)	-	1,578,763

On 23 March 2015, the Company entered into convertible note funding arrangements with a variety of investors which totalled \$800,000. The funding arrangement comprised 8,000 notes, each at \$100. These notes contained complex conversion features which constituted embedded derivatives.

The fair value of this liability and the associated embedded derivatives was fair valued at each reporting date. As at 30 June 2015, the fair value was determined to be \$1,578,763 which resulted in a fair value loss of \$778,763 recognised in the profit or loss in relation to finance costs for the 30 June 2015 period. In addition, an interest expense of \$21,699 was recognised as a finance cost in profit and loss for the period ended 30 June 2015. The fair value determination was by reference to the intrinsic value contained in the share price conversion feature, as well as the fair value of the attaching options. The options were valued at reporting date using the Black-Scholes option pricing model.

On 29 December 2015, the Company issued 25,000,000 ordinary shares at \$0.064 on conversion. The fair value of the equity issued, on issue date was \$1,600,000 (Refer to Note 10). The fair value of equity issued was by direct reference to the market price of the equity on issue date. The Company also issued 25,000,000 free attaching options which have an exercise price of \$0.10 and an expiry of 7 November 2019. The Company has internally measured the fair value of the options granted by adopting a Black-Scholes option pricing model at \$979,652.

The model inputs are shown in the table below.

Black-Scholes Option Pricing Model	
Date of grant	29/12/2015
Date of expiry	7/11/2019
Exercise price	\$0.10
Underlying share price (at issue date)	\$0.064
Risk free interest rate	2.0%
Volatility	100%
Years to expiry	3.9 years
Number of options granted	25,000,000
Fair value of options	\$979,652

The options above vested immediately and the conversion of these notes to shares and options during the period (per above) resulted in a fair value loss of \$979,652 recognised in the profit or loss in relation to finance costs. This fair value movement represents the movement in the fair value of the liability as at 30 June 2015 (\$1,578,763) and the fair value of the equity granted on settlement date (\$2,579,652).

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. SHARE BASED PAYMENTS

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

	2016 \$	2015 \$
<i>Recognised as a share based payment expense:</i>		
Options issued to Employees (Note 5(a))	7,034	-
Options issued to Key Management Personnel (Note 5(a))	494,159	-
Options issued for consulting services (Note 5(a))	235,116	-
Equity options issued to Employees (Note 5(c))	47,238	-
Shares issued to Employees (Note 5(b))	911,093	-
Reverse acquisition (Note 3)	2,335,265	-
Total share based payment expense	4,029,905	-
<i>Recognised as an administration expense:</i>		
Shares issued for corporate services (Note 5(b))	40,020	-
Total recognised in administration expenses	40,020	-
<i>Recognised in equity as capital raising expenses:</i>		
Options issued for corporate services (Note 5(a))	548,000	-
Total recognised in equity as capital raising expenses	548,000	-

(a) Fair value of options granted during the year

Consideration for corporate services

On 29 December 2015, the Company issued 14,000,000 options to Brokers in relation to the prospectus. The fair value of the services received was unable to be determined and accordingly the expense recognised was by reference to the fair value of equity granted. The Company has internally measured the fair value of the options granted by adopting a Black-Scholes option pricing model. The model inputs are shown in the table below.

Black-Scholes Option Pricing Model	
Date of grant	29/12/2015
Date of expiry	7/11/2019
Exercise price	\$0.10
Underlying share price (at issue date)	\$0.064
Risk free interest rate	2.0%
Volatility	100%
Years to expiry	3.9 years
Number of options granted	14,000,000
Fair value of options	\$548,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

The options vested immediately and therefore the share based payment recognised is \$548,000. As these services related to share capital, these costs have been accounted for as capital raising costs under equity, with a corresponding increase in the Option Premium Reserve.

Options issued to employees

On 1 March 2016, the Company issued 900,000 unlisted options to three US Advisory Board members as part of their appointment remuneration package. The Company has internally measured the fair value of options granted by adopting a Black-Scholes option pricing model. The model inputs are shown in the table below.

Black-Scholes Option Pricing Model	
Date of grant	01/03/2016
Date of expiry	18/03/2020
Exercise price	\$0.15
Underlying share price (at issue date)	\$0.09
Risk free interest rate	1.58%
Volatility	94%
Years to expiry	4.05 years
Number of options granted	900,000
Fair value of options	\$46,623

The options above vest on 12 May 2018 and have therefore been expensed over the vesting period. As a result, a share based payment expense of \$7,034 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the current year.

Options issued to Key Management Personnel

On 26 April 2016, the Company entered into an agreement to issue 2 million unlisted options to Sophie McGill as part of her appointment remuneration package. These options are exercisable at \$0.125 on or before 18 March 2020 and will vest in six equal instalments (333,334 options) over a 3 year period. These options are subject to shareholder approval at the Company's 2016 Annual General Meeting.

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

Black-Scholes Option Pricing Model	
Date of grant	26/04/2016
Date of expiry	18/03/2020
Exercise price	\$0.125
Underlying share price (at issue date)	\$0.125
Risk free interest rate	1.57%
Volatility	94%
Years to expiry	3.9 years
Number of options granted	2,000,000
Fair value of options	\$164,310

NOTES TO THE FINANCIAL STATEMENTS (continued)

The options vest over six equal instalments over a 3 year period and therefore the share based payment expense has been recognised over the respective vesting period of each instalment. As a result, a share based payment expense of \$23,927 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the current year.

On 29 December 2015, the Company issued 12 million unlisted options to Dion Sullivan (6 million) and Adam Wellisch (6 million) as part of their remuneration package in connection with the reverse acquisition. These options are exercisable at \$0.10 on or before 7 November 2019. The Company has internally measured the fair value of options granted by adopting a Black-Scholes option pricing model. The model inputs are shown in the table below.

Options issued to Webstar Group International Limited

On 29 December 2015, the Company issued 6 million unlisted options to Webstar Group International Limited for services rendered in connection with the reverse acquisition. These options are exercisable at \$0.10 on or before 7 November 2019. The Company has internally measured the fair value of options granted by adopting a Black-Scholes option pricing model. The model inputs are shown in the table below.

Black-Scholes Option Pricing Model	
Date of grant	29/12/2015
Date of expiry	7/11/2019
Exercise price	\$0.10
Underlying share price (at issue date)	\$0.064
Risk free interest rate	2.0%
Volatility	100%
Years to expiry	3.9 years
Number of options granted	18,000,000
Fair value of options	\$705,348

The options vest immediately, and as a result, a share based payment expense of \$705,348 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income. \$470,232 of this amount related to Key Management Personnel and the remaining \$235,116 related to corporate services.

(b) Fair value of shares granted during the year

On 29 December 2015, the Company issued 12,500,000 shares to Doug Barry, Chairman of MSM's US operations, and 1,735,836 shares to Mr John Baldecchi and Michael Pole as members of the MSM US Advisory Board in consideration for services.

The fair value of equity granted was by reference to the market price on grant date, \$0.064 per share. This resulted in a share based payment expense of \$911,093 being recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

On 29 June 2016, the Company issued 666,667 shares to unrelated parties in consideration for services.

The fair value of equity granted was by reference to the fair value of services received. As a result, an expense of \$40,020 was recognised in the Statement of Profit or Loss and Other Comprehensive Income under administration expenses.

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

During 2016, the Company issued various 'option equity' components as part of the remuneration package offered to employees 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 48 months (4 years), in equal instalments.

Under the 'option equity' agreements, eligible employees are entitled to 6,737,790 shares in the Company.

The fair value of equity instruments granted is valued by direct reference to the total equity contributed in the Company at grant date and the respective share price on grant date. These options are intended to be issued under the Company's Employee Option Plan to be put to shareholders for approval at the Company's 2016 Annual General Meeting.

As the equity option vests over 48 months, the share based payment expense has been expensed over this vesting period. As a result, a share based payment expense of \$47,238 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The weighted average remaining contractual life of the options outstanding as at 30 June 2016 is 3.3 years (30 June 2015: nil).

	2016 \$	Company 30 June 2015 \$
6. REVENUE AND EXPENSES		
(a) Revenue and other income		
Interest and other income	29,230	-
	<u>29,230</u>	<u>-</u>
(b) Expenses		
Finance costs - convertible notes (Note 4)	979,652	800,462
Finance costs – other	5,181	-
Employees benefits expense	26,283	-
Administration expense	947,566	162,266
Wages, salaries, directors fees and other remuneration expenses	498,573	35,553
	<u>2,457,255</u>	<u>998,281</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2016 \$	Company 30 June 2015 \$
7. INCOME TAX EXPENSE		
(a) Income Tax Expense		
Current tax expense	-	-
Deferred tax expense	-	-
	<u>-</u>	<u>-</u>
(b) Reconciliation of income tax to prima facie tax payable:		
Loss before tax	(8,491,150)	(1,126,318)
Income tax expense/(benefit) @30% (2015: 30%)	(2,547,345)	(337,895)
Permanent differences	1,326,671	233,629
Current year tax loss not recognised	1,209,870	59,345
Timing differences not recognised	228,361	44,921
Differences in tax rate of subsidiaries operating in other jurisdictions	(217,557)	-
Total tax expense	<u>-</u>	<u>-</u>
(c) Unrecognised Deferred Tax Asset relates to:		
Tax losses	2,017,391	59,345
Other timing differences	324,145	44,921
	<u>2,341,536</u>	<u>104,266</u>

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

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

8. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,584,229	652,954
Short-term bank deposits	2,500,000	-
	<u>4,084,229</u>	<u>652,954</u>

The effective interest rate on short-term bank deposits was 2.15%; these deposits have an average maturity of 11 days.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2016 \$	Company 30 June 2015 \$
9. OTHER ASSETS		
Other receivables	99,263	-
GST recoverable	40,288	16,398
Prepayments	33,602	-
	<u>173,153</u>	<u>16,398</u>

These amounts generally arise from transactions relating to operating activities. No interest is chargeable and collateral is not normally obtained. These receivables are not considered to be impaired as repayment is expected to occur or has occurred. Refer to Note 18 for the Company's risk management policy. As at 30 June 2016, no trade receivables were past due or impaired.

10. FINANCIAL ASSETS

Unlisted investments at cost	<u>538,003</u>	<u>-</u>
------------------------------	----------------	----------

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.

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

- The payment of US\$100,000 on 7 August 2015; and
- US\$200,000 (A\$269,139) in the form of either cash or MSM shares, at MSM's election. This is accounted for under Trade and Other Payables (Note 11).

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\$34,000 (AUD\$47,854).

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

Management have determined there are no impairment indicators which would suggest the investments are impaired.

Refer Note 18 for the Company's foreign currency risk management policy.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2016 \$	Company 30 June 2015 \$
11. TRADE AND OTHER PAYABLES		
Trade creditors	256,840	120,857
Accruals	102,491	5,000
Other payables (Note 10)	269,139	-
Accrued interest	-	21,699
Total trade and other payables	<u>628,470</u>	<u>147,556</u>

These amounts generally arise from transactions relating to operating activities. No interest is chargeable and collateral is not normally obtained. This payable is not considered to be impaired as repayment is expected to occur or has occurred. Refer to Note 18 for the Company's risk management policy. All amounts are expected to be settled within 12 months.

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

12. PROVISIONS

Provision for employee benefits	66,944	-
Total provisions	<u>66,944</u>	<u>-</u>

13. CONTRIBUTED EQUITY

Shares – 30 June 2016	\$	No. of Shares	Amount per share
Issued and paid up capital			
Movements in issued and paid up capital			
Balance at beginning of period	69,351	-	-
Fully paid ordinary share capital of MSM	-	43,938,596	-
Proceeds from shares issued under the public offer	7,000,000	116,666,667	\$0.060
Deemed share based payment (Note 3)	2,636,304	75,000,000	\$0.035
Shares issued for the conversion of convertible notes	1,600,000	25,000,000	\$0.064
Share based payments (Note 5)	911,094	14,235,739	\$0.064
Share based payments (Note 5)	40,020	666,667	\$0.060
Shares issued on conversion of options	129,444	1,294,441	\$0.100
Capital raising costs	<u>(1,137,113)</u>	-	-
Total issued and paid up capital at the end of the period	<u>11,249,100</u>	<u>276,802,110</u>	

NOTES TO THE FINANCIAL STATEMENTS (continued)

Shares – 30 June 2015	\$	No. of Shares	Amount per share
Issued and paid up capital			
Movements in issued and paid up capital			
Balance at beginning of period	-	-	
Founder share issued	1	1	
Proceeds from shares issued	1,950	19,500,000	
Proceeds from shares issued	100,000	50,000,000	
Capital raising costs	(32,600)	-	
Total issued and paid up capital at the end of the period	69,351	69,500,001	

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

For information relating to share options issued to key management personnel during the financial year, refer to Note 5.

	2016 \$	Company 30 June 2015 \$
14. BASIC LOSS PER SHARE		
Basic loss per share	(0.05)	(0.05)
Diluted loss per share	(0.05)	(0.05)
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:		
Net loss	(8,491,150)	(1,126,318)
	Number	Number
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	175,825,172	22,720,993

(i) The prior year weighted average number of ordinary shares has been adjusted to reflect the reverse acquisition. Refer Note 3 for further detail.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2016 \$	Company 30 June 2015 \$
15. RESERVES		
Option Premium Reserve		
Value of broker options issued (Note 5(a))	548,000	-
Options issued for the conversion of convertible notes (Note 4)	979,652	-
Options issued to key management personnel	501,193	-
Options issued to other employees (Note 5(c))	47,238	-
Options issued for services rendered (Note 5(a))	235,116	-
	<u>2,311,199</u>	<u>-</u>
Foreign Exchange Translation Reserve		
Exchange differences on foreign operations	185,483	-
Total Reserves	<u>2,496,682</u>	<u>-</u>
16. OPERATING SEGMENTS		
The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded at this time that there are no separately identifiable segments.		
17. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash and cash equivalents		
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	<u>4,084,229</u>	<u>652,954</u>
(b) Reconciliation of profit for the year to net cash flows from operating activities		
Loss for the year after tax	(8,491,150)	(1,126,318)
Share based payments	4,029,905	
Finance costs	984,333	778,763
<i>Changes in assets and liabilities</i>		
(Increase)/Decrease in trade and other receivables	(97,678)	(16,398)
(Increase)/Decrease in other current assets	(33,602)	-
Increase/(Decrease) in trade and other payables	480,914	147,556
Increase/(Decrease) in provisions	66,944	-
Net cash used in operating activities	<u>(3,059,834)</u>	<u>(216,397)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. FINANCIAL INSTRUMENTS

(a) Capital Risk Management

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

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and accumulated losses as disclosed in Note 13.

(b) Financial Risk Management

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

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

(c) Categories of Financial Instruments

	2016 \$	Company 30 June 2015 \$
Financial Assets		
Cash and cash equivalents	4,084,229	652,954
Trade and other receivables	173,153	16,398
Financial assets	538,003	-
Total Financial Assets	4,795,385	669,352
Financial Liabilities		
Trade and other payables	628,470	147,556
Borrowings	-	1,578,763
Total Financial Liabilities	628,470	1,726,319
Net Financial Assets (Liabilities)	4,166,915	(1,056,967)

(d) Foreign Currency Risk

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

The Company's exposure to currency risk at 30 June 2016 was \$538,003 (2015: \$Nil) on investments denominated in United States dollars. The effect of future movements in the exchange rate for United States dollars on the Company's financial position and results of its activities is likely to be negligible.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(e) Credit Risk Management

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

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

(f) Fair Value of Financial Instruments

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The carrying amount approximates fair value because of their short term to maturity; and
- the fair value of short term financial liabilities and approximates because of their short term to maturity; and
- the fair value of long term finance borrowings is estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

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

(g) Interest rate risk management

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

Interest rate sensitivity analysis

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

At reporting date, if the interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's net profit would have been increased by \$20,421 and decreased by \$20,421 respectively. This is attributable to the Company's exposure to interest rates on its variable rate deposits.

(h) Liquidity risk management

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Maturity Profile of Financial Instruments

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

	Average Interest Rate %	Less than 1 year \$	1 to 5 years \$	5+ years \$	Total \$
2016					
<u>Financial Liabilities</u>					
Trade payables	Nil	628,470	-	-	628,470
2015					
<u>Financial Liabilities</u>					
Trade payables	Nil	147,556	-	-	147,556
Borrowings	Nil	1,578,763	-	-	1,578,763

19. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2016 \$	2015 \$
Short-term employee benefits	338,384	55,000
Post-employment benefits	-	-
Share based payments	494,159	-
	<u>832,543</u>	<u>55,000</u>

20. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 19 to the financial statements.

(ii) Loans to key management personnel

There were no loans granted to key management personnel during the financial year (2015: Nil)

(b) Other transactions with Directors and Director related entities

Performance shares were issued to KMP as part of the remuneration for the reverse acquisition transaction as set out in the table on page 18.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

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

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

(c) Controlled entities

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

	Equity Interest 2016 %	Equity Interest 2015 %
Megastar Millionaire Pty Ltd	100	-
MSM Music, Inc. (incorporated in Delaware, USA)	100	-
MSM Holdings Pte Ltd (incorporated in Singapore)	100	-

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

21. REMUNERATION OF AUDITORS

	2016 \$	2015 \$
Audit or review of the financial report - BDO Audit (WA) Pty Ltd	44,369	32,556
Taxation and other services - BDO Corporate Tax (WA) Pty Ltd and BDO Corporate Finance (WA) Pty Ltd	16,906	-
	<u>61,275</u>	<u>32,556</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. PARENT ENTITY FINANCIAL INFORMATION

The following details information related to the parent entity, MSM Corporation International Limited, at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	2016 \$	2015* \$
Financial Position		
<i>Assets</i>		
Current Assets	3,876,688	613,452
Non-Current Assets	947,041	343,736
Total Assets	4,823,729	957,188
<i>Liabilities</i>		
Current Liabilities	166,947	50,066
Total Liabilities	166,947	50,066
Net Assets (Liabilities)	4,656,782	907,122
<i>Equity</i>		
Issued capital	11,249,100	138,104,297
Reserves	2,496,682	101,210
Accumulated losses	(9,089,000)	(137,298,385)
Total Equity	4,656,782	907,122

*Note: The 2015 comparatives for the parent entity disclosed are for the legal entity MSM Corporation International Limited (formerly Minerals Corporation Limited)

	2016 \$	2015* \$
Financial Performance		
Loss for the year	(9,089,000)	(724,890)
Other comprehensive income	-	-
Total comprehensive loss	(9,089,000)	(724,890)

*Note: The 2015 comparatives for the parent entity disclosed are for the legal entity MSM Corporation International Limited (formerly Minerals Corporation Limited)

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

MSM Corporation International Limited had no commitments or contingent liabilities at year end other than those disclosed in Notes 23 and 24.

23. COMMITMENTS

As part of the acquisition transaction with Minerals Corporation Limited, the Company continues to be liable for payment of tenement expenditure in relation to EPM 4068 until such time as the Queensland Department of Natural Resources and Mines grant the Mineral Development Licence. The quarterly commitment is \$12,500.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Under the terms of the agreement to acquire an equity interest in WinWin Holdings Pty Ltd (Note 10), the Company has committed to provide services under the terms of a software development agreement to the value of \$152,146. It is anticipated that the services will be rendered during the first half of the 2017 financial year.

Operating Lease Commitments

	2016 \$	2015 \$
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments		
– Not later than 12 months	1,673	-
– Later than 12 months	-	-
	<u>1,673</u>	<u>-</u>

24. CONTINGENT LIABILITIES

There are no contingent liabilities requiring disclosure in the financial report.

25. SUBSEQUENT EVENTS

In July 2016, the Company announced that it had successfully delivered its next platform development milestone, with the completion of independent third-party commissioned quantitative research by Hub Entertainment Research.

Since the end of the year, 10,065,947 ordinary shares have been issued as a result of the exercise of options at \$0.10 each, increasing the Company's issued share capital by \$1,006,595.

On 14 September 2016, the Company announced that it had completed a successful placement, raising \$4.882M before costs to accelerate the development of the Megastar Millionaire competition platform. The placement involved the issue of 17,435,714 fully paid ordinary shares at an issue price of \$0.28 per share.

On 15 September 2016, the Company announced that it had appointed EAS Advisors LLC to provide equity capital market services and assist the Company with building its investor profile in the USA.

On 20 September 2016, the Company issued the following options:

- 6,000,000 exercisable at \$0.35 on or before 19 September 2018, vesting 19 March 2017;
- 1,500,000 exercisable at \$0.40 on or before 19 September 2019, vesting 19 March 2017;
- 1,500,000 exercisable at \$0.45 on or before 19 September 2019, vesting 19 March 2017; and
- 1,500,000 exercisable at \$0.55 on or before 19 September 2019, vesting 19 March 2017.

Other than the above, there have been no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:

- the Company's operations in future years; or
- the results of those operations in future years; or
- the Company's state of affairs in future years.

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year then ended; and
 - c. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

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

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

Adam Wellisch

Chairman

30 September 2016

INDEPENDENT AUDITOR'S REPORT

To the members of MSM Corporation International Limited

Report on the Financial Report

We have audited the accompanying financial report of MSM Corporation International Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



Independence

In conducting our audit, 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 MSM Corporation International Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of MSM Corporation International Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 and 19 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of MSM Corporation International Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, larger 'BDO' logo.

Dean Just

Director

Perth, 30 September 2016

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 28 September 2016.

Distribution of Equity Securities	Number of Shareholders
1 - 1,000	1,010
1,001 - 5,000	158
5,001 - 10,000	114
10,001 - 100,000	462
100,001 and over	328
	<u>2,072</u>
Holding less than a marketable parcel	<u>1,051</u>

Ordinary Share Capital

304,303,872 fully paid, ordinary shares are held by 2,072 individual shareholders.

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

Substantial Shareholders	No. of Ordinary Shares in which Interest is Held	%
As at 28 September 2016, the register of substantial shareholders disclosed the following information:		
Douglas Barry	16,546,763	5.44

Ordinary Shareholders

Douglas Barry <Douglas C Barry A/C>	16,546,763	5.44
South West Investment Holdings Pty Ltd <South West A/C>	11,098,021	3.65
David Charles Neesham + Pamela Christine Neesham <DC & PC Neesham Super A/C>	10,419,452	3.42
Citicorp Nominees Pty Limited	10,096,189	3.32
Mr Adam Geoffrey Wellisch <The Welson Family A/C>	9,712,230	3.19
UBS Nominees Pty Ltd	8,283,333	2.72
Zero Nominees Pty Ltd	7,306,587	2.40
Lobster Beach Pty Ltd	7,156,070	2.35
Dion Matthew Sullivan	7,014,388	2.31
Alitime Nominees Pty Ltd <Honeyham Family A/C>	6,165,647	2.03
Tranaj Nominees Pty Ltd <Ft Family A/C>	5,395,684	1.77
Mr Shaun Bain + Mrs Angelique Bain <S & A Family A/C>	5,395,683	1.77
Sisu International Pty Ltd	5,029,167	1.65
Blackwall Investments Pty Ltd	4,856,115	1.60
Beretta Nickel Pty Ltd	4,856,115	1.60
Wow Its A Log Pty Ltd <Olloch Family A/C>	4,007,194	1.32
Cs Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	3,904,740	1.28
Slade Technologies Pty Ltd <Embrey Family Superfund A/C>	3,666,667	1.20
Richsham Nominees Pty Ltd	3,216,664	1.06
Alignment Capital Pty Ltd	3,000,000	0.99
	<u>137,126,709</u>	<u>45.06</u>

ASX ADDITIONAL INFORMATION *(continued)*

Unquoted Equity Securities	Number on Issue	Number of Holders
Options exercisable at \$0.10 expiring 7 November 2019	71,547,683	83
Options exercisable at \$0.15 expiring 18 March 2020	900,000	3
Options exercisable at \$0.30 expiring 30 June 2017	757,576	1
Options exercisable at \$0.35 expiring 19 September 2018	6,000,000	13
Options exercisable at \$0.40 expiring 19 September 2019	1,500,000	1
Options exercisable at \$0.45 expiring 19 September 2019	1,500,000	1
Options exercisable at \$0.55 expiring 19 September 2019	1,500,000	1
Class A Performance Shares	50,000,000	20
Class B Performance Shares	50,000,000	20

Holders of 20% or more of Unquoted Options	Number Held	Percentage
<i>900,000 Options exercisable at \$0.15 expiring 18 March 2020</i>		
Name: Jon Kraft	300,000	33%
Name: Jen Herman	300,000	33%
Name: Antonio Molins	300,000	33%
<i>757,576 Options exercisable at \$0.30 expiring 31 December 2015</i>		
Name: Zenix Nominees Pty Ltd	757,576	100%
<i>6,000,000 Options exercisable at \$0.35 expiring 19 September 2018</i>		
Name: South Creek Investments Limited	2,000,000	33%
<i>1,500,000 Options exercisable at \$0.40 expiring 19 September 2019</i>		
Name: EAS Advisors LLC	1,500,000	100%
<i>1,500,000 Options exercisable at \$0.45 expiring 19 September 2019</i>		
Name: EAS Advisors LLC	1,500,000	100%
<i>1,500,000 Options exercisable at \$0.55 expiring 19 September 2019</i>		
Name: EAS Advisors LLC	1,500,000	100%

On Market Buy-Back

There is no current on-market buy-back.

Company Secretary

The name of the Company Secretary is Mark Clements.

Principal Registered Office

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

Registers of Securities

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

ASX ADDITIONAL INFORMATION (continued)

Stock Exchange Listing

Australian Securities Exchange Ltd.

Securities Subject to Escrow

	Number	Escrow Date
Fully Paid Ordinary Shares	89,235,836	13 January 2018
Unlisted \$0.10 options expiring 7 November 2019	25,000,000	29 December 2016
Unlisted \$0.10 options expiring 7 November 2019	32,000,000	13 January 2018
Performance Shares A	50,000,000	13 January 2018
Performance Shares B	50,000,000	13 January 2018

Tenement Schedule

EPM 4068 (20%)