



MSM CORPORATION INTERNATIONAL LIMITED

ABN 51 002 529 160

INTERIM FINANCIAL REPORT
31 DECEMBER 2019

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COMPANY INFORMATION

DIRECTORS

Mr Antoine Massad
(Non-Executive Chairman)

Mr Adam Wellisch
(Non-Executive Director)

Mr Chris Jones
(Non-Executive Director)

Mr Mark Clements
(Non-Executive Director)

COMPANY SECRETARY

Mr Mark Clements

REGISTERED OFFICE

Level 8, 90 Collins Street
MELBOURNE VIC 3000

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

SECURITIES EXCHANGE

ASX

HOME EXCHANGE

Melbourne

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

ASX CODE

MSM

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by MSM Corporation International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT (continued)

The Directors present their report on the consolidated entity consisting of MSM Corporation International Limited and the entities it controlled at the end of or during the half year ended 31 December 2019 (“**MSM**” or “**the Company**”) and the Independent Auditor’s Review Report thereon.

DIRECTORS DETAILS

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

Mr Antoine Massad (*Non-Executive Chairman*) *appointed 20 December 2019*
Mr Adam Wellisch (*Non-Executive Director*)
Mr Chris Jones (*Non-Executive Director*)
Mr Mark Clements (*Non-Executive Director*)

REVIEW AND RESULTS OF OPERATIONS

During the period, the Company progressed the strategy to deliver shareholder value through the acquisition, development and operation of digital entertainment products that drive revenue through the Megastar Platform by strengthening the partnership and licensing strategy with The Riva Group and engaging with Firefly Games and YDigital Media who collectively are technology companies with a vast amount of mobile gaming development and IP expertise engaged to add functionality to the next release of the Megastar product with gamification, interactive video content and high-profile eSports talent.

On 15 July 2019, the Company announced it had executed a license agreement for utilization of the Company’s extensively built Megastar online platform for mobile gaming and Esports with the Riva Group’s subsidiary, Riva Technology and Entertainment Limited (RTE)(Licence). The Licensee will pay MSM US\$2,000,000 for the rights and use of the platform.

In addition, the Company announced it extended the terms of the Heads of Agreement (HOA) with Riva Digital FZ LLC (Riva) as announced on 4 June 2018. Under the terms of the varied HOA MSM will receive five milestone payments of US\$100,000 each over the next year around the continued development, gamification and localization of the platform for Indian consumers. As at 31 December 2019, the first milestone payment of US\$100,000 has been received. The agreed royalty of 5% of gross revenue derived from competitions with a minimum guarantee of US\$500,000 paid annually will continue after the milestone payments are completed.

On 29 August 2019, the Company announced it had engaged with YDigital Media, a technology company with some of the most innovative digital marketing solutions, responsible for developing award-winning campaigns for the top global brands, to add functionality to the Megastar platform post WWT1 findings around gamification and user interaction.

As at 31 December 2019, the Group has a net asset position of \$1,831,456 (30 June 2019: \$709,292) following the conversion of \$1,426,515 borrowings to equity (Note 10).

On 1 October 2019, the Company provided an update on the strategic partnership with Firefly Games Inc, (Firefly Games) through The Riva Group. Firefly Games partnered with Skydance Media, the producers of the Terminator movie and Camel Games to co-develop *Terminator: Dark Fate*, which was released in November 2019.

Terminator: Dark Fate is the culmination of a 2-year collaboration between Firefly Games and Skydance Media. The game is targeting global mobile gaming audiences and fans of the Terminator series for worldwide

release. It is a midcore free-to-play massively multiplayer online strategy game with a focus on player-versus-player combat and player alliances and is available worldwide on Apple and Google Play.

Camel Games, the co-developers are the creators of *War and Order* which has over 10 million downloads and is estimated to be generating revenue over US\$35 million per annum. (Downloads and estimated revenue data sourced from Google Play and Sensor Tower).

Firefly Games was founded in January of 2015 with a focus of developing and publishing IP based mobile gaming titles. Firefly Games together with The Riva Group are the developers and publishers of the DreamWorks Universe of Legends mobile game and other future game releases.

As announced on 26 November 2018, the Company has an equity position and secured, first ranking, interest free loan notes in RTE. RTE is close to finalising the acquisition of a majority equity interest in J&D Holdings Limited (J&D), which is the sole legal and beneficial owner of Firefly Games pursuant to a Share Purchase Agreement. The loan notes of US\$1.5M issued to the Company on 18 March 2019 were to be repaid by 31 December 2019 and the Company (along with other subscribers of the loan notes) have a priority right to be paid all profits or distributions received by RTE from J&D in repayment of the notes.

The Group had cash on hand of \$205,157 at the end of the period (30 June 2019: \$357,779). MSM will update the market upon cash inflows in relation to the varied Heads of Agreement (HOA) with Riva Digital FZ LLC which stipulates the Company will receive five milestone payments of US\$100,000 each over the next year around the continued development, gamification and localization of the platform for Indian consumers and the executed license agreement with RTE for utilization of the Company's extensively built Megastar online platform for mobile gaming and eSports which entitles the Company to US\$2,000,000 for the rights and use of the platform on a quarterly instalment basis over the coming 4 years.

In February 2020, The Riva Group confirmed that they will be making the following payments to the Company by 21 March 2020 - the second instalment of the Riva Digital HOA (US\$100,000) and US\$100,000 as the first repayment against the US\$1.5M loan notes with regular quarterly repayments to follow.

On 20 December 2019, the Board welcomed Mr Antoine Massad as Non-executive Chairman. Mr Massad has 30 years' experience in investing in alternative markets, in particular technology companies and funds for the past 10 years. His appointment is significant as the Company focusses on adding functionality to the Megastar platform post WWT1 findings around gamification and continuing to forge partnerships with The Riva Group and Firefly Games to target global mobile gaming audiences to drive shareholder returns.

Mr Massad previously held the role of CEO Asia & Middle East at Man Group PLC, one of the largest publicly traded hedge funds in the world, for over 20 years, followed by 3 years as Chairman of the Wealth Management Advisory Council of the Dubai International Financial Centre ("DIFC"), and subsequent similar positions at MAF Group and Union Bancaire Privee, managing multi-billion Dollar investment portfolios for institutional and high-net-worth clients.

He is currently Chairman of Single Family Office AJM International Ltd (2007 – present), incorporated in the DIFC and formerly Chairman of BECO Holdings, a Venture Capital firm focused on early stage technology companies in the Middle East most notably known for their early stage investment into Careem, a transportation network company based in Dubai which was sold for US\$3.1 billion to Uber and formerly CEO of ISAM Middle East, a provider of Quantitative Hedge Fund strategies.

Mr Massad currently sits on a number of Advisory Boards. As an active angel investor in technology start-ups, he works in partnership with one of the world's largest technology accelerators, Techstars, and independently has been running a mentorship program for several years. Focusing on the identification of entrepreneurs and providing strategic assistance, fuelling business growth and development, these programs build lasting relationships and create a culture of innovation fundamental to success, enabling founders and entrepreneurs

to scale and grow their businesses. He is currently Chairman of Humtap (humtap.com), an interactive, AI Music & Video Social Platform.

CORPORATE & FINANCIAL

During the half-year the Company incurred a loss after tax of \$1,184,176 (31 December 2018:\$72,897).

On 17 July 2019, the Company issued 205,714,286 shares at a deemed issue price of \$0.007 per share (fair value of \$0.009 per share) to convert previously issued convertible notes of \$1,440,000 (before costs) following approval at the Company's 2018 Annual General Meeting (Note 11).

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

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

In December 2019, the Company successfully completed an equity raising of \$137,237 (before costs) through the issue of 137,237,197 options exercisable at \$0.04 per share at an issue price of \$0.001 per option, exercisable on or before 27 December 2022. A further 18,234,232 options were issued to the Underwriter and Lead Manager pursuant to this capital raising and 4,666,667 fully paid ordinary shares to directors at a deemed issue price of \$0.015 per share (fair value per share of \$0.013) as consideration for services provided following shareholder approval at the Annual General Meeting held 29 November 2019.

EVENTS SUBSEQUENT TO THE END OF THE HALF-YEAR

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial periods, or
- b) the results of those operations in future financial periods, or
- c) the Group's state of affairs in future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this Directors' Report for the half-year ended 31 December 2019.

Signed in accordance with a resolution of the Directors.



Antoine Massad
Non-Executive Chairman
28 February 2020

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

As lead auditor for the review of MSM Corporation International Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		31 December 2019	31 December 2018
		\$	\$
Revenue from continuing operations	<i>Notes</i>		
In-App purchases		-	437
Interest income		61	935
Other income	4	68,000	1,382,678
		<u>68,061</u>	<u>1,384,050</u>
Expenses			
Finance cost		416,722	17,869
Administration expenses		555,153	136,571
Employee benefits and directors fees		131,857	457,084
Share based payments	3	34,784	(433,220)
Marketing expenditure		-	36,418
Project expenditure		113,721	553,742
Changes in fair value of investments at fair value	7	-	688,483
Loss from continuing operations before income tax expense		(1,184,176)	(72,897)
Income tax expense		-	-
Net loss from continuing operations after income tax expense		<u>(1,184,176)</u>	<u>(72,897)</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on foreign operations		234,597	(615,504)
Total comprehensive loss for the period		<u>(949,579)</u>	<u>(688,401)</u>
Loss for the period attributable to owners of the Company			
Total comprehensive loss for the period attributable to owners of the Company		<u>(949,579)</u>	<u>(688,401)</u>
Loss per share from continuing operations attributable to owners of the Company			
Basic loss per share	12	\$0.14	\$0.01

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		31 December 2019	30 June 2019
	<i>Notes</i>	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5	205,157	357,779
Other assets	6	76,577	119,172
Total Current Assets		<u>281,734</u>	<u>476,951</u>
Non-Current Assets			
Financial assets	7	2,141,022	2,138,885
Total Non-Current Assets		<u>2,141,022</u>	<u>2,138,885</u>
TOTAL ASSETS		<u>2,422,756</u>	<u>2,615,836</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	8	446,225	480,029
Contract Liability	9	145,075	-
Borrowings	10	-	1,426,515
Total Current Liabilities		<u>591,300</u>	<u>1,906,544</u>
TOTAL LIABILITIES		<u>591,300</u>	<u>1,906,544</u>
NET ASSETS		<u>1,831,456</u>	<u>709,292</u>
EQUITY			
Issued capital	11	38,064,340	36,182,851
Reserves	13	6,883,469	6,458,618
Accumulated losses		<u>(43,116,353)</u>	<u>(41,932,177)</u>
TOTAL EQUITY		<u>1,831,456</u>	<u>709,292</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2019	36,182,851	6,458,619	(41,932,177)	709,292
Net loss for the period	-	-	(1,184,176)	(1,184,176)
Other comprehensive income/(loss)	-	234,597	-	234,597
Total comprehensive income/(loss) for the period	-	234,597	(1,184,176)	(949,579)
Transactions with owners in their capacity as owners				
Issue of shares	1,912,095	-	-	1,912,095
Issue of options	-	155,469	-	155,469
Share based payments	-	34,784	-	34,784
Capital raising expenses	(30,606)	-	-	(30,606)
Total transactions with owners and other transfers	1,881,489	190,253	-	2,071,742
Balance at 31 December 2019	38,064,340	6,883,469	(43,116,353)	1,831,456
Balance at 1 July 2018	31,903,556	7,574,220	(41,508,961)	(2,031,185)
Net loss for the period	-	-	(72,897)	(72,897)
Other comprehensive loss	-	(615,504)	-	(615,504)
Total comprehensive income/(loss) for the period	-	(615,504)	(72,897)	(688,401)
Transactions with owners in their capacity as owners				
Issue of shares	3,993,570	-	-	3,993,570
Share based payments	88,000	(521,220)	-	(433,220)
Capital raising expenses	(144,032)	-	-	(144,032)
Total transactions with owners and other transfers	3,937,538	(521,220)	-	3,416,318
Balance at 31 December 2018	35,841,094	6,437,496	(41,581,858)	696,732

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities		
Cash receipts from customers	-	437
Interest received	61	935
Project development receipts	145,075	-
Project development payments	(102,306)	(518,265)
Payments to suppliers and employees	(332,691)	(1,369,850)
Net cash outflow from operating activities	<u>(289,861)</u>	<u>(1,886,473)</u>
Cash flows from investing activities		
Payments for deposits	-	(1,382,501)
Net cash outflows from investing activities	<u>-</u>	<u>(1,382,501)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	3,537,000
Proceeds from issue of options	137,237	-
Capital raising costs	-	(144,032)
Proceeds from convertible loans	-	870,000
Repayment of short term loans	-	(154,850)
Net cash inflows from financing activities	<u>137,237</u>	<u>4,108,118</u>
Net increase/(decrease) in cash and cash equivalents	(152,623)	839,143
Cash and cash equivalents at the beginning of the financial period	357,779	303,875
Cash at the end of the financial period	<u><u>205,157</u></u>	<u><u>1,143,018</u></u>

Non-cash financing activities

During the period ended 31 December 2019, 205,714,286 ordinary shares in the Company were issued on conversion of \$1,440,000 in convertible notes. Refer to note 10 and 11.

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

Note 1: CORPORATE INFORMATION

The Financial Report of MSM Corporation International Limited and its associated entities (“**MSM**” or “**the Company**”) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 28 February 2020.

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

Note 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

(a) Basis of preparation

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

(b) Accounting policies and methods of computation

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

(c) New and amended standards adopted by the entity

The Group has adopted all of the new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. For the period ended 31 December 2019, the following standard has been adopted:

- AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 Leases and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position as of 1 July 2019. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not significantly change how a lessor accounts for leases.

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

AASB 16 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact from adoption as at 1 July 2019 as the Group does not have any lease arrangements as at 31 December 2019.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

(e) Significant Accounting Estimates and Judgements

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019.

New accounting policy adopted during the period:

(f) Contract Liabilities

AASB 15 *Revenue from contracts with customers* uses the term contract liability to describe what was previously referred to as deferred or unearned revenue. Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

(g) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the half-year ended 31 December 2019 the Group incurred a net loss of \$1,184,176 (31 December 2018: \$72,897).

As at the date of this report, the Group held cash at bank of \$78,397. From the trade and other payables outstanding at the date of this report (\$136,346), \$85,709 relate to related parties which have indicated they will continue to support the Company and will not demand payment for the next 12 months. Trade creditors totalling \$50,637 payable to non related entities are overdue.

In the prior period, The Group has also invested US\$1,500,000 (A\$2,141,022) in an interest free, secured loan note issued by RIVA Technology and Entertainment Limited ('RTE') payable on 31 December 2019. In February 2020, The Riva Group confirmed that they will be making a payment of US\$100,000 as the first repayment against the loan notes with regular quarterly repayments to follow. RTE is a subsidiary of The Riva Group which was founded in 2002, with Headquarters in Dubai and offices across the world from the USA to East Asia; The Riva Group have successfully been delivering the vision of tomorrow for over 15 years. The Riva Group of companies hold an industry advantage in their ability to take every project from concept to execution all housed under one roof. The complementary divisions cover: creative design and development of theme parks, brand and Intellectual Property licensing, 3D animation and visual effects for films, games and TV content. The Riva Group recently played an instrumental role in the concept, design and development of major theme parks in the middle east, based on world class IP licenses. The concepts for one of the parks was inspired by The Riva Group's Chairman; Mr Paul Roy and his Mumbai based celebrity partners who specialise in directing,

screenwriting and production for Bollywood and have won numerous awards and international accolades over the last 15 years.

The Riva Group have vast experience specialising in licensing agreements where they have successfully negotiated and arranged for licenses for world class entertainment Intellectual Property with; Dreamworks Animation, Marvel, Sony Pictures, Electronic Arts, Lionsgate, Square Enix, Microsoft Studios, Cartoon Network, Capcom and Konami. The Riva Group in partnership with Los Angeles-based Firefly Games have developed the cutting-edge Dreamworks: Universe of Legends Mobile Game where Shrek meets Kung-Fu Panda in a Dreamworks Hero mashup.

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

The ability for the Group to continue as a going concern is dependent on cash inflows generated from its strategic investment arrangement with the Riva Group and associated companies, specifically the repayment of the US\$1,500,000 (A\$2,141,022) loan note due from RTE, the four milestone payments of US\$100,000 each over the next year under the terms of the varied Heads of Agreement with Riva Digital FZ LLC and US\$2,000,000 for the rights and use of the platform on a quarterly instalment basis over the coming 4 years under the terms of the executed license agreement with RTE for utilization of the Company's extensively built Megastar online platform for mobile gaming and eSports which remain outstanding at the date of this report, the continued support from related parties and to continue its operational activities during the next 12 months.

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

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

- The successful commercialisation of the various projects with Riva Group and associated company, RTE.
- The repayment of the US\$1,500,000 (A\$2,141,022) loan note due from RTE and the four milestone payments of US\$100,000 each over the next year under the terms of the varied Heads of Agreement.
- Funding of US\$100,000 to be received in March 2020 from the Megastar India joint venture, with \$US300,000 to be received over various tranches to December 2020;
- \$US125,000 to be received in April 2020 from the licence agreement with Riva Group, with \$US375,000 to be received over various tranches to January 2021.
- The continued support from related party creditors of the Group.
- The ability to raise additional funding through debt and/or equity.

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

Note 3: SHARE BASED PAYMENTS

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

	31 December 2019	31 December 2018
	\$	\$
<i>Recognised as a share based payment expense:</i>		
Shares issued for services	-	88,000
Equity options issued to Contractors/Employees	-	(406,009)
Option issued to Key Management Personnel (a)	5,280	-
Performance Rights issued to Key Management Personnel (b)	29,504	(115,211)
Total share based payment expenses	34,784	(433,220)

(a) Options issued to Key Management Personnel

On 27 December 2019, the Company issued 5,280,302 options to Key Management Personnel (“KMP”) following shareholder approval at the Annual General Meeting on 29 November 2019. The Company has internally measured the fair value of options granted by reference by the listed option price of \$0.001 per option.

The fair value of the options issued to KMP during the period is \$5,280.

(b) Performance rights issued for services – prior period

As at 31 December 2019, a share based payment expense of \$29,504 relating to KMP issued in prior periods was recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Note 4: OTHER INCOME

	31 December 2019	31 December 2018
	\$	\$
Reversal of creditors (a)	68,000	1,382,678
Total Other Income	68,000	1,382,678

(a) During the period, \$68,000 (31 December 2018: \$1,382,678) of trade creditors recorded in the Company were de-recognised. This has been reflected as Other Income in the Statement of Profit or Loss and Other comprehensive Income.

Note 5: CASH AND CASH EQUIVALENTS

	31 December 2019	30 June 2019
	\$	\$
Cash at bank and on hand	205,157	357,779
Total cash and cash equivalents	205,157	357,779

Note 6: OTHER ASSETS

	31 December 2019	30 June 2019
	\$	\$
Current other assets		
GST recoverable	17,775	15,602
Prepayment	58,803	103,570
Total current other assets	76,577	119,172

Note 7: FINANCIAL ASSETS

	31 December 2019	30 June 2019
	\$	\$
Financial assets at fair value through profit or loss ("FVPL")		
Balance at 1 July	2,138,885	657,556
Acquisition	-	2,083,163
Foreign exchange movements	2,137	91,163
Fair value movement	-	(692,997)
Total financial assets at fair value	2,141,022	2,138,885

As at 31 December 2019, the fair value of the Company's financial assets were assessed in accordance with AASB 9 Financial Instruments.

Note 8: TRADE AND OTHER PAYABLES

	31 December 2019	30 June 2019
	\$	\$
Trade creditors	193,890	228,340
Accruals	38,447	37,800
Other Payables	213,889	213,889
Total trade and other payables	446,225	480,029

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Note 9: CONTRACT LIABILITY

	31 December 2019	30 June 2019
	\$	\$
Contract Liability	145,075	-
Total Contract Liability	145,075	-

During the period, the Group received monies in advance for the development of a future application. As at 31 December 2019 this has been recognised as a contact liability under AASB 15 *Revenue from contracts with customers*.

Note 10: BORROWINGS

	31 December 2019	30 June 2019
	\$	\$
Convertible notes (a)	-	1,426,515
Total borrowings	-	1,426,515

Note (a): In a prior period, the Company had raised \$1,440,000 (before costs) under the Emerald Convertible Note Issue. The Convertible Notes were unsecured, interest free and had a redemption date 24 months from the date of issue. On 15 July 2019 the Convertible Notes converted at a fair value of \$0.009 per share, following shareholder approval at the Company's Annual General Meeting on 26 April 2019. Refer to Note 11. The fair value of the equity instruments issued was \$1,851,429, resulting in a finance expense of \$411,429 being recognised in the Statement of Profit or Loss for the period ended 31 December 2019.

Note 11: CONTRIBUTED EQUITY

Shares at 31 December 2019

Issued and paid up capital	\$	No. of Shares	Amount per share
Balance at beginning of period	36,182,851	628,885,633	
<i>Movements in issued and paid up capital</i>			
Proceeds from shares issued on conversion of convertible notes	1,851,429	205,714,286	\$0.009
Shares issued in settlement of liabilities (a)	60,667	4,666,667	\$0.013
Shares issued under 'equity option' agreement	-	70,100	-
Capital raising costs (b)	(30,606)	-	
Total issued and paid up capital at the end of the period	38,064,340	839,336,686	

(a) Shares issued in settlement of liabilities

During the period shares were issued in lieu of director and company secretarial fees accrued to Mr Clements and director fees accrued to Mr Wellisch following shareholder approval at the Company's annual general meeting. The fair value of these equity instruments granted was \$60,667. As a result, a gain on settlement of liabilities of \$9,333 has been recognised in the Statement of Profit or Loss for the period ended 31 December 2019.

(b) Options issued for consideration of services

On 27 December 2019, the Company issued 18,234,232 options in lieu of cash for lead manager and underwriting services rendered (capital raising costs). The fair value of equity granted was by reference to the fair value of services received by reference to invoices received.

As a result, a share issue cost of \$18,234 was recognised. As these services relate to share capital, the costs have been accounted for as capital raising costs under equity, with a corresponding increase in the Option Reserve.

Shares at 30 June 2019

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

Note 12: BASIC LOSS PER SHARE

	31 December 2019 \$	31 December 2018 \$
Basic loss per share	(0.14)	(0.01)
Diluted loss per share	(0.14)	(0.01)

Basic loss per share

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

	31 December 2019 \$	31 December 2018 \$
Net loss	(1,184,176)	(72,897)
	Number	Number
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	819,729,382	498,553,428

Note 13: RESERVES

	31 December 2019	30 June 2019
	\$	\$
Share Based Payment Reserve		
Balance at beginning of period	7,160,966	7,574,220
Options, shares and performance rights issued to key management personnel <i>Note 3 (b)</i>	29,504	(86,188)
Options issued to employees <i>Note 3</i>	-	(406,009)
Options issued to Key Management Personnel <i>Note 3 (a)</i>	5,280	-
	<u>7,195,750</u>	<u>7,160,966</u>
Option Reserve		
Balance at beginning of period	-	-
Proceeds from options issued	137,237	-
Options issued for services	18,232	-
	<u>155,469</u>	<u>-</u>
Movement in Foreign Exchange Translation Reserve		
Balance at beginning of period	(702,348)	(78,943)
Exchange differences on foreign operations	234,597	(623,405)
	<u>(467,751)</u>	<u>(702,348)</u>
Balance at end of period	<u>6,883,469</u>	<u>6,458,619</u>

Note 14: SUBSEQUENT EVENTS

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- a) the Group's operations in future financial periods, or
- b) the results of those operations in future financial periods, or
- c) the Group's state of affairs in future financial periods.

Note 15: COMMITMENTS AND CONTINGENCES

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

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

On 29 August 2019, the Company announced it had engaged with YDigital Media, a technology company with some of the most innovative digital marketing solutions, responsible for developing award-winning campaigns for the top global brands, to add functionality to the Megastar platform post WWT1 findings around gamification and user interaction. Under this arrangement, YDigital Media is to complete the engagement in three stages. As at 31 December 2019, MSM had committed to stage one of the app development and remitted US\$20,000 to YDigital Media. The Company remains focussed upon the app development and intends to commit to the remaining two stages totalling US\$230,000 with consideration to its working capital position.

As per Note 22 of the 30 June 2019 annual report, MSM Music Inc. is party to the ABC process. While MSM Corporation International Limited and MSM Music Inc. engaged US based legal and other advisers in respect of the ABC process and such parties advised MSM Corporation International Limited that the ABC process was a generally accepted insolvency process in California (the State of incorporation of MSM-US), neither the Company nor MSM Music Inc. can guarantee that no creditor of MSM Music Inc. will challenge the ABC process in general or seek to make further claims against MSM Music Inc. and attempt to include MSM Corporation International Limited in such claims. No guarantees have been entered into by the Company in relation to the debts of its subsidiaries. The Company believes the lease contract held by MSM Music Inc, which was disclosed as a commitment in the 30 June 2019 financial statements falls party to the ABC arrangement, and as a result there is no legal obligation relating to this contract as at 31 December 2019.

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

Note 16: SEGMENT REPORTING

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

Note 17: RELATED PARTY

On 27 December 2019, the Company issued shares in lieu of director and company secretarial fees to Mr Clements and director fees to Mr Wellisch, following shareholder approval at the Company's annual general meeting. The fair value of these equity instruments granted was \$60,667 (Refer to Note 11).

Mr Wellisch, Mr Clements and Mr Jones participated in an option placement announced on 11 November 2019 on the same terms as other eligible participants. On 27 December 2019, Mr Wellisch, Mr Clements and Mr Jones were issued options following shareholder approval at the Company's annual general meeting. The fair value of these equity instruments granted was \$5,280 (Refer to Note 3).

On 20 December 2019, Mr Antoine Massad was appointed as a Non-Executive Chairman of the Company. Under the terms of his service contract, Mr Massad will be paid a director's fee of \$36,000 per annum and an additional chairman's fee of \$12,000 per annum, exclusive of any applicable statutory superannuation.

During the previous period, the Company's US subsidiary, MSM Music Inc. entered into an Assignment for the Benefit of Creditors (ABC) process to manage the outstanding creditors of MSM Music Inc (which included the Company). As part of this process, the Company entered into a Subordination Instrument pursuant to which the Company agreed to subordinate all rights to payment under the ABC process (including in relation to the intercompany loan between the Company and MSM Music Inc) to all other creditors.

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year then ended; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Antoine Massad
Non-Executive Chairman
28 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MSM Corporation International Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of MSM Corporation International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2 (g) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'J Prue', is written over the printed name.

Jarrad Prue

Director

Perth, 28 February 2020

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