

## APPENDIX 4D

Half-Year Report for the period ending 31 December 2015

## MSM CORPORATION INTERNATIONAL LIMITED

ACN	Reporting Period	Previous Corresponding Period
002 529 160	Half year ended 31 Dec 2015	Period ended 30 Jun 2015

## Results for announcement to the market

Financial Results		%		\$A
Revenues from ordinary activities (Item 2.1)		-	to	-
Loss from ordinary activities after tax attributable to members (Item 2.2)	Up	330%	to	(4,837,836)
Net loss for the period attributable to members (Item 2.3)	Up	330%	to	(4,837,836)
Final and interim dividends (Item 2.4)	It is not proposed that either a final or interim dividend be paid.			
Record date for determining entitlements to the dividend (Item 2.5)	N/A			
Brief explanation of any of the figures reported above (Item 2.6):				
On 29 December 2015 MSM Corporation International Limited (formerly Minerals Corporation Limited) completed the acquisition of Megastar Millionaire Pty Ltd. Under the Australian Accounting Standards, Megastar Millionaire Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which Megastar Millionaire Pty Ltd acquires the net assets and listing status of MSM Corporation International Limited.				
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. Therefore the most 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 year ended 30 June 2015.				
The net loss for the consolidated entity after providing for income tax was \$4,837,836 (30 June 2015 - Loss \$1,126,318).				
The loss for the period includes:				
- A one-off non-cash share based payments expense related to the acquisition of \$2,335,265.				
- A one-off share based payments expense of \$911,093 to recognise the value of shares issued in consideration for services provided to the company.				
- A one-off non-cash expense of \$979,190 to recognise the fair value loss on the conversion of convertible notes.				

Net tangible assets per ordinary share (Item 3)  
(cents per share)

Current Period

2.417

Previous Corresponding Period

(1.521)

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

Control gained over entities during the period:

- Megastar Millionaire Pty Ltd

Details of dividends or distribution payments (Item 5)

No dividends or distributions are payable.

Details of dividend or distribution reinvestment plans (Item 6)

There is no dividend or distribution reinvestment program in operation.

Details of associates and joint venture entities (Item 7)

The Company does not have any investments in associate entities or joint venture interests.

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

N/A

Details of any audit dispute or qualification (Item 9)

None

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

**MSM CORPORATION**  
**INTERNATIONAL LIMITED**  
**(formerly Minerals Corporation Limited) ACN 002 529 160**

INTERIM FINANCIAL REPORT  
31 DECEMBER 2015

## CONTENTS

CONTENTS	2
COMPANY INFORMATION	2
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	6
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11
DIRECTORS' DECLARATION	22
INDEPENDENT AUDITOR'S REVIEW REPORT	23

## COMPANY INFORMATION

### DIRECTORS

Mr Adam Wellisch (Non-Executive Chairman)

Mr Dion Sullivan (Executive Director)

Mr Mark Clements (Non-Executive Director)

### COMPANY SECRETARY

Mr Mark Clements

### REGISTERED OFFICE

Level 8, 90 Collins Street

Melbourne VIC 3000

Tel: +61 3 9015 4036

Fax: +61 3 9666 3301

### ASX CODE

MSM

### 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 Limited

110 Stirling Highway

Nedlands WA 6009

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 2015 and any public announcements made by MSM Corporation International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of MSM Corporation International Limited (formerly Minerals Corporation Limited) (**MSM** or **the Company**) and the entities it controlled at the end of or during the half year ended 31 December 2015 and the Independent Review Report thereon.

### Director Details

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

Mr Adam Wellisch (Non-Executive Chairman)	Appointed: 29 December 2015
Mr Dion Sullivan (Executive Director)	Appointed: 29 December 2015
Mr Mark Clements (Non-Executive Director)	Appointed: 12 January 2016
Mr Matthew Foy (Non-Executive Director)	Resigned: 12 January 2016
Mr Nicholas Ong (Non-Executive Director)	Resigned: 29 December 2015
Dr Andrew Tunks (Non-Executive Director)	Resigned: 29 December 2015

### Review and Results of Operations

#### **MSM Reverse Take-over**

During the period, 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.

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

- 75,000,000 ordinary shares to the Vendors;
- 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.

## **DIRECTORS' REPORT (continued)**

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 year 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 on 13 January 2016 was re-listed on the ASX.

### **About Megastar**

Megastar Millionaire Pty Ltd is developing the platform and brand for an industry leading online music contest and content delivery platform. To achieve this, Megastar has entered into several strategic agreements with key management personnel who have significant experience in delivering technology start-ups in the media and entertainment industries.

On 29 December 2015 the Company acquired all of the issued capital of MSM and is now working towards the development and commercialisation of the online talent search contest platform to be known as "Megastar Millionaire".

### **Comparatives**

As Megastar is deemed to be the acquirer, for the purposes of the consolidation of the Group, the comparative figures referred to in this report are for the period from incorporation of Megastar Millionaire Pty Ltd on 12 August 2014 to 30 June 2015. During this period, Megastar Millionaire Pty Ltd was a standalone entity.

### **Corporate**

During the half-year the Group incurred a loss after tax of \$4,837,836 (2015 – loss of \$1,126,318) including \$3,246,358 of Share Based Payments incurred as part of the Megastar acquisition.

On 2 November 2015 the Company lodged a prospectus to raise \$7 million at \$0.06 per share. This offer closed on 27 November 2015 fully subscribed. As such, the Group held cash balances of \$7.156 million as at 31 December 2015 (30 June 2015: \$652,954).

On 29 December 2015 the Company converted all convertible notes into 25 million ordinary shares, with 25 million free attaching options. At the date of this report the Company has no debt or debt arrangements in place, other than creditors on normal trading terms.

### **Matters Subsequent to the End of the Reporting Period**

On 13 January 2016 the Company commenced trading on the ASX as MSM Corporation International Limited after the successful raising of \$7 million to primarily fund the development and promotion of the Megastar Millionaire talent competition, along with sales and marketing to deliver an industry shaping online talent discovery and curation platform.

The Board also advised the appointment of Mr Mark Clements as a non-executive director and company secretary following the resignations of Mr Nicholas Ong and Dr Andrew Tunks as directors and Mr Matthew Foy as a director and company secretary.

## **DIRECTORS' REPORT (continued)**

On 22 January 2016 the Company announced the appointment of Josh Heenan as Executive Producer of Studio and Eric Cook as Director of Engineering. Mr Heenan and Mr Cook bring significant gaming and mobile experience to the development and production of the Megastar Millionaire platform.

On 28 January 2016 the Company announced that its strategic investment partner, ToneDen, one of the Internet's foremost and progressive music growth communities designed specifically for artists to connect with fans, had doubled the number of registered artists since MSM's investment in August 2015. During the final quarter of CY2015, ToneDen actualised more than 250,000 registered accounts (10% month over month growth) and more than 2,000,000 fans (13% month over month growth) compared to approximately 100,000 registrations in August 2015.

The Company has also changed its registered office to Level 8, 90 Collins Street, Melbourne.

### **Significant Changes in State of Affairs**


As detailed above, during the period, MSM acquired all of the securities in Megastar Millionaire Pty Ltd via a reverse takeover offer. The takeover was effected 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.

Since the completion of the acquisition the principal activity of the Group is the development and commercialisation of the online talent search contest and content delivery platform to be known as "Megastar Millionaire".

### **Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, BDO (WA) Audit 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 2015.

Signed in accordance with a resolution of the directors.



**Adam Wellisch**  
Non-Executive Chairman  
29 February 2016

DECLARATION OF INDEPENDENCE BY DEAN JUST 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 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 29 February 2016

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2015

	<i>Notes</i>	<b>31 December 2015</b> \$	<b>Company 30 June 2015</b> \$
<b>Revenue from continuing operations</b>			
Interest income		-	-
<b>Expenses</b>			
Finance cost	4	979,190	800,462
Administration expenses		235,903	162,266
Employee benefits and directors fees		259,625	35,552
Share based payments	5	911,093	-
Share based payment – acquisition	3	2,335,265	-
Project expenditure		116,760	128,038
Loss from continuing operations before income tax expense		(4,837,836)	(1,126,318)
Income tax expense		-	-
Net loss from continuing operations for the period		(4,837,836)	(1,126,318)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(4,837,836)	(1,126,318)
Loss for the period attributable to owners of the Company		(4,837,836)	(1,126,318)
Total comprehensive loss for the period attributable to owners of the Company		(4,837,836)	(1,126,318)
<b>Loss per share from continuing operations attributable to owners of the Company</b>			
Basic loss per share	10	\$0.062	\$0.05

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 December 2015 \$	Company 30 June 2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		7,156,727	652,954
Other assets	6	<u>123,883</u>	<u>16,398</u>
Total Current Assets		<u>7,280,610</u>	<u>669,352</u>
<b>Non-Current Assets</b>			
Investments	7	<u>209,108</u>	-
Total Non-Current Assets		<u>209,108</u>	-
<b>TOTAL ASSETS</b>		<u>7,489,718</u>	<u>669,352</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	846,585	147,556
Loan from convertible note holders	4	-	<u>1,578,763</u>
Total Current Liabilities		<u>846,585</u>	<u>1,726,319</u>
<b>TOTAL LIABILITIES</b>		<u>846,585</u>	<u>1,726,319</u>
<b>NET ASSETS (LIABILITIES)</b>		<u>6,643,133</u>	<u>(1,056,967)</u>
<b>EQUITY</b>			
Issued capital	9	11,079,635	69,351
Option premium reserve	11	1,527,652	-
Accumulated losses		<u>(5,964,154)</u>	<u>(1,126,318)</u>
<b>TOTAL EQUITY</b>		<u>6,643,133</u>	<u>(1,056,967)</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 2015

	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	-	-	(4,837,836)	(4,837,836)
<b>Total comprehensive income for the period</b>	-	-	(4,837,836)	(4,837,836)
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	911,093	1,527,652	-	2,438,745
Capital raising expenses	(1,137,113)	-	-	(1,137,113)
<b>Total transactions with owners and other transfers</b>	11,010,284	1,527,652	(4,837,836)	7,700,100
<b>Balance at 31 December 2015</b>	11,079,635	1,527,652	(5,964,154)	6,643,133
<b>Company</b>				
Balance at 12 August 2014	-	-	-	-
<i>Comprehensive Income</i>				
Net loss for the period	-	-	(1,126,318)	(1,126,318)
<b>Total comprehensive income for the period</b>	-	-	(1,126,318)	(1,126,318)
Issue of shares	101,951	-	-	101,951
Capital raising expenses	(32,600)	-	-	(32,600)
<b>Total transactions with owners and other transfers</b>	69,351	-	-	69,351
<b>Balance at 30 June 2015</b>	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 half-year ended 31 December 2015

	<b>6 months to 31 December 2015</b>	<b>Company Period to 30 June 2015</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Project development payments	(116,760)	(128,035)
Payments to suppliers and employees	(221,286)	(88,362)
Net cash outflow from operating activities	<u>(338,046)</u>	<u>(216,397)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(209,108)	-
Cash held by MSM at acquisition date	94,636	-
Net cash outflows from investing activities	<u>(114,472)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	7,000,000	101,951
Capital raising costs	(43,709)	(32,600)
Proceeds from issue of convertible notes	-	800,000
Net cash inflows from financing activities	<u>6,956,291</u>	<u>869,351</u>
Net increase in cash and cash equivalents	6,503,773	652,954
Cash and cash equivalents at the beginning of the financial period	<u>652,954</u>	<u>-</u>
Cash at the end of the financial period	<u><u>7,156,727</u></u>	<u><u>652,954</u></u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: CORPORATE INFORMATION

The Financial Report of MSM Corporation International Limited (**MSM** or **the Company**) and its associated entities for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 29 February 2016. 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.

#### **Basis of preparation**

##### *Acquisition of Megastar Millionaire Pty Ltd – Capital Restructure*

During the period ended 31 December 2015, 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 31 December 2015. Refer to Note 3 for further details on the acquisition accounting treatment.

The results for the half-year ended 31 December 2015 comprise the results of Megastar, and the results of MSM subsequent to the acquisition.

The financial statements have 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.

#### **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, except as follows:

##### ***Deferred taxes***

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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Share based payments**

The Company provides benefits to directors, employees, consultants and other advisors of the company in the form of share-based payments, whereby the directors, employees, consultants and other advisors render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of the company if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant recipient becomes fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- the extent to which the vesting period has expired, and
- the company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

#### **Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Investments and other financial assets*

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

#### *Impairment of financial assets*

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

#### *Convertible notes*

Convertible notes issued by the Company comprise a convertible note that can be converted to ordinary shares at the option of the holder and a convertible note derivative, the fair value of which changes with the Company's underlying share price.

The liability component of a convertible note is recognised initially at fair value of a similar liability that does not have an equity conversion option. The embedded derivative component is first recognised at fair value and the liability component is calculated as the difference between the financial instruments as a whole and the value of the derivative at inception. Any directly attributable transaction costs are allocated to the convertible note liability and convertible note derivative in proportion to their initial carrying amounts. The fair value of the derivative portion has been valued using a valuation technique including inputs that include reference to similar instruments and options pricing models. Subsequent to initial recognition, the liability component of the convertible note is measured at fair value through profit and loss. The convertible note derivative is measured at fair value through profit and loss.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The convertible note liability and derivatives are removed from the Consolidated Statement of Financial Position when the obligations specified in the contract are discharged. This can occur upon the option holder exercising their option or the option period lapses requiring the Company to discharge the obligation. Both the convertible note liability and derivative are classified as a non-current liability as the option holder cannot convert the option within the next twelve months.

#### Significant judgements

##### *Deferred tax*

The Company expects to have carried forward tax losses, which have not been recognised as deferred tax assets, as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable. The utilisation of tax losses is subject to the Company passing the required Continuity of Ownership and Same Business Test rules at the time the losses are utilised. Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences can be utilised.

##### *Share based payments*

The Company measures the cost of equity-settled transaction with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model and takes into account the terms and conditions upon which the instruments were granted. Accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

##### *Reverse acquisitions*

On 29 December 2015, MSM Corporation International Limited (formerly Minerals Corporation Limited) acquired 100% of the share capital of Megastar Millionaire Pty Ltd. Under the Australian Standards Megastar Millionaire Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which Megastar Millionaire Pty Ltd acquires the net assets and listing status of MSM Corporation International Limited.

##### *Convertible notes*

During the 30 June 2015 financial period, the Company issued convertible notes containing an embedded derivative that were converted during the half year. In measuring the fair value of these instruments, management are required to make a number of estimates relating to the instrument such as the expected share conversion price and the share price on conversion date. At each reporting date, the fair value of the liability is measured using models that require the exercise of judgement in relation to variables based on information available at the reporting date. As the underlying drivers for those judgements are constantly changing, the reported financial instruments are an estimate which may change. Please refer to Note 4 for further details.

##### **New and amended standards adopted by the entity**

A number of new or amended standards became applicable for the current reporting period, however, the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2016 annual report as a consequence of these amendments.

##### **Impact of standards issued but not yet applied by the entity**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Company.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 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.

	\$
<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>
<b>Assets and Liabilities Acquired</b>	
Cash	94,636
Property, 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>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 3: REVERSE ACQUISITION ACCOUNTING TREATMENT (continued)

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.

### NOTE 4: CONVERTIBLE NOTES

	<b>31 December 2015</b>	<b>Company 30 June 2015</b>
	\$	\$
Convertible Notes – Sophisticated Investors (held at fair value)	-	<u>1,578,763</u>

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 9). The fair value of equity issued was by direct reference to the marker 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 4: CONVERTIBLE NOTES (continued)

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 \$979,190 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).

### NOTE 5: SHARE BASED PAYMENTS

#### (a) Fair value of options granted during the half-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)

### NOTE 5: SHARE BASED PAYMENTS (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.

The weighted average remaining contractual life of the options outstanding as at 31 December 2015 is 3.9 years (30 June 2015: nil).

#### (b) Fair value of shares granted during the half-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 issue, \$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.

### NOTE 6: OTHER ASSETS

	31 December 2015 \$	Company 30 June 2015 \$
GST recoverable	123,883	16,398

### NOTE 7: INVESTMENTS

Strategic investments	209,108	-
-----------------------	---------	---

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 in the form of either cash or MSM shares, at MSM's election (refer Note 13).

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

### NOTE 8: TRADE AND OTHER PAYABLES

Trade creditors	817,585	120,857
Accruals	29,000	5,000
Accrued interest (Note 4)	-	21,699
Total trade and other payables	846,585	147,556

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 9: CONTRIBUTED EQUITY

Shares – 31 December 2015	\$	No. of Shares	Amount per share
<b>Issued and paid up capital</b>			
Movements in issued and paid up capital			
Balance at beginning of period	69,351	-	-
Fully paid ordinary share capital of MSM	-	43,938,499	-
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)	911,093	14,235,836	\$0.064
Capital raising costs	(1,137,113)	-	-
Total issued and paid up capital at the end of the period	<u>11,079,635</u>	<u>274,841,002</u>	

Shares – 30 June 2015	\$	No. of Shares	Amount per share
<b>Issued and paid up capital</b>			
Movements in issued and paid up capital			
Balance at beginning of period	-	-	-
Founder share issued	1	1	\$1.00
Proceeds from shares issued	1,950	19,500,000	\$0.0001
Proceeds from shares issued	100,000	50,000,000	\$0.002
Capital raising costs	(32,600)	-	-
Total issued and paid up capital at the end of the period	<u>69,351</u>	<u>69,500,001</u>	

### NOTE 10: BASIC LOSS PER SHARE

	31 December 2015 \$	Company 30 June 2015 \$
Basic loss per share	<u>(0.062)</u>	<u>(0.05)</u>
Diluted loss per share	<u>(0.062)</u>	<u>(0.05)</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 10: BASIC LOSS PER SHARE (continued)

#### *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:

	<b>31 December 2015</b>	<b>Company 30 June 2015</b>
	\$	\$
Net loss	<u>(4,837,836)</u>	<u>(1,126,318)</u>
	Number	Number
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	<u>77,994,227</u>	<u>22,720,993</u>

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

### NOTE 11: OPTION PREMIUM RESERVE

Value of broker options issued (Note 5)	548,000	-
Options issued for the conversion of convertible notes (Note 4)	<u>979,652</u>	-
	<u>1,527,652</u>	<u>-</u>

### NOTE 12: SUBSEQUENT EVENTS

Other than as detailed below, no matter has arisen since the end of the half-year that has significantly affected or may significantly affect the company's operations, the results of those operations or its financial position.

On 13 January 2016 the Company commenced trading on the ASX as MSM Corporation International Limited after the successful raising of \$7m to primarily fund the development and promotion of the Megastar Millionaire talent competition, along with sales and marketing to deliver an industry shaping online talent discovery and curation platform.

The Board also advised the appointment of Mr Mark Clements as a non-executive director and company secretary following the resignations of Mr Nicholas Ong and Dr Andrew Tunks as directors and Mr Matthew Foy as a director and company secretary.

On 22 January 2016 the Company announced the appointment of Josh Heenan as Executive Producer of Studio and Eric Cook as Director of Engineering. Mr Heenan and Mr Cook bring significant gaming and mobile experience to the development and production of the Megastar Millionaire platform.

On 28 January 2016 the Company announced that its strategic investment partner, ToneDen, Inc., one of the Internet's foremost and progressive music growth communities designed specifically for artists to connect with fans, had doubled the number of registered artists since MSM's investment in August 2015. During the final quarter of CY2015, ToneDen actualised more than 250,000 registered accounts (10% month over month growth) and more than 2,000,000 fans (13% month over month growth) compared to approximately 100,000 registrations in August 2015.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **NOTE 12: SUBSEQUENT EVENTS (continued)**

The Company has also changed its registered office to Level 8, 90 Collins Street, Melbourne.

### **NOTE 13: COMMITMENTS**

The second part of the payment of US\$200,000 (A\$280,112) for the acquisition of 5% equity interest in ToneDen, Inc. which may be paid in either cash or shares and as referred to in Note 7 is yet to be settled.

### **NOTE 14: CONTINGENT LIABILITIES**

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

### **NOTE 15: RELATED PARTY**

Dion Sullivan and Adam Wellisch, who were shareholders of Megastar Millionaire Pty Ltd, became Directors of MSM upon the acquisition of Megastar Millionaire Pty Ltd. Please refer to Note 3 for further details.

### **NOTE 16: SUBSIDIARIES**

MSM Holdings Pte Ltd was incorporated on 3 March 2015 and is a wholly owned subsidiary of Megastar.

MSM Music, Inc. was incorporated in Delaware on 23 June 2015 and is a wholly owned subsidiary of Megastar.

Neither subsidiary has traded during the period since incorporation to 31 December 2015.

### **NOTE 17: 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.

## **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 2015 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.

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

**Adam Wellisch**  
Non-Executive Chairman  
29 February 2016

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MSM Corporation International Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MSM Corporation International Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### 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 consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MSM Corporation International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

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





## Conclusion

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 MSM Corporation International Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

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

Dean Just  
Director

Perth, 29 February 2016