

APPENDIX 4D

Half-Year Report for the period ending 31 December 2016

MSM CORPORATION INTERNATIONAL LIMITED

ACN	Reporting Period	Previous Corresponding Period
002 529 160	Half year ended 31 Dec 2016	Period ended 31 Dec 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)	Down	3%	to	(4,697,402)
Net loss for the period attributable to members (Item 2.3)	Down	3%	to	(4,697,402)
Final and interim dividends (Item 2.4)	It is not proposed that either a final or interim dividend be paid.			
Record date for determining entitlements to the dividend (Item 2.5)	N/A			
Brief explanation of any of the figures reported above (Item 2.6):				
The Company has made strong operational progress in the six-month period to 31 December 2016, with a number of platform developments undertaken ahead of the launch of the Megastar competition.				
The net loss for the consolidated entity after providing for income tax was \$4,697,402 (31 December 2015 - Loss \$4,837,836).				
The loss for the period includes:				
- Share based payments expense of \$1,281,446 to recognise the value of shares issued in consideration for services provided to the company.				

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share (Item 3) (cents per share)	2.063 cents	2.417 cents

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

N/A

Details of dividends or distribution payments (Item 5)

No dividends or distributions are payable.

Details of dividend or distribution reinvestment plans (Item 6)

There is no dividend or distribution reinvestment program in operation.

Details of associates and joint venture entities (Item 7)

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

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

N/A

Details of any audit dispute or qualification (Item 9)

None

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



MSM CORPORATION INTERNATIONAL LIMITED

ABN 51 002 529 160

INTERIM FINANCIAL REPORT
31 DECEMBER 2016

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COMPANY INFORMATION

DIRECTORS

Mr Adam Wellisch (Non-Executive Chairman)
Mr Dion Sullivan (Executive Director)
Ms Sophie McGill (Executive Director)
Mr Mark Clements (Non-Executive Director)

COMPANY SECRETARY

Mr Mark Clements

REGISTERED OFFICE

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90 Collins Street
Melbourne VIC 3000
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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

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 2016 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 Group**) and the entities it controlled at the end of or during the half year ended 31 December 2016 and the Independent 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 Adam Wellisch (*Non-Executive Chairman*)

Mr Dion Sullivan (*Executive Director*)

Ms Sophie McGill (*Executive Director*)

Mr Mark Clements (*Non-Executive Director*)

REVIEW AND RESULTS OF OPERATIONS

OPERATIONAL

The Company has made strong operational progress in the six-month period to 31 December 2016, with a number of platform developments undertaken ahead of the launch of the Megastar competition.

Platform Developments

Completion of Closed Beta Test

The Company was pleased to announce the successful completion of its Closed Beta Test Competition, which provided insights that have guided the continued technical development of the Megastar competition platform. The 30-day competition involved over 160 Performers and over 2,800 Fans, with a grand prize of US\$10,000 for the winning Performer. The competition was launched by YouTube Celebrity (HollyWire) host, Chelsea Briggs.

The Closed Beta Test results indicated a high level of user engagement with the competition. Key insights from the Closed Beta Test included, user retention on Day 28 of 19%, average user session time of 9 minutes and average push notification re-engagement of 86%. Insights provided by the Closed Beta Test have guided the technological development of the Megastar platform, with a number of technical improvements undertaken by the Company's development team during the period.

Open Auditions Process

The ongoing Open Audition process allows the development team to test and refine features that are targeted at increasing user engagement and retention. It is guided by the platform improvements suggested by the Closed Beta Test. The Open Auditions are smaller test tournaments that are shorter in duration, with smaller prizes.

Hub Research

During the reporting period, the Company engaged Hub Entertainment Research to conduct statistically rigorous research into the Megastar platform. The research was designed to identify avenues to optimise the platform and maximise the willingness of users to pay for participation, thereby evaluating the competition's commercial potential.

REVIEW AND RESULTS OF OPERATIONS (continued)

The Hub Research project surveyed over 2,500 active social media users aged between 15 years to 45 years. The results highlighted that the Megastar platform has significant commercial potential across a broad demographic.

Key findings revealed strong interest in competition participation, with 91% of respondents somewhat/very interested in being a Fan and 54% also somewhat/very interested in being a Performer. Another key finding revealed the competition is appealing across a broad range of demographic segments, with the weighted average price-point that users were willing to spend on the platform at \$62, a value that exceeded the Company's expectations.

Partner Update

To assist with amplifying awareness of the Megastar competition upon launch, MSM has pursued strategic partnerships with film studio Digital Riot, music content developer ToneDen and leading talent agency ROAR.

Digital Riot Launches First Film

MSM's strategic partner, Digital Riot, is a dedicated direct-to-consumer digital movie studio which aims to leverage the social media following of its actors to promote its films. During the period, Digital Riot launched its first "direct-to-fan" online film titled "FML". The film's cast has a cumulative social media following of over 60 million people across a number of social channels including Facebook, Instagram and YouTube. Finalists of the Megastar competition will have the opportunity to audition for future Digital Riot films.

ToneDen Reports Substantial User Growth

ToneDen, MSM's online music strategic partner, reported substantial user growth during the period to over 500,000 content creators, labels and businesses across music and media. ToneDen is an online music community that is designed to allow artists to build a following and will play a key role in amplifying awareness of the Megastar competition.

Corporate

In the lead up to the competition launch, the Company has actively pursued activities to strengthen the expertise of its team and increase corporate awareness.

To strengthen the Company's capabilities ahead of the launch of the Megastar competition, a Senior Director of Marketing and new software engineers joined MSM during the period.

Strengthened Marketing and Technical Team

Ms Jane Barrett, an experienced global executive marketing leader was appointed as Senior Director of Marketing to oversee all corporate marketing ahead of the first product launch. Additionally, MSM hired three new software engineers who were responsible for refining the competition platform based on insights provided by the Closed Beta Test as well as for ongoing development work.

REVIEW AND RESULTS OF OPERATIONS (continued)

Launch of Teaser Video

Subsequent to the end of the reporting period, the Company launched a Teaser video as part of the Company's broader consumer marketing campaign ahead of launch.

Financial

During the half-year the Group incurred a loss after tax of \$4,697,402 (31 December 2015 – loss of \$4,837,836).

To fund the Company's growth initiatives, a placement was undertaken on 14 September 2016. MSM successfully raised \$4.9 million before costs from sophisticated and professional investors via the issue of 17,435,715 fully paid ordinary MSM shares at an issue price of \$0.28 per share.

During the six months to 31 December 2016, the Company's predominant use of funds related to research and development initiatives, advertising and marketing and working capital.

At the end of the reporting period on 31 December 2016, the Company had cash at bank of \$5.668 million and is well-funded ahead of the launch of the Megastar competition.

Appointment of VSA Capital Asia

MSM is exploring international expansion opportunities to expand the competition into non-English speaking geographies. To facilitate this process, the Company appointed VSA Capital Asia as an advisor during the period. VSA Capital Asia provides a range of financial and investment banking services that connect Asian investors with investment opportunities outside of China, Hong Kong and South East Asia.

US-based EAS Advisors Appointed

To continue building its investor profile in the US, US-based Advisory firm EAS Advisors LLC was appointed during the period. EAS and MSM are working together to build MSM's investor profile in the US.

Outlook

The Company is rapidly heading towards the launch of its first product offering, the Megastar competition. With the launch of the competition imminent, the Company is ramping up its consumer marketing initiatives across a variety of media platforms. In conjunction with MSM's strategic partners, including ROAR, ToneDen and Digital Riot the marketing campaign will substantially amplify awareness of the Megastar competition.

MSM is to imminently commence announcing the social influencers and celebrities who will act as judges and hosts for the Megastar competition. The Company is pleased that many of the influencers have also agreed to participate in the competition as Performers. All influencers will be promoting the Megastar competition via their extensive social media followings across Facebook, YouTube and Instagram and more.

REVIEW AND RESULTS OF OPERATIONS *(continued)*

The Company is in continuing advanced discussions with potential international licence partners for the operation of non-English versions of the Megastar competition. In particular, MSM is assessing expansion initiatives throughout the Asian region.

EVENTS SUBSEQUENT TO THE END OF THE HALF-YEAR

Since the end of the year, 3,065,000 ordinary shares have been issued as a result of the exercise of options at \$0.10 each, increasing the Company's issued share capital by \$306,500.

On 5 January 2017, the Company issued the 687,102 ordinary shares as the incentive component of employee remuneration packages in accordance with the Company's Stock Incentive Plan approved by shareholders at the 2016 AGM.

On 25 January 2017, the Company issued the 137,420 ordinary shares as the incentive component of employee remuneration packages in accordance with the Company's Stock Incentive Plan approved by shareholders at the 2016 AGM.

On 13 February 2017, the Company issued the following options for corporate advisory services:

- 2,000,000 exercisable at \$0.35 on or before 19 September 2018, vesting 31 July 2017;
- 2,000,000 exercisable at \$0.40 on or before 19 September 2019, vesting 31 July 2017; and
- 2,000,000 exercisable at \$0.45 on or before 19 September 2019, vesting 31 July 2017.

On 23 February 2017, the Company issued the 6,871 ordinary shares as the incentive component of employee remuneration packages in accordance with the Company's Stock Incentive Plan approved by shareholders at the 2016 AGM.

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

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 7 and forms part of this Directors' Report for the half-year ended 31 December 2016.

Signed in accordance with a resolution of the directors.



Adam Wellisch
Non-Executive Chairman
28 February 2017

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 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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, 28 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2016

	Notes	31 December 2016 \$	31 December 2015 \$
Revenue from continuing operations			
Interest income		35,131	-
Expenses			
Finance cost		3,395	979,190
Administration expenses		408,288	235,903
Employee benefits and directors fees		512,482	259,625
Share based payments	3	1,281,446	911,093
Share based payment – acquisition		-	2,335,265
Project expenditure		2,526,923	116,760
Loss from continuing operations before income tax expense		(4,697,402)	(4,837,836)
Income tax expense		-	-
Net loss from continuing operations after income tax expense		(4,697,402)	(4,837,836)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on foreign operations		(91,113)	-
Total comprehensive loss for the period		(4,788,515)	(4,837,836)
Loss for the period attributable to owners of the Company			
Total comprehensive loss for the period attributable to owners of the Company			
		(4,788,515)	(4,837,836)
Loss per share from continuing operations attributable to owners of the Company			
Basic loss per share	9	\$0.02	\$0.062

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	31 December 2016 \$	30 June 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	5,668,442	4,084,229
Other assets	5	<u>335,046</u>	<u>173,153</u>
Total Current Assets		<u>6,003,488</u>	<u>4,257,382</u>
Non-Current Assets			
Property, Plant & Equipment		-	28,343
Investments	6	<u>672,144</u>	<u>538,003</u>
Total Non-Current Assets		<u>672,144</u>	<u>566,003</u>
TOTAL ASSETS		<u>6,675,632</u>	<u>4,823,728</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	7	391,454	628,470
Provisions		<u>-</u>	<u>66,944</u>
Total Current Liabilities		<u>391,454</u>	<u>695,414</u>
TOTAL LIABILITIES		<u>391,454</u>	<u>695,414</u>
NET ASSETS		<u>6,284,178</u>	<u>4,128,314</u>
EQUITY			
Issued capital	8	16,912,033	11,249,100
Reserves	10	3,687,015	2,496,682
Accumulated losses		<u>(14,314,870)</u>	<u>(9,617,468)</u>
TOTAL EQUITY		<u>6,284,178</u>	<u>4,128,314</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 2016

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2016	11,249,100	2,496,682	(9,617,468)	4,128,314
<i>Comprehensive Income</i>				
Net loss for the period	-	-	(4,697,402)	(4,697,402)
Other comprehensive income	-	(91,113)	-	(91,113)
Total comprehensive income/(loss) for the period	<u>-</u>	<u>(91,113)</u>	<u>(4,697,402)</u>	<u>(4,788,515)</u>
Transactions with owners in their capacity as owners				
Issue of shares - prospectus	4,882,000	-	-	4,882,000
Share based payments - options	-	1,281,446	-	1,281,446
Shares issued on conversion of options	1,036,853	-	-	1,036,853
Capital raising expenses	(255,920)	-	-	(255,920)
Total transactions with owners and other transfers	<u>5,662,933</u>	<u>1,281,446</u>	<u>-</u>	<u>6,944,379</u>
Balance at 31 December 2016	<u>16,912,033</u>	<u>3,687,015</u>	<u>(14,314,870)</u>	<u>6,284,178</u>
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)
Total comprehensive income/(loss) for the period	<u>-</u>	<u>-</u>	<u>(4,837,836)</u>	<u>(4,837,836)</u>
Transactions with owners in their capacity as owners				
Issue of shares - prospectus	7,000,000	-	-	7,000,000
Conversion of convertible notes	1,600,000	-	-	1,600,000
Share based payment - acquisition	2,636,304	-	-	2,636,304
Share based payments - options	911,093	1,527,652	-	2,438,745
Capital raising expenses	(1,137,113)	-	-	(1,137,113)
Total transactions with owners and other transfers	<u>11,010,284</u>	<u>1,527,652</u>	<u>(4,837,836)</u>	<u>7,700,100</u>
Balance at 31 December 2015	<u>11,079,635</u>	<u>1,527,652</u>	<u>(5,964,154)</u>	<u>6,643,133</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2016

	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Interest received	35,132	-
Project development payments	(2,526,923)	(116,760)
Payments to suppliers and employees	(1,382,063)	(221,286)
Net cash outflow from operating activities	<u>(3,873,854)</u>	<u>(338,046)</u>
Cash flows from investing activities		
Payments for investments	(204,867)	(209,108)
Cash held by MSM at acquisition date	-	94,636
Net cash outflows from investing activities	<u>(204,867)</u>	<u>(114,472)</u>
Cash flows from financing activities		
Proceeds from issue of shares	5,918,854	7,000,000
Capital raising costs	(255,920)	(43,709)
Net cash inflows from financing activities	<u>5,662,934</u>	<u>6,956,291</u>
Net increase in cash and cash equivalents	1,584,213	6,503,773
Cash and cash equivalents at the beginning of the financial period	4,084,229	652,954
Cash at the end of the financial period	<u><u>5,668,442</u></u>	<u><u>7,156,727</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 Group**) and its associated entities for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 28 February 2017. 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

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:

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 2016 reporting periods and have not been early adopted by the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: SHARE BASED PAYMENTS

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

	31 December 2016 \$	31 December 2015 \$
<i>Recognised as a share based payment expense:</i>		
Options issued to Employees (Note 3(a))	10,697	-
Options issued to Key Management Personnel (Note 3(a))	147,989	911,093
Options issued for Services (Note 3(a))	1,039,250	-
Equity options issued to Employees (Note 3(c))	70,334	-
Performance Rights issued to Key Management Personnel (Note 3(b))	13,176	-
Total share based payment expenses	1,281,446	911,093

(a) Fair value of options granted

Options issued to employees (prior period)

On 16 May 2016, the Company issued 900,000 unlisted options to three US Advisory Board members as part of their appointment remuneration package. Management could not reliably determine fair value of services received and accordingly the Company has internally measured the fair value of options granted by adopting a Black-Scholes option pricing model. The model inputs are shown in the table below.

Black-Scholes Option Pricing Model	
Date of grant	16/05/2016
Date of expiry	18/03/2020
Exercise price	\$0.15
Underlying share price (at issue date)	\$0.09
Risk free interest rate	1.58%
Volatility	94%
Years to expiry	3.22 years
Number of options granted	900,000
Fair value of options	\$46,623

The options above vest on 12 May 2018 and have therefore been expensed over the vesting period. As a result, a share based payment expense of \$10,697 has been recognised for the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: SHARE BASED PAYMENTS (continued)

Options issued for consideration of advisory services

On 20 September 2016, the Company issued 4,500,000 to EAS Advisors LLS and 1,500,000 options to CPS Capital for corporate advisory services. Management could not reliably determine fair value of services received and accordingly 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	20/09/2016
Date of Expiry	19/09/2018
Exercise Price	\$0.350
Underlying share price (at issue date)	\$0.340
Risk free interest rate	1.56%
Volatility	95%
Years to expiry	2 years
Number of options granted	6,000,000
Fair Value of Options	\$1,016,650

The options above vest on 19 March 2017 and have therefore been expensed over the vesting period. As a result, a share based payment expense of \$576,102 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

On 20 September 2016, the Company issued 1,500,000 options to EAS Advisors LLS for US advisory services. Management could not reliably determine fair value of services received and accordingly 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	20/09/2016
Date of Expiry	19/09/2019
Exercise Price	\$0.400
Underlying share price (at issue date)	\$0.340
Risk free interest rate	1.56%
Volatility	95%
Years to expiry	3 years
Number of options granted	1,500,000
Fair Value of Options	\$288,130

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: SHARE BASED PAYMENTS (continued)

The options above vest on 19 March 2017 and have therefore been expensed over the vesting period. As a result, a share based payment expense of \$163,273 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

On 20 September 2016, the Company issued 1,500,000 options to EAS Advisors LLS for advisory services. Management could not reliably determine fair value of services received and accordingly 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	20/09/2016
Date of Expiry	19/09/2019
Exercise Price	\$0.450
Underlying share price (at issue date)	\$0.340
Risk free interest rate	1.56%
Volatility	95%
Years to expiry	3 years
Number of options granted	1,500,000
Fair Value of Options	\$275,497

The options above vest on 19 March 2017 and have therefore been expensed over the vesting period. As a result, a share based payment expense of \$156,115 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: SHARE BASED PAYMENTS (continued)

On 20 September 2016, the Company issued 1,500,000 options to EAS Advisors LLS for advisory services. Management could not reliably determine fair value of services received and accordingly 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	20/09/2016
Date of Expiry	19/09/2018
Exercise Price	\$0.550
Underlying share price (at issue date)	\$0.340
Risk free interest rate	1.56%
Volatility	95%
Years to expiry	3 years
Number of options granted	1,500,000
Fair Value of Options	\$253,693

The options above vest on 19 March 2017 and have therefore been expensed over the vesting period. As a result, a share based payment expense of \$143,759 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

Options issued to Key Management Personnel

On 29 November 2016, the Company entered into an agreement to issue 2,000,000 unlisted options to Sophie McGill as part of her appointment remuneration package. The options are exercisable at \$0.125 on or before 18 March 2020 and will vest in six equal instalments (333,334 options) over a 3 year period.

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

Black-Scholes Option Pricing Model	
Date of grant	29/11/2016
Date of expiry	18/03/2020
Exercise price	\$0.125
Underlying share price (at issue date)	\$0.235
Risk free interest rate	1.80%
Volatility	95%
Years to expiry	3.30 years
Number of options granted	2,000,000
Fair value of options	\$345,628

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: SHARE BASED PAYMENTS (continued)

The options vest over six equal instalments over a 3 year period and therefore the share based payment expense has been recognised over the respective vesting period of each instalment. As a result, a share based payment expense of \$147,989 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

(b) Fair Value of Performance Rights issued

On 28 December 2016 issued 7,800,000 performance rights. Of these performance rights, 6,000,000 were approved at the company's 2016 annual general meeting on 29 November 2016 and were issued to executive and non-executive directors. The remaining rights were issued to corporate advisors.

These performance rights were issued in three classes, each with different market based performance milestones. Each performance share will convert into 1 ordinary share of MSM upon achievement of the performance milestone.

Management assessed each class as being probable of being achieved and have therefore recognised an expense over the expected vesting period. The details of each class are tabled below:

Executive and non-executive directors

Class	Number	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Fair value per Right	Total Fair Value
A	2,000,000	29/11/2016	Nil	29/12/2021	\$0.175	\$350,000
B	2,000,000	29/11/2016	Nil	29/12/2021	\$0.119	\$238,000
C	2,000,000	29/11/2016	Nil	29/12/2021	\$0.078	\$156,000

Corporate advisors

Class	Number	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Fair value per Right	Total Fair Value
A	600,000	28/12/2016	Nil	29/12/2021	\$0.168	\$100,800
B	600,000	28/12/2016	Nil	29/12/2021	\$0.113	\$67,800
C	600,000	28/12/2016	Nil	29/12/2021	\$0.073	\$43,800

Performance Milestones

- A. Vest upon achieving a market capitalisation of \$120 million, for a period of 30 consecutive days. This milestone expires on 29 December 2021.
- B. Vest upon achieving a market capitalisation of \$150 million, for a period of 30 consecutive days. This milestone expires on 29 December 2021.
- C. Vest upon achieving a market capitalisation of \$250 million, for a period of 30 consecutive days. This milestone expires on 29 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: SHARE BASED PAYMENTS (continued)

The total expense arising from share based payment transactions recognised during the period in relation to the performance rights issued was \$13,176.

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

During 2016, the Company issued various 'option equity' components as part of the remuneration package offered to employees appointed by MSM Music Inc. The component entitles the employee to a fixed percentage of the total shares in MSM Corporation International Limited at grant date, which vests over 48 months (4 years), in equal instalments.

Under the 'option equity' agreements, eligible employees are entitled to 7,507,310 shares in the Company. The fair value of equity instruments granted is valued by direct reference to the total equity contributed in the Company at grant date and the respective share price on grant date.

As the equity option vests over 48 months, the share based payment expense has been expensed over this vesting period. As a result, a share based payment expense of \$70,334 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

NOTE 4: CASH AND CASH EQUIVALENTS

	31 December 2016	30 June 2016
	\$	\$
Cash at bank and on hand	2,668,442	1,584,229
Short-term bank deposits	3,000,000	2,500,000
	<u>5,668,442</u>	<u>4,084,229</u>

NOTE 5: OTHER ASSETS

	31 December 2016	30 June 2016
	\$	\$
Other receivables	182,834	99,263
GST recoverable	110,267	40,288
Prepayments	41,945	33,602
	<u>335,046</u>	<u>173,153</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6: INVESTMENTS

	31 December 2016	30 June 2016
	\$	\$
Unlisted investments at cost	<u>672,144</u>	<u>538,003</u>

On 12 July 2015, Megastar entered into an unsecured convertible promissory note agreement with Digital Riot Media, LLC for the principal sum of US\$50,000.

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

- The payment of US\$100,000 (A\$138,105) on 7 August 2015;
- The payment of US\$50,000 (A\$71,391) on 8 December 2016; and
- US\$150,000 (A\$198,413) in the form of either cash or MSM shares, at MSM's election. This is accounted for under Trade and Other Payables (Note 7)

On 5 April 2016, Megastar purchased 7,178,007 shares in WinWin Holdings Pty Ltd under Tranche 1 of a private placement agreement for US\$34,000 (A\$47,854).

On 7 July 2016 the Company made a strategic investment of US\$100,000(A\$133,476) into Influential, a Los-Angeles based, mobile-first influencer marketing technology company which works with more than 7,000 top influencers on Facebook, Instagram, Snapchat, Twitter, Vine and YouTube, representing more than 4.4 billion followers and is expected to enhance the Company's social media capabilities ahead of the launch of the Megastar Millionaire competition platform.

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.

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

NOTE 7: TRADE AND OTHER PAYABLES

	31 December 2016	30 June 2016
	\$	\$
Trade creditors	168,041	256,840
Accruals	25,000	102,491
Other payables (Note 6)	<u>198,413</u>	<u>269,139</u>
Total trade and other payables	<u>391,454</u>	<u>628,470</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 8: CONTRIBUTED EQUITY

Shares – 31 December 2016	\$	No. of Shares	Amount per share
Issued and paid up capital			
<i>Movements in issued and paid up capital</i>			
Balance at beginning of period	11,249,100	-	-
Fully paid ordinary share capital of MSM	-	276,802,110	-
Proceeds from placement shares issued	4,882,000	17,435,715	\$0.280
Shares issued for the conversion of options	1,036,853	10,368,547	\$0.100
Capital raising costs	(255,920)	-	-
Total issued and paid up capital at the end of the period	16,912,033	304,606,372	

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 9: BASIC LOSS PER SHARE

	31 December 2016 \$	31 December 2015 \$
Basic loss per share	(0.02)	(0.062)
Diluted loss per share	(0.02)	(0.062)

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 2016 \$	31 December 2015 \$
Net loss	(4,697,402)	(4,837,836)
	Number	Number
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	293,829,160	77,994,227

- (i) The prior year weighted average number of ordinary shares has been adjusted to reflect the reverse acquisition.

NOTE 10: RESERVES

	31 December 2016 \$	30 June 2016 \$
Balance at beginning of period	2,496,682	-
Movement in Option Premium Reserve		
Value of broker options issued	-	548,000
Options issued for the conversion of convertible notes	-	979,652
Options issued to key management personnel (Note 3(a))	147,989	501,193
Options issued to other employees (Note 3(c))	81,031	47,238
Options issued for services rendered (Note 3(a))	1,039,250	235,116
Performance rights issued (Note 3(b))	13,176	-
	1,281,446	2,311,199
Movement in Foreign Exchange Translation Reserve		
Exchange differences on foreign operations	(91,113)	185,483
Balance at end of period	3,687,015	2,496,682

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 11: SUBSEQUENT EVENTS

Since the end of the year, 3,065,000 ordinary shares have been issued as a result of the exercise of options at \$0.10 each, increasing the Company's issued share capital by \$306,500.

On 5 January 2017, the Company issued the 687,102 ordinary shares as the incentive component of employee remuneration packages in accordance with the Company's Stock Incentive Plan approved by shareholders at the 2016 AGM.

On 25 January 2017, the Company issued the 137,420 ordinary shares as the incentive component of employee remuneration packages in accordance with the Company's Stock Incentive Plan approved by shareholders at the 2016 AGM.

On 13 February 2017, the Company issued the following options for corporate advisory services:

- 2,000,000 exercisable at \$0.35 on or before 19 September 2018, vesting 31 July 2017;
- 2,000,000 exercisable at \$0.40 on or before 19 September 2019, vesting 31 July 2017; and
- 2,000,000 exercisable at \$0.45 on or before 19 September 2019, vesting 31 July 2017.

On 23 February 2017, the Company issued the 6,871 ordinary shares as the incentive component of employee remuneration packages in accordance with the Company's Stock Incentive Plan approved by shareholders at the 2016 AGM.

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

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

NOTE 12: COMMITMENTS AND CONTINGENCES

The second part of the payment of US\$150,000 (A\$198,413) 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.

Operating Lease Commitments

	31 December 2016 \$	30 June 2016 \$
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments		
– Not later than 12 months	178,286	1,673
– Later than 12 months	767,966	-
	946,252	1,673

There has been no other changes in contingent liabilities, contingent assets or other commitments since the last annual reporting date, 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 13: 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 Group's financial position as at 31 December 2016 and of its performance for the half-year then ended; and
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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', followed by a long horizontal line extending to the right.

Adam Wellisch
Non-Executive Chairman
28 February 2017

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 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2016 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:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) 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, larger 'BDO' watermark.

Dean Just

Director

Perth, 28 February 2017