msmci

MSM CORPORATION INTERNATIONAL LIMITED

ABN 51 002 529 160

ANNUAL FINANCIAL REPORT
30 JUNE 2017

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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
Level 8, 90 Collins Street
MELBOURNE VIC 3000

AUDITORS
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38 Station Street
Subiaco WA 6008

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ASX

HOME EXCHANGE
Melbourne

SHARE REGISTRY
Advanced Share Registry Services
110 Stirling Highway
Nedlands 6009
Western Australia

ASX CODE
MSM

CHAIRMAN'S LETTER

Dear Shareholders,

The financial year 2017 has been one of significant milestones for MSM. The team have worked hard to complete the development of the Megastar platform and have successfully released the App in key geographic markets, starting with Great Britain, South Africa, New Zealand and Canada. Talent auditions have commenced and we have secured an incredible register of sponsored talent to represent and promote the competition. Given the calibre of talent that the Company has acquired we have executed at an extremely rapid pace.

The Megastar competition continues to be delivered by experts who are the best in their fields, helping to ensure its success on every level. During the year, we significantly strengthened our team with additional high calibre industry experts. Former X Factor executive, Marion Farrelly, joined as the competition's Executive Producer, and eight-time Grammy award winning superstar, Usher signed on as its Chief Creative Director shortly after the end of the financial year.

These new additions are supported by the existing high profile members of our Board and Advisory Board, who have willingly contributed their time and expertise on pivotal decisions and projects throughout the year. Jennifer Herman has recently assumed an executive function in addition to her role on the Advisory Board to drive forward user adoption of the Megastar app, harnessing her Electronic Arts and Zynga experience.

We have also had great success in securing amazing talent to be the face of Megastar. Usher was appointed as Chief Creative Director, judge, mentor and brand ambassador, establishing a new level of industry credibility for the Megastar platform and the Company's ethos. Usher is supported by competition hosts, SketcheShe and over 70 high profile Social Influencers and Sponsored Performers, representing an incredibly talented and global recognised entertainment team.

Through this list of globally appealing talent, our total audience reach has been built to an astonishing 130 million social media users. This audience reach is being leveraged for our multi-faceted marketing and media program, which includes social media, mass media and PR campaigns in our key target regions: the US, the UK and Australia. This program gives us a direct pathway to rapidly scale-up user participation in the competition via downloads, which will lead to monetisation of the platform through in-App purchases, followed by advertising, sponsorships and eventually leveraging content and user data generated by the competition.

Throughout the year, we continued to work closely with our marketing, production and talent partners, such as Roar, DanceOn, FullScreen, Traction, ToneDen, Influential, Manifeste Marketing, Digital Riot Media and Boomopolis. Through these partnerships, we have been able to access top talent and significantly increase the calibre of the first Megastar competition, not to mention boosting its audience reach. These partnerships will become increasingly important as the competition progresses, with the activation of social media and marketing networks.

All this progress would not have been possible without the hard work and commitment from the whole MSM team in the US and Australia. I'd like to thank all of our hard working staff for their efforts thus far, as well as their ongoing commitment as we commence global auditions for the first Megastar competition.

Our shareholders have also played an equally important role in supporting the Company and helping us to achieve so many significant milestones. MSM successfully raised $4.88 million during the year, followed by more than $10 million post period. Through these Placements, we have expanded our shareholder register to welcome new and existing domestic and international shareholders, including two additional well regarded funds, to our shareholder base.

There is a lot to be achieved in the coming months by the MSM team. With global auditions about to commence, the team is squarely focused on successful execution of the first global Megastar competition. The results of our Beta testing and two statistically significant market research studies completed during the financial year give us great confidence that our target market will adopt and engage with Megastar. The team at Megastar is extremely excited for our first competition. Download the app, tell your friends and follow us on social media *@megastarapp*

Yours sincerely,

Adam Wellisch
Chairman

DIRECTORS' REPORT

Your directors present their report on MSM Corporation International Limited (“**the Company”** or “**MSM”**) for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

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

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Mr Adam Wellisch (Chairman and Non-Executive Director)

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

Mr Wellisch holds an interest in 9,712,230 ordinary shares, 6,474,821 Class A Performance Shares, 6,474,819 Class B Performance Shares, 6,000,000 options expiring 7 November 2019 with an exercise price of $0.10 and 1,200,000 Class C Performance Rights.

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

Mr Dion Sullivan (Managing Director)

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

Mr Sullivan holds an interest in 7,244,388 ordinary shares, 4,676,259 Class A Performance Shares, 4,676,258 Class B Performance Shares, 6,000,000 options expiring 7 November 2019 with an exercise price of $0.10 and 2,400,000 Class C Performance Rights.

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

Ms Sophie McGill (Executive Director)

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

DIRECTORS' REPORT *(continued)*

Ms McGill holds an interest in 216,941 ordinary shares, 2,000,000 options with an exercise price of $0.125 and 1,200,000 Class C Performance Rights.

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

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

Mr Clements holds an interest in 6,856,115 ordinary shares, 3,904,076 Class A Performance Shares, 3,904,076 Class B Performance Shares and 1,200,000 Class C Performance Rights.

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

REVIEW AND RESULTS OF OPERATIONS

SIGNIFICANT MILESTONES ACHIEVED

Phased Competition Launches

Marking the achievement of a major milestone for MSM, the Company successfully launched the Great Britain and South African Megastar competitions on 30 June 2017 and 1 July 2017, respectively as the Megastar app went live in these geographies. While the Great Britain competition initially commenced with a soft launch prior to 30 June 2017, competition heats commenced on a weekly basis following 30 June 2017. Both geographic markets are important to Megastar, with the Great Britain holding a potential viable audience reach of more than 11.6 million and the South African market encompassing a population of over 55 million with a high penetration of smartphone users.

Following closely behind these two geographies, MSM launched competitions in New Zealand and Canada following the close of the financial year. The New Zealand competition was launched as the Megastar app went live on the 15 July 2017, with the Canadian launch taking place soon after on 31 July 2017. While New Zealand represents a relatively smaller geographic market for the Company, it boasts over 70% smartphone penetration with more than 90% of New Zealanders over the age of 15 years using social media on a frequent basis. Smartphone penetration is similarly high in Canada, with over 75% of its total population of 35 million people using smartphones.

With two key geographic launches remaining under MSM's phased launch approach, Australia and the US, the Company has further important milestones ahead to complete its global competition launch.

Usher appointed as Creative Director

Following the end of the financial year, the Company was excited to achieve another value enhancing milestone, with the appointment of Usher as its Chief Creative Director for Megastar. Usher was also appointed as the competition's headline judge, mentor and brand ambassador and brings a wealth of experience and insights to these roles.

Usher is an eight-time Grammy Award winning international superstar. He has been ranked by the Recording Industry Association of America as one of the best-selling artists in American music history, having sold over 65 million albums worldwide. He has won numerous awards including eight Grammy Awards and was named the #1 Hot 100 artist of the 2000s decade. Furthermore, Usher has a massive social media presence, adding over 68 million social media followers to the Company's total audience reach.

DIRECTORS' REPORT *(continued)*

His engagement by the Company spans the duration of the Megastar competition and the immediate period following the Megastar finale which is expected to take place in late 2017. The consideration payable to Usher is comprised of staggered cash payments, performance rights and royalties, aligning him strongly with the success of the competition and MSM's shareholders.

Usher's appointment provides strong validation of the Company's world-class global talent competition product offering and marks the completion of much work by the team to attract an A-list celebrity.

Global Reach Built to 120 million+

50 Million Global Social Media reach by end of FY17

Leading with the appointment of dance group DanceOn in March 2017, MSM commenced its social influencer engagement campaign. Social influencers, users of social media that have established credibility in a specific industry, form a key part of the Company's broader marketing program. Building a large audience of social media users that can be reached for Megastar's marketing program, is a pivotal differentiator that will build the success of the mobile-first talent competition.

Co-founded by American singer Madonna, DanceOn is a global programming brand for dance entertainment and is one of the internet's largest digital communities for influential dancers. All 14 dancers in the group agreed to enter the Megastar competition as Sponsored Performers and leverage their combined 8.5 million social media followers to amplify awareness of the competition.

The momentum continued with MSM also selecting globally recognised comedy trio, SketcheSHE as hosts for the Megastar competition. SketcheSHE will guide both Performers and Fans through the competition app and help the audience discover new talent by providing weekly updates. In addition, they will encourage participation in the competition by harnessing their strong social media following.

Additional social media influencers were subsequently appointed, including retired artistic gymnast, Shawn Johnson, who brings 2.7 million followers, and professional Frisbee player and trick master, Brodie Smith who brings over 4.3 million followers.

Talent Agency Partnerships – Fullscreen and Boomopolis

A further 11 million plus social media followers were added to the Company's social media reach in May 2017 when MSM signed an agreement with YouTube multichannel partner network, Fullscreen Media Inc, to provide seeded talent for the Megastar competition. Through the agreement, 22 of Fullscreen's creative talent will compete in Megastar's first global competition. The participants come from a range of genres including Alyssa Bernal in the music category, GingerNinjaTrickster in Sports and David Bonfadini in the magic category.

In June 2017, the Company signed another agreement with social media talent agency, Boomopolis, adding ten new Sponsored Performers for the competition. These Sponsored Performers brought a collective social media audience reach of more than 9 million to the Company.

By the end of the financial year, the Company had built its social media audience reach to 50 million followers through its social influencer network and the 48 Sponsored Performers enlisted to participate and promote the competition.

Total Reach Hits 120 Million+

Following the close of the financial year, and through the addition of further Sponsored Performers under its partnership with Boomopolis, the Company's total audience reach was strengthened to reach more than 60 million social media followers and pushed its Sponsored Performers to 79 in total.

DIRECTORS' REPORT *(continued)*

Megastar's social media audience reach was considerably enhanced as the Company appointed Usher as its Chief Creative Director as well as headline judge, mentor and brand ambassador for the Megastar competition. Usher has a strong social media presence, reaching over 68 million social media followers. This is comprised of 46 million on Facebook, 12.3 million via Twitter, 6.7 million via Instagram and 3.3 million on YouTube.

TECHNICAL DEVELOPMENT & RESEARCH

Hub Research Results

Early in the financial year, the Company reported the results of a quantitative testing project, conducted by Hub Entertainment Research, to determine the commercial appeal of the Megastar competition. The rigorous and statistically significant research, completed in July 2016 revealed the enormous commercial upside potential of the competition.

The testing showed that 91% of respondents were interested in being a Fan and 54% are also interested in being a Performer. Importantly, the monetisation potential of the competition far exceeded the Company's expectations, with 83% of respondents finding the platform appealing on a paid for basis.

Closed Beta Testing

In a significant development milestone for the Company, it commenced beta testing of the competition platform in September 2016. The Closed beta competition involved over 1,000 participants over 30 days and included limited fan engagement, social gamification and contact functionality.

Key results from the Beta tests reflected strong retention rates, with 19% of the users remaining engaged with the competition after day 28. This greatly exceeds industry norms of 6% user retention after day 28 for other digital applications. High user engagement was also reported, with the average user session time of approximately 19 minutes beating the industry average of just 7 minutes. Lastly, the Beta test revealed strong average push notification re-engagement of 86%, against an industry norm of just 15%.

All the results of the Closed Beta test were leveraged to guide the developmental refinements of the platform, ahead of its global launch.

Open Auditions

Following on from the Closed Beta tests, the MSM team commenced a program of Open Auditions in early 2017. These were smaller tournaments with smaller prizes that allowed the development team to continue to improve the competition platform's features and metrics. Taking place in Great Britain as part of the Company's soft launch of the Megastar competition, the open auditions provided another method for the Company gain insights into user behaviour prior to the competition's launch.

Live Streaming

With MSM's Canadian Megastar competition launch in late July 2017, the Company was pleased to add a new live streaming feature to the App for all four live territories. Via this feature, Performers can live stream their performances and engage directly with their audience in real-time, making it an extremely powerful tool for delivering content and driving Fan support.

TEAM STRENGTHENED

Former X Factor Boss Joins as Executive Producer

In March 2017, the Company secured industry renowned talent competition producer, Marion Farrelly as its Executive Producer. Ms Farrelly is an internationally award winning producer who has worked on several leading television programs in the US, Great Britain and Australia. She is a former X Factor boss and has held producer roles for programs such as The Celebrity Apprentice and the Australian and Great Britain versions of Big Brother.

DIRECTORS' REPORT *(continued)*

In this key role, she oversees talent production and the development of the format of the host and celebrity talent videos to ensure that they reach the highest quality content standards for the competition. The appointment of such a high calibre Executive Producer formed a pivotal role in securing A-list celebrity talent for Megastar.

SUCCESSFUL CAPITAL RAISE

In September 2016, MSM successfully raised $4.9 million from new and existing domestic and international shareholders by way of a Placement. The capital raised was utilised to accelerate platform development of the Megastar competition, as it approached launch.

During the year a further $1.56 million was raised from the conversion of options.

CORPORATE

During the year, the Group incurred a loss after tax of $12,969,655 (2016 – loss of $8,491,150). The result included Project expenditure of $7,908,036 (2016: $2,059,503), share based payments expenses for options, performance rights and shares issued as remuneration and payment of services of $2,778,554 (2016: $1,694,640) and the provision for the Megastar competition prize money of US$1,000,000 (A$1,243,626) (2016 - $nil). The Group had cash on hand of $720,307 at the end of the year (30 June 2016: $4,084,229).

In August 2017, the Company successfully raised a further $10.5 million through shares and loans. These funds will be leveraged for marketing, production and judges for the Megastar competition, along with general working capital.

DIVIDENDS

No dividends have been provided for or paid by the Company in respect of the year ended 30 June 2017 (2016 – $nil).

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the year, 182,066 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 $18,207.

On 3 July 2017, the Company advised that 757,576 unlisted $0.30 options exercisable on or before 30 June 2017 had expired without exercise.

During July 2017, the Company announced it had successfully launched the Megastar App in the Great Britain, South Africa, New Zealand and Canada.

On 7 July 2017, the Company announced eleven new Sponsored Performers were added through its agreement with social media talent agency, Boomopolis. The new Sponsored Performers brought the Megastar audience reach close to 60 million, rapidly approaching the Company's target of 80 million.

On 14 August 2017, the Company announced eight-time Grammy Award winning superstar, Usher, to join MSM as Megastar Chief Creative Director for its global talent competition, Megastar. Usher will perform the roles of headline celebrity Mentor, Judge and Brand Ambassador.

On 14 August 2017, the Company announced it had successfully undertaken capital raising to raise a total of $10,500,000 (before costs), towards marketing and production plans and talent acquisition costs for the Megastar competition. The capital raising compromised of:

DIRECTORS' REPORT *(continued)*

- Firm commitments for a placement of shares to raise $8,630,000 through the issue of 43,150,000 fully paid ordinary shares at an issue price of $0.20.
- Convertible loans raising $1,870,000 convertible at $0.20 per share with a 10% coupon of which $1,370,000 (plus interest) will be immediately converted through the issue of 7,210,000 fully paid ordinary shares and $500,000 (plus interest) will be repaid.

On 17 August 2017, the Company issued:

- 279,276 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.
- 1,000,000 ordinary shares for services rendered.
- 12,500,000 performance rights for services rendered issued pursuant to the Company's Performance Rights Plan. The performance rights were issued in three classes, each with different market based and financial performance milestones. Each performance share will convert into 1 ordinary share of MSM upon achievement of the performance milestone.

On 18 August 2017, the Company announced it would commence the process for the sale of ordinary shares for holders who hold less than a marketable parcel (as defined by the ASX Listing Rules). The offer applies to shareholders who were holders of shares valued at less than $500 based on the issue price of shares of $0.235 per share on the Record Date.

On 24 August 2017, the Company announced the appointment of two additional world class entertainment public relations firms to drive and strengthen the Company's public relations across key geographies as it prepares to commence one of the largest global marketing and media programs for a mobile App. Rogers & Cowan has been appointed to roll out Megastar's campaign in the US and 3 Monkeys Zeno is responsible for the execution of the Company's UK/Great Britain campaign.

On 31 August 2017, the Company announced Jennifer Herman has further engaged to supercharge the promotion and maximise adoption of the Megastar App.

On 6 September 2017, the Company advised it had applied to the ASX for quotation of its existing 33,980,548 unlisted options exercisable at $0.10 and expiring on 7 November 2019.

On 7 September 2017, the Company announced the schedule for the first Megastar competition with the first global heat commencing 30 September 2017 and the Finale scheduled for 1 December 2017. The Company also confirmed 30 September 2017 as the release date for the Megastar App in the US and Australia.

On 14 September 2017, the Company announced the commencement of key production and media activities associated with the release of the Megastar App in the US and Australia and the launch of the first Megastar competition. These production activities are part of final preparations for the first global audition heat commencing on 30 September 2017 (US time) and the subsequent launch of the Megastar media and marketing program.

On 20 September 2017, the Company announced the global Megastar marketing and media program was ready to launch.

On 27 September 2017, the Company released a "walk through" video for the Megastar App ahead of the release of the Megastar App in the US and Australia and the launch of the global auditions for the first Megastar competition commencing 30 September 2017. The walk through video demonstrates key features of the app and explains how performers and fans will use the app to participate in the Megastar competition.

DIRECTORS' REPORT *(continued)*

Other than the above, no matter has arisen since the end of the year that has significantly affected or may significantly affect the Company's operations, the results of those operations or its financial position.

ENVIRONMENTAL REGULATIONS

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

PROCEEDINGS OF THE COMPANY

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

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

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

NON-AUDIT SERVICES

During the year $10,455 (2016: $16,906) was paid or payable to BDO Corporate Tax (WA) Pty Ltd and BDO Corporate Finance (WA) Pty Ltd for taxation and other non-audit services provided.

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

The Directors are of the opinion that the non-audit services do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

DIRECTORS' REPORT *(continued)*

DIRECTORS' MEETINGS

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

Director	Number of meetings held while in office	Number of meetings attended
A Wellisch	6	6
D Sullivan	6	6
S McGill	6	6
M Clements	6	6

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

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

- 65,880,548 options exercisable at $0.10 on or before 7 November 2019;
- 2,000,000 options exercisable at $0.125 on or before 18 March 2020;
- 900,000 options exercisable at $0.15 on or before 18 March 2020;
- 8,000,000 exercisable at $0.35 on or before 19 September 2018;
- 3,500,000 exercisable at $0.40 on or before 19 September 2019;
- 3,500,000 exercisable at $0.45 on or before 19 September 2019; and
- 1,500,000 exercisable at $0.55 on or before 19 September 2019.

During the financial year the Company issued 15,551,116 ordinary shares as a result of the exercise of options.

REMUNERATION REPORT - AUDITED

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the key management personnel of the Company for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

Key Management Personnel

Directors

Mr Adam Wellisch *(Chairman and Non-Executive Director)*

Mr Dion Sullivan *(Managing Director)*

Ms Sophie McGill *(Executive Director)*

Mr Mark Clements *(Non-Executive Director and Secretary)*

Key Executives

Mr Joshua Heenan *(Global General Manager – KMP effective 1 July 2016)*

Ms Jane Barrett *(Senior Marketing Director - appointed 3 January 2017, resigned 21 August 2017)*

Mr Eric Crook *(Director of Engineering – KMP effective 1 July 2016)*

DIRECTORS' REPORT *(continued)*

Remuneration Philosophy

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

Non-executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the board. The chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

Directors Fees

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

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

Executive Remuneration

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

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

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

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

DIRECTORS' REPORT *(continued)*

Short and Long Term Incentives

Options

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

On 26 April 2016, the Company entered into an agreement to issue 2 million unlisted options to Sophie McGill as part of her appointment remuneration package. These options are exercisable at $0.125 on or before 18 March 2020 and will vest in six equal instalments (333,333 options) over a 3 year period on the condition that Ms McGill continues to be engaged by the Company on each vesting date. At 30 June 2017, 666,667 of the options had vested (30 June 2016: nil).
Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using the Black-Scholes methodology. Further details on the valuation inputs of the options are included in Note 3.

Cash Bonuses

During the financial year, Ms McGill received a performance bonus of $50,000 in recognition of her significant contributions made to the Company particularly in relation to development of the Megastar Millionaire offering, market development and investor relations.

During the financial year, Mr Sullivan received a performance bonus of US$38,500 (AUD: $50,683) in recognition of his significant contributions made to the Company, particularly in relation to managing the development and launch of Megastar Millionaire, securing the ROAR engagement and finalising the US Advisory Board.

Performance Rights

On 28 December 2016, the Company also issued 7,800,000 Class C 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 performance milestones based on the market capitalisation of the Company. Each performance share will convert into one ordinary share of MSM upon achievement of the performance milestone and expire on 29 December 2021. There is nil consideration payable upon the vesting of a Performance Right. Further details on the valuation inputs of the performance rights are included in Note 3.

The Company considered the remuneration structures of ASX listed companies with a similar pathway to development, to determine a suitable quantum and structure of an incentive based remuneration plan for management and executive and non-executive members of the Board. As a result of this review the Company believe that the issue of the Performance Rights is a fair and reasonable incentive based remuneration package.

Shares

During 2016 and 2017, the Company issued various 'option equity' components as part of the remuneration package offered to employees and KMP 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 periods of 12, 36 and 48 months, in equal instalments. The employee must remain in employment with the Company at each vesting date. Further details on the valuation are included in Note 3.

DIRECTORS' REPORT *(continued)*

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

Statutory Performance Indicators

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

	2017	2016	2015	2014	2013
Net profit/(loss)($)*	(12,969,655)	(8,491,150)	(724,890)	(1,985,620)	(645,002)
Share price ($)	$0.215	$0.115	$0.065	$0.002	$0.01
Earnings/(loss) per share ($)*	(0.04)	(0.05)	(0.024)	(0.194)	(0.002)

*Net profit/(loss)and earnings/(loss) per share for the periods 2015 -2013 are as previously disclosed and have not been updated for the reverse acquisition of Megastar which occurred on 29 December 2015 and therefore these comparatives may not be comparative to the 2017 figures.

Relative Proportion of Fixed vs Variable Remuneration Expense

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

	Fixed Remuneration	STI	LTI
	2017	2017	2017
Adam Wellisch	88%	-	12%
Dion Sullivan	82%	11%[1]	7%
Sophie McGill	45%	37%[2]	19%
Mark Clements	85%	-	15%
Joshua Heenan	88%	3%	9%
Jane Barrett	78%	17%	6%
Eric Crook	88%	3%	9%

Note 1: The total STI % relates to a cash bonus as per the "Cash Bonuses" heading in the director's report.

Note 2: Of the STI %, 11% relates to a cash bonus as per the "Cash Bonuses" heading in the director's report and 26% relates to options vesting in a 12 month period.

DIRECTORS' REPORT *(continued)*

Options

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

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	% vested
26/4/2016	Various, 6 monthly instalments[1]	18/3/2020	$0.125	$0.17	33.33%

Note 1: Granted to Sophie McGill. Refer Note 3.

Performance Rights

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

	Milestone			Total
	Market capitalisation of $120 million	Market capitalisation of $180 million	Market capitalisation of $250 million	
Dion Sullivan	800,000	800,000	800,000	2,400,000
Sophie McGill	400,000	400,000	400,000	1,200,000
Adam Wellisch	400,000	400,000	400,000	1,200,000
Mark Clements	400,000	400,000	400,000	1,200,000
Total	**2,000,000**	**2,000,000**	**2,000,000**	**6,000,000**
Value per right	**$0.175**	**$0.119**	**$0.078**	

A milestone will be satisfied if the Company has had the relevant market capitalisation for a period of 30 consecutive calendar days. The expiry date for each Performance Right is 29 December 2021.

In the event a milestone is not met by the expiry date, or a Director ceases to be engaged by the Company when a milestone is met, the respective Performance Rights will not vest and, as a result, no new shares will be issued. Management have assessed the probability of the attached milestones being achieved as likely.

There is no consideration payable upon the vesting of a Performance Right. In accordance with the terms of the Performance Rights Plan, all Performance Rights will vest upon a takeover bid or other change of control event.

Shares

During 2017, the Company issued various 'option equity' components as part of the remuneration package offered to employees and KMP 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 periods of 12, 24, 36 and 48 months, in equal instalments. The employee must remain in employment with the Company at each vesting date.

Under the 'option equity' agreements, eligible employees and KMP are entitled to 4,614,292 shares (30 June 2016: 6,737,790 shares) in the Company, of which 3,279,723 relates to KMP as at 30 June 2017.

DIRECTORS' REPORT *(continued)*

As the equity option vests over 12, 24, 36 and 48 months, the share based payment expense has been expensed over this vesting period. As a result, a share based payment expense of $95,454 has been recognised in relation to KMP.

Details of the 'option equity' granted to KMP during the 30 June 2016 financial year which impact the financial year ended 30 June 2017 and future reporting periods is tabled below.

KMP	Grant date	Vesting date	Exercise price $	Number of option equity instruments granted	Fair value at grant date per option equity instrument granted* $	Total fair value $
Joshua Heenan	04/01/2016	In four equal tranches on 04/01/2017, 04/01/2018, 04/01/2019 and 04/01/2020	Nil	1,374,205	0.06	82,452
Eric Cook	04/01/2016	In four equal tranches on 04/01/2017, 04/01/2018, 04/01/2019 and 04/01/2020	Nil	1,374,205	0.06	82,452

*The fair value of equity instruments granted is valued by direct reference to the share price of the Company on grant date.

Details of the 'option equity' granted to KMP during the 30 June 2017 financial year which impact the year ended 30 June 2017 and future reporting periods is tabled below.

KMP	Grant date	Vesting date	Exercise price $	Number of option equity instruments granted	Fair value at grant date per option equity instrument granted* $	Total fair value $
Jane Barrett	03/01/2017	In four equal tranches on 03/01/2018, 03/01/2019, 03/01/2020 and 03/01/2021	Nil	1,218,415	0.23	280,236

*The fair value of equity instruments granted is valued by direct reference to the share price of the Company on grant date.

DIRECTORS' REPORT *(continued)*

Details of Remuneration

REMUNERATION FOR THE YEAR ENDED 30 JUNE 2017

	Short-Term Benefits *Base Remuneration*	Post-Employment Benefits *Super-annuation*	Share Based Payments *(ESS, Options & Performance Rights*	Total	Value of Share Based Payments as a Proportion of Remuneration
	$	$	$	$	%
Directors					
Adam Wellisch *(Non-Executive Chairman)*	120,000	-	17,077	137,077	12
Dion Sullivan *(Managing Director)*	445,911[1]	-	34,153	480,064	7
Sophie McGill *(Executive Director)*	263,044[2]	-	211,268	474,312	45
Mark Clements *(Non-Executive Director and Company Secretary)*	99,000	-	17,077	116,077	15
Other Key Management Personnel					
Joshua Heenan *(Global General Manager)*[3]	233,756[3]	-	30,644	264,401	12
Jane Barrett *(Senior Marketing Director)*[4]	118,950[4]	-	34,166	153,115	22
Eric Crook *(Director of Engineering)*[3]	223,369[3]	-	30,644	254,014	12
Total	**1,504,030**	**-**	**375,029**	**1,879,060**	**20**

Note 1: Includes a performance bonus of US$38,500 (AUD: $50,683). AUD/USD 0.7891 exchange rate used to convert salaries paid in USD.
Note 2: Includes a performance bonus of $50,000.
Note 3: The Company determined that the individuals were a KMP of the Company effective 1 July 2016.
Note 4: Appointed on 3 January 2017.

REMUNERATION FOR THE YEAR ENDED 30 JUNE 2016

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

Note 1: Appointed 29 December 2015.
Note 2: Appointed 29 December 2015. Includes sign on bonus of US$25,000.
Note 3: Appointed 26 April 2016.
Note 4: Appointed 12 January 2016. Includes fees for company secretary services.
Note 5: Resigned 12 January 2016.
Note 6: Resigned 29 December 2015.

DIRECTORS' REPORT *(continued)*

Executive Service Agreements

Mr Dion Sullivan

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

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

Ms Sophie McGill

The Company entered into a consultancy agreement with Ms McGill on 27 October 2016 as Executive Director, Digital Media, Asia-Pacific. Under the agreement, Ms McGill will be paid a fee of $20,000 per month, be granted 1.2 million performance rights and up to 2 million unlisted options exercisable at $0.125 on or before 18 March 2020. The options vest in six, 6-monthly tranches of 333,333 each on the condition that Ms McGill continues to be engaged by the Company on each vesting date.

The term of the agreement is for 12-months subject to extension by mutual agreement. It contains provisions under which the Company can terminate the agreement at any time without cause in which event Ms McGill will be entitled to receive 6 months fees. The Company can also terminate the agreement with immediate notice in the event of a prolonged illness or a material breach, in which case Ms McGill will only be eligible to receive any accrued fees.

Key Management Personnel Equity Holdings

The interests of directors and other key management personnel in securities of the Company as at 30 June 2017 are as follows:

	Ordinary Shares	Ordinary Share Rights	Class A Performance Shares	Class B Performance Shares	Options	Class C Performance Rights
Directors						
A Wellisch	9,712,230	-	6,474,821	6,474,819	6,000,000[1]	1,200,000[3]
D Sullivan	7,244,388	-	4,676,259	4,676,258	6,000,000[1]	2,400,000[3]
S McGill	216,941	-	-	-	2,000,000[2]	1,200,000[3]
M Clements	6,856,115	-	3,904,076	3,904,076	-	1,200,000[3]
Other KMP						
J Heenan	245,000	1,030,654[5]	-	-	-	-
J Barrett	-	1,218,415[4]	-	-	-	-
E Crook	343,551	1,030,654[5]	-	-	-	-

Note 1: Granted 29 December 2015 and exercisable at $0.10. 100% vested at 30 June 2017.
Note 2: Granted 26 April 2016 and exercisable at $0.125. Options vest in 6 equal instalments over a 3yr period with 33% vested at 30 June 2017.
Note 3: Granted 29 November 2016. Vest upon achieving various market capitalisations with 0% vested at 30 June 2017.
Note 4: Granted under the US 'option equity' agreements and vest in 4 equal instalments over 48 months.
Note 5: Granted under the US 'option equity' agreements and vest in 4 equal instalments over 48 months. 25% vested at 30 June 2017.

DIRECTORS' REPORT *(continued)*

Ordinary Share Movements

KMP	Held at 1 July 2016		Shares Acquired on Conversion of Options	Issued on Vesting of Ordinary Share Rights	Other Changes	Balance at 30 June 2017
A Wellisch	9,712,230		-	-	-	9,712,230
D Sullivan	7,014,388		230,000	-	-	7,244,388
S McGill	-		216,941	-	-	216,941
M Clements	6,856,115		-	-	-	6,856,115
E Crook	-		-	343,551	-	343,551
J Heenan	-		-	343,551	(98,551)	245,000

Ordinary Share Rights Movements

KMP	Held at 1 July 2016	Granted as Remuneration	Vested during the year	Balance at 30 June 2017 (Unvested)	Maximum value yet to vest*
J Barrett	-	1,218,415	-	1,218,415	$ 246,070
E Crook	1,374,205	-	343,551	1,030,654	$ 51,977
J Heenan	1,374,205	-	343,551	1,030,654	$ 51,977

* The maximum value of the deferred ordinary share rights has been determined as the amount of the grant date fair value of the ordinary share rights that is yet to be expensed.

Options Movements

KMP	Held at 1 July 2016	Options Acquired/ (Expired)	Issued as Remuneration	Other Changes	Balance at 30 June 2017	Vested and Exercisable
A Wellisch	6,000,000	-	-	-	6,000,000	6,000,000
D Sullivan	6,000,000	-	-	-	6,000,000	6,000,000
S McGill	2,000,000	-	-	-	2,000,000	666,667

Performance Shares - Class A and B Movements

KMP	Held at 1 July 2016		Other changes		Balance as at 30 June 2017	
	Class A	Class B	Class A	Class B	Class A	Class B
A Wellisch	6,474,821	6,474,819	-	-	6,474,821	6,474,819
D Sullivan	4,676,259	4,676,258	-	-	4,676,259	4,676,258
S McGill	-	-	-	-	-	-
M Clements	3,904,076	3,904,076	-	-	3,904,076	3,904,076

DIRECTORS' REPORT *(continued)*

Performance Right Movements

KMP	Held at 1 July 2016	Issued as Remuneration	Other Changes	Balance at 30 June 2017	Maximum value yet to vest*
A Wellisch	-	1,200,000	--	1,200,000	$131,723
D Sullivan	-	2,400,000	--	2,400,000	$263,447
S McGill	-	1,200,000	-	1,200,000	$131,723
M Clements	-	1,200,000	-	1,200,000	$131,723

* The maximum value of the deferred ordinary share rights has been determined as the amount of the grant date fair value of the ordinary share rights that is yet to be expensed.

Other Transactions with Key Management Personnel

There were no other transactions with key management personnel during the year ended 30 June 2017.

End of Audited Remuneration Report

Auditor’s Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual financial report. This Independence Declaration is set out on page 20 and forms part of this Directors’ Report for the year ended 30 June 2017.

Signed in accordance with a resolution of the Directors.

Adam Wellisch
Non-executive Chairman
29 September 2017

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

As lead auditor of MSM Corporation International Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue from continuing operations			
In App Purchases		102	-
Interest Income		67,261	29,230
	4	67,363	29,230
Expenses			
Finance cost	4	40,382	984,833
Administration expenses	4	983,168	947,566
Employee benefits and directors fees	4	1,326,878	498,573
Share based payments - reverse acquisition	3	-	2,335,265
Share based payments - options, shares, performance rights	3	2,778,554	1,694,640
Project expenditure		7,908,036	2,059,503
Loss from continuing operations before income tax expense		(12,969,655)	(8,491,150)
Income tax expense	5	-	-
Net loss from continuing operations for the period		(12,969,655)	(8,491,150)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange differences on foreign operations		(326,438)	185,483
Total comprehensive loss for the period		(13,296,093)	(8,305,667)
Loss for the period attributable to owners of the Company		(13,296,093)	(8,305,667)
Total comprehensive loss for the period attributable to owners of the Company		(13,296,093)	(8,305,667)
Loss per share from continuing operations attributable to owners of the Company			
Basic and diluted loss per share	12	$0.04	$0.05

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	720,307	4,084,229
Other current assets	7	281,803	173,153
Total Current Assets		1,002,110	4,257,382
Non-Current Assets			
Plant & equipment		-	28,343
Other non-current assets	7	92,362	-
Financial assets	8	604,402	538,003
Total Non-Current Assets		696,764	566,346
TOTAL ASSETS		**1,698,874**	**4,823,728**
LIABILITIES			
Current Liabilities			
Trade and other payables	9	609,199	628,470
Provisions	10	1,297,708	66,944
Total Current Liabilities		1,906,907	695,414
TOTAL LIABILITIES		**1,906,907**	**695,414**
NET ASSETS (LIABILITIES)		**(208,033)**	**4,128,314**
EQUITY			
Issued capital	11	17,430,292	11,249,100
Reserves	13	4,948,798	2,496,682
Accumulated losses		(22,587,123)	(9,617,468)
TOTAL EQUITY		**(208,033)**	**4,128,314**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Issued Capital	Reserves	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2016	11,249,100	2,496,682	(9,617,468)	4,128,314
Comprehensive loss				
Net loss for the period	-	-	(12,969,655)	(12,969,655)
Other comprehensive loss	-	(326,438)	-	(326,438)
Total comprehensive loss for the period	-	(326,438)	(12,969,655)	(13,296,093)
Transactions with owners in their capacity as owners				
Issue of shares - prospectus	4,882,000	-	-	4,882,000
Share based payments - options and performance rights	-	2,778,554	-	2,778,554
Shares issued on conversion of options	1,555,112	-	-	1,555,112
Capital raising expenses	(255,920)	-	-	(255,920)
Total transactions with owners and other transfers	6,181,192	2,778,554	-	8,959,746
Balance at 30 June 2017	17,430,292	4,948,798	(22,587,123)	(208,033)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 30 June 2016

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Cash receipts from customers		102	-
Interest received		61,043	29,230
Project development payments		(6,578,652)	(2,104,986)
Payments to suppliers and employees		(2,822,740)	(984,078)
Net cash outflows from operating activities	*15(b)*	(9,340,247)	(3,059,834)
Cash flows from investing activities			
Payments for investments		(204,867)	(329,338)
Purchase of property, plant and equipment		-	(28,343)
Net cash outflows from investing activities		(204,867)	(357,681)
Cash flows from financing activities			
Proceeds from issue of shares		6,437,112	7,437,903
Capital raising costs		(255,920)	(589,113)
Net cash inflows from financing activities		6,181,192	6,848,790
Net increase/(decrease) in cash and cash equivalents		(3,363,922)	3,431,275
Cash and cash equivalents at the beginning of the financial period		4,084,229	652,954
Cash at the end of the financial period	*15(a)*	720,307	4,084,229

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION

The financial statements of MSM Corporation International Limited for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 29 September 2017.

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

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

NOTE 2: BASIS OF PREPARATION

(a) Basis of preparation

Statement of Compliance

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The financial statements of the Group also comply with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the parent MSM Corporation International Limited as at 30 June 2017 and all of the subsidiaries for the year then ended. MSM Corporation International Limited and its subsidiaries together are referred to in these financial statements as the "consolidated entity" or "Group".

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Going Concern

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

For the year ended 30 June 2017 the Group incurred a net loss of $12,969,655 (2016: $8,491,150) and incurred net cash outflows from operating activities of $9,340,247 (2016: $3,059,834). The Group had a net working capital deficiency of $904,797 (2016: working capital surplus of $3,561,968) and a net liability position of $208,033 (2016: net asset position of $4,128,314) at reporting date. During the financial year, the Group was focussed on the development of the Megastar Millionaire "Application" which contributed significantly to the net cash outflows. This Application was launched during the year and is expected to generate cash inflows over the next 12 months. The ability for the Group to continue as a going concern is dependent on cash inflows generated from its Application and or securing additional funds from capital raising to continue its operational and marketing activities during the next 12 months.

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

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

- Subsequent to year end, the Group raised $10,500,000 (before costs), through the placement of 43,150,000 ordinary shares at $0.20 per share to raise $8,630,000 and the issue of convertible loans totalling $1,870,000.
- The launch of the Megastar Millionaire Application during the 2017 financial year, and the expected cash flows to be received in association with this; and
- The ability to raise additional funding through debt and/or equity.

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

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2017

In the year ended 30 June 2017, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Standards and Interpretations in issue not yet adopted

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017. As a result of this review the directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Company accounting policies.

Standards and Interpretations in issue not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

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

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

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

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

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

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

The main changes are described below.

a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI).
- The remaining change is presented in profit or loss.

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

The key features of AASB 16 are as follows:

Lessee accounting

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

AASB 16 contains disclosure requirements for lessees.

Lessor accounting

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

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

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

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

(c) Income Tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(d) Plant and equipment

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

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

(e) Financial instruments

Classification

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

Financial assets at fair value through profit and loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after 30 June 2017 which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held-to-maturity investments

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

Available-for-sale financial assets

Available-for-sale financial assets, principally comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of 30 June 2017.

Recognition and derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Subsequent measurement

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

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

Fair value

The fair values of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), and where the fair value cannot be reliably determined, the Company recognises the assets at cost.

Impairment

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

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

(h) Revenue recognition

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

(i) Trade and other payables

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(j) Provisions

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

Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis.

(k) Employee benefits

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

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

(l) Borrowings

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

(m) Contributed equity

Ordinary shares are classified as equity.

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

(n) Share based payments

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

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

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

(o) Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(p) Earnings per share

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

(q) Significant Accounting Judgements, Estimates and Assumptions

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

i. *Deferred Tax*

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

ii. *Share-based payment arrangements*

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

Performance rights are valued using the barrier trinomial valuation method taking into account the underlying security spot price, share price barrier, the term of the performance rights, the likelihood of milestones being achieved, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the performance rights.

Equity options granted to employees and KMP are valued by direct reference to the total equity contributed in the Company at grant date and the respective share price on grant date.

iii. *Employee provisions*

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

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

iv. *Carrying value of unlisted investments*

At each reporting period, the group assesses whether there is objective evidence that an unlisted investment is impaired by taking into account observable data that comes to the attention of the group about loss events such as significant financial difficulty of the investee, breach of contract and whether there were adverse effects that have taken place in the technological market, economic or legal environment in which the investee operates. Other factors, such as subsequent share raising price is also taken into account when determining whether an indicator of the value of the investment is lower than its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(r) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

NOTE 3: SHARE BASED PAYMENTS

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

	2017 $	2016 $
Recognised as a share based payment expense:		
Options issued to employees (Note 3(a)(i), Note 3(c))	116,675	7,034
Options, performance rights and shares issued to key management personnel (Note 3(a)(iii), Note 3(b), Note 3(c))	375,029	494,159
Options issued for consulting and advisory services (Note 3(a)(ii), Note 3(b))	2,286,850	235,116
Options issued to employees	-	47,238
Shares issued to employees	-	911,093
Reverse acquisition	-	2,335,265
Total share based payment expense	**2,778,554**	**4,029,905**
Recognised as an administration expense:		
Shares issued for corporate services	-	40,020
Total recognised in administration expenses	**-**	**40,020**
Recognised in equity as capital raising expenses:		
Options issued for corporate services	-	548,000
Total recognised in equity as capital raising expenses	**-**	**548,000**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(a) Fair value of options granted during the year

(i) Options issued to employees (prior period)

On 1 March 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 the 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	01/03/2016
Exercise price	$0.15
Underlying share price (at issue date)	$0.09
Risk free interest rate	1.58%
Volatility	94%
Date of expiry	18/03/2020
Years to expiry	4.05 years
Number of options granted	900,000
Fair value of options	**$46,623**

The options above vest on 12 May 2018 and have therefore been expensed over the vesting period. As a result, a share based payment expense of $21,219 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the current year.

(ii) Options issued for consideration of advisory services

On 20 September 2016, the Company issued a total of 10,500,000 options for corporate advisory services. Management could not reliably determine the 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 tables below.

Black-Scholes Option Pricing Model

Date of Grant	20/09/2016	20/09/2016	20/09/2016	20/09/2016
Underlying share price (at issue date)	$0.340	$0.340	$0.340	$0.340
Risk free interest rate	1.56%	1.56%	1.56%	1.56%
Volatility	95%	95%	95%	95%
Numbers of options granted	6,000,000[1]	1,500,000[2]	1,500,000[2]	1,500,000[2]
Date of Expiry	19/09/2018	19/09/2019	19/09/2019	19/09/2019
Exercise Price	$0.350	$0.400	$0.450	$0.550
Years to Expiry	2 years	3 years	3 years	3 years
Fair Value of Options	**$1,016,650**	**$288,130**	**$275,497**	**$253,693**

Note 1: Issued 4,500,000 options to EAS Advisors LLS and 1,500,000 options to CPS Capital for corporate advisory services.
Note 2: Issued options to EAS Advisors LLS.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

The options above vested on 19 March 2017 and have therefore been expensed over the vesting period. As a result, a share based payment expense for the total of $1,833,970 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

On 1 February 2017, the Company issued a total of 6,000,000 options to Cadmon Advisory Pty Ltd for advisory services. Management could not reliably determine the 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	01/02/2017	01/02/2017	01/02/2017
Underlying share price (at issue date)	$0.220	$0.220	$0.220
Risk free interest rate	1.81%	1.94%	1.94%
Volatility	95%	95%	95%
Numbers of options granted	2,000,000	2,000,000	2,000,000
Date of Expiry	19/09/2018	19/09/2019	19/09/2019
Exercise Price	$0.350	$0.400	$0.450
Years to Expiry	1.63 years	2.63 years	2.63 years
Fair Value of Options	**$149,319**	**$191,780**	**$180,163**

The options above vest on 31 July 2017 and have therefore been expensed over the vesting period. As a result, a share based payment expense for the total of $431,489 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

(iii) 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. These options are exercisable at $0.125 on or before 18 March 2020 and will vest in six equal instalments (333,333 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
Exercise price	$0.125
Underlying share price (at issue date)	$0.235
Risk free interest rate	1.80%
Volatility	95%
Date of expiry	18/03/2020
Years to expiry	3.9 years
Number of options granted	2,000,000
Fair value of options	**$345,628**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

The options vest over six equal instalments over a 3 year period and therefore the share based payment expense has been recognised over the respective vesting period of each instalment. As a result, a share based payment expense of $194,191 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the current year.

(b) Fair Value of Performance Rights issued

On 28 December 2016, the Company 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 performance rights were valued using the barrier trinomial valuation method. The details of each class are tabled below:

Executive and non-executive directors

Class	Number	Grant Date	Exercise Price	Volatility	Expiry Date of Milestone Achievements	Fair value per Right	Total Fair Value
A	2,000,000	29/11/2016	Nil	40%	29/12/2021	$0.175	$350,000
B	2,000,000	29/11/2016	Nil	40%	29/12/2021	$0.119	$238,000
C	2,000,000	29/11/2016	Nil	40%	29/12/2021	$0.078	$156,000

Corporate advisors

Class	Number	Grant Date	Exercise Price	Volatility	Expiry Date of Milestone Achievements	Fair value per Right	Total Fair Value
A	600,000	28/12/2016	Nil	40%	29/12/2021	$0.168	$100,800
B	600,000	28/12/2016	Nil	40%	29/12/2021	$0.113	$67,800
C	600,000	28/12/2016	Nil	40%	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.

The total expense arising from share based payment transactions recognised during the period in relation to the performance rights issued was $106,775 of which $85,384 relates to those issued to key management personnel.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(c) Equity options issued to Employees and KMP (MSM Music Inc.) – Stock Incentive Plan

During 2017, the Company issued various 'option equity' components as part of the remuneration package offered to employees and KMP 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 periods of 12, 24, 36 and 48 months, in equal instalments. The employee must remain in employment with the Company at each vesting date.

Under the 'option equity' agreements, eligible employees and KMP are entitled to 4,614,292 shares (30 June 2016: 6,737,790) 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 $190,910 (30 June 2016: $47,238) has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period, of which $95,454 relates to KMP.

The weighted average remaining contractual life of the options outstanding as at 30 June 2017 is 2.86 years (30 June 2016: 3.3 years).

A summary of the 'option equity' movement during the year ended 30 June 2017 is tabled below.

Held at 1 July 2016	Granted as remuneration	Vested	Forfeited	Balance at 30 June 2017	Unvested at 30 June 2017
6,737,790	2,049,577	(1,346,721)	(2,826,354)	4,614,292	4,614,292

NOTE 4: REVENUE AND EXPENSES

		2017 $	2016 $
(a)	**Revenue and other income**		
	In App purchases	102	-
	Interest and other income	67,261	29,230
		67,363	29,230
(b)	**Expenses**		
	Wages, salaries, director's fees and other remuneration expenses	1,326,878	498,573
	Administration expense	983,168	947,566
	Employees benefits expense	-	26,283
	Finance costs - convertible notes	-	979,652
	Finance costs – other	40,382	5,181
		2,350,428	2,457,255

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

NOTE 5: INCOME TAX EXPENSE

		2017 $	2016 $
(a)	**Income Tax Expense**		
	Current tax expense	-	-
	Deferred tax expense	-	-
		-	-
(b)	**Reconciliation of income tax to prima facie tax payable:**		
	Loss before tax	(12,969,655)	(8,491,150)
	Income tax expense/ (benefit) @27.5% (2016: 30%)	(3,566,655)	(2,547,345)
	Permanent differences	773,068	1,326,671
	Current year tax loss not recognised	1,814,069	1,209,870
	Timing differences not recognised	1,512,310	228,361
	Differences in tax rate of subsidiaries operating in other jurisdictions	(532,791)	(217,557)
	Total tax expense	-	-
(c)	**Unrecognised Deferred Tax Asset relates to:**		
	Tax losses	3,287,392	2,017,391
	Other timing differences	1,838,273	324,145
		5,125,664	2,341,536

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

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(ii) the Company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Company in utilising the benefits.

NOTE 6: CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank and on hand	720,307	1,584,229
Short-term bank deposits	-	2,500,000
	720,307	4,084,229

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

NOTE 7: OTHER ASSETS

	2017 $	2016 $
Current other assets		
Other receivables	85,818	99,263
GST recoverable	167,311	40,288
Prepayments	28,674	33,602
	281,803	173,153
Non-current other assets		
Other receivables	92,362	-

These amounts generally arise from transactions relating to operating activities. No interest is chargeable and collateral is not normally obtained. These receivables are not considered to be impaired as repayment is expected to occur or has occurred. Refer to Note 18 for the Company's risk management policy. As at 30 June 2017, no receivables were past due or impaired.

NOTE 8: FINANCIAL ASSETS

	2017 $	2016 $
Balance at 1 July	538,003	-
New investments during the period	133,476	538,003
Foreign exchange movements	(67,077)	-
Unlisted investments at cost	604,402	538,003

On 7 July 2016, the Company made a strategic investment of US$100,000 (A$124,362) 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.

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$44,771).

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$124,363) on 7 August 2015;
- The payment of US$50,000 (A$62,181) on 8 December 2016; and
- US$150,000 (A$186,544) in the form of either cash or MSM shares, at MSM's election. This is accounted for under Trade and Other Payables (Note 9).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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 (A$62,181).

The carrying amount of the unlisted 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 is no objective evidence of impairment which would suggest the investments are impaired.

NOTE 9: TRADE AND OTHER PAYABLES

	2017	**2016**
	$	$
Trade creditors	395,655	256,840
Accruals	27,000	102,491
Investment loan	186,544	269,139
Total trade and other payables	609,199	628,470

These amounts generally arise from transactions relating to operating activities. No interest is chargeable and collateral is not normally obtained. This payable is not considered to be impaired as repayment is expected to occur or has occurred. Refer to Note 16 for the Company's risk management policy. All amounts are expected to be settled within 12 months.

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

NOTE 10: PROVISIONS

	2017	**2016**
	$	$
Provision for prize money	1,243,626	-
Provision for employee benefits	54,082	66,944
Total provisions	1,297,708	66,944

A provision for the Megastar competition prize money of US$1,000,000 (A$1,243,626) has been expensed to the profit or loss and other comprehensive income under project expenditure and is expected to be settled within 12 months.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

NOTE 11: CONTRIBUTED EQUITY

Shares - 30 June 2017	**$**	**No. of Shares**	**Amount per share**
Issued and paid up capital			
Movements in issued and paid up capital			
Balance at beginning of period	11,249,100	276,802,110	
Proceeds from shares issued under the public offer	4,882,000	17,435,715	$0.28
Share issued under 'equity option' agreement (Note 3(c))	-	1,346,721	-
Shares issued on conversion of options	1,555,112	15,551,116	$0.10
Capital raising costs	(255,920)	-	
Total issued and paid up capital at the end of the period	17,430,292	311,135,662	

Shares – 30 June 2016	**$**	**No. of Shares**	**Amount per share**
Issued and paid up capital			
Movements in issued and paid up capital			
Balance at beginning of period	69,351	43,938,596	
Proceeds from shares issued under the public offer	7,000,000	116,666,667	$0.060
Deemed share based payment (reverse acquisition)	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	911,094	14,235,739	$0.064
Share based payments	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	

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

For information relating to options, shares and performance rights issued to key management personnel during the financial year, refer to Note 3.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

NOTE 12: BASIC LOSS PER SHARE

	2017 $	2016 $
Basic loss per share	0.04	0.05
Diluted loss per share	0.04	0.05

Basic loss per share

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

Net loss	(12,969,655)	(8,491,150)
	Number	**Number**
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	301,558,520	175,825,172

NOTE 13: RESERVES

Share Based Payment Reserve	**2017** $	**2016** $
Opening Balance	2,311,199	-
Value of broker options issued	-	548,000
Options issued for the conversion of convertible notes	-	979,652
Options, shares and performance rights issued to key management personnel (Note 3(a)(iii), Note 3(b), Note 3(c))	375,029	494,159
Options issued to other employees (Note 3(a)(i), Note 3(c))	116,675	54,273
Options issued for consulting and advisory services (Note 3(a)(ii))	2,286,850	235,115
	5,089,753	2,311,199
Foreign Exchange Translation Reserve		
Opening Balance	185,483	-
Exchange differences on foreign operations	(326,438)	185,483
	(140,955)	185,483
Total Reserves	4,948,798	2,496,682

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

NOTE 14: 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.

NOTE 15: NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2017 $	**2016** $
Cash and cash equivalents	720,307	4,084,229

(b) Reconciliation of profit for the year to net cash flows from operating activities

	2017 $	2016 $
Loss for the year after tax	(12,969,655)	(8,491,150)
Share based payments	2,778,554	4,029,905
Finance costs	-	984,333
Plant and equipment written off	28,343	-
Unrealised foreign exchange movement	25,939	-
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	(176,006)	(97,678)
(Increase)/Decrease in other current assets	4,927	(33,602)
Increase/(Decrease) in trade and other payables	(263,112)	480,914
Increase/(Decrease) in provisions	1,230,764	66,944
Net cash used in operating activities	(9,340,247)	(3,059,834)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

NOTE 16: FINANCIAL INSTRUMENTS

(a) Capital Risk Management

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

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and accumulated losses as disclosed in Note 12.

(b) Financial Risk Management

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

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

(c) Categories of Financial Instruments

	2017 $	2016 $
Financial Assets		
Cash and cash equivalents	720,307	4,084,229
Trade and other receivables	374,165	173,153
Financial assets	604,402	538,003
Total Financial Assets	**1,698,874**	**4,795,385**
Financial Liabilities		
Trade and other payables	609,199	628,470
Total Financial Liabilities	**609,199**	**628,470**
Net Financial Assets (Liabilities)	**1,089,675**	**4,166,915**

(d) Foreign Currency Risk

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

The Company's exposure to currency risk at 30 June 2017 was $604,402 (2016: $583,003) on investments denominated in United States dollars. The effect of future movements in the exchange rate for United States dollars on the Company's financial position and results of its activities is likely to be negligible.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(e) Credit Risk Management

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

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

(f) Fair Value of Financial Instruments

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

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The carrying amount approximates fair value because of their short term to maturity; and
- the fair value of short term financial assets and liabilities and approximates the carrying amount because of their short term to maturity.

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

(g) Interest rate risk management

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

Interest rate sensitivity analysis

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

At reporting date, if the interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's net profit would have been increased by $3,601 and decreased by $3,601 respectively. This is attributable to the Company's exposure to interest rates to interest rates on its variable rate deposits.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(h) Liquidity risk management

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

(i) Maturity Profile of Financial Instruments

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

	Average Interest Rate %	Less than 1 year $	1 to 5 years $	5+ years $	Total $
2017					
Financial Liabilities					
Trade payables	Nil	609,199	-	-	609,199
2016					
Financial Liabilities					
Trade payables	Nil	628,470	-	-	628,470

NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2017 $	2016 $
Short-term employee benefits	1,504,030	338,384
Post- employment benefits	-	-
Share based payments	375,029	494,159
	1,879,060	832,543

NOTE 18: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 17 to the financial statements.

(ii) Loans to key management personnel

There were no loans granted to key management personnel during the financial year (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(b) Other transactions with Directors and Director related entities

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

In the prior year, in connection with the reverse acquisition the Company issued Performance shares to KMP as part of the remuneration for the reverse acquisition, which did not form part of remuneration for services provided. The applicable KMP were existing shareholders of Megastar, and accordingly received a portion of the performance shares issued as part of the consideration.

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

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

B. 50,000,000 Class B Performance Shares will convert into 50,000,000 Shares if the Company achieves $15,000,000 in EBITDA or the MSM Platform achieves a number of unique registered users of at least 2,000,000 as determined by Google Analytics.

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

(c) Controlled entities

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

	Equity Interest 2017 %	**Equity Interest 2016** %
Megastar Millionaire Pty Ltd (incorporated in Australia)	100	100
MSM Music, Inc. (incorporated in Delaware, USA)	100	100
MSM Holdings Pte Ltd (incorporated in Singapore)	100	100

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

NOTE 19: REMUNERATION OF AUDITORS

	2017 $	2016 $
Audit or review of the financial report - BDO Audit (WA) Pty Ltd	44,296	44,369
Taxation and other services - BDO Corporate Tax (WA) Pty Ltd and BDO Corporate Finance (WA) Pty Ltd	10,455	16,906
	54,751	61,275

NOTE 20: PARENT ENTITY FINANCIAL INFORMATION

The following details information related to the parent entity, MSM Corporation International Limited, at 30 June 2017. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	2017 $	2016 $
Financial Position		
Assets		
Current Assets	705,541	3,876,688
Non-Current Assets	124,362	947,041
Total Assets	829,903	4,823,729
Liabilities		
Current Liabilities	1,355,857	166,947
Total Liabilities	1,355,857	166,947
Net Assets (Liabilities)	(525,954)	4,656,782
Equity		
Issued capital	17,430,292	11,249,100
Reserves	4,877,624	2,496,682
Accumulated losses	(22,833,870)	(9,089,000)
Total Equity	(525,954)	4,656,782

	2017 $	2016 $
Financial Performance		
Loss for the year	(13,744,870)	(9,089,000)
Other comprehensive income	-	-
Total comprehensive loss	(13,744,870)	(9,089,000)

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

MSM Corporation International Limited had no commitments or contingent liabilities at year end other than those disclosed in Notes 21 and 22.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

NOTE 21: COMMITMENTS

Under the terms of the agreement to acquire an equity interest in WinWin Holdings Pty Ltd (Note 8), the Company has committed to provide services under the terms of a software development agreement to the value of AUD$152,146. Upon completion of these services, the Company will receive a further 12.4% equity interest in WinWin Holdings Pty Ltd.

The second part of the payment of US$150,000 (A$186,544) 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 8 is yet to be settled.

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

Operating Lease Commitments

	2017	**2016**
	$	$
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments		
• Not later than 12 months	173,369	1,673
• Later than 12 months	647,786	-
	821,156	1,673

There have been no other changes in commitments requiring disclosure since the last annual reporting date, 30 June 2016.

NOTE 22: CONTINGENT LIABILITIES AND LIABILITIES

Contingent Payments

	2017	**2016**
	$	$
Contingent Payments	311,831	-

During the year the Company entered into various contracts for the promotion of the Megastar brand, payment of contracts are contingent on the achievement of certain milestones including measured audience reach, social media posts, number of public appearances and media interviews.

There have been no other changes in contingent liabilities or payments requiring disclosure since the last annual reporting date, 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

NOTE 23: SUBSEQUENT EVENTS

Since the end of the year, 182,066 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 $18,207.

On 3 July 2017, the Company advised that 757,576 unlisted $0.30 options exercisable on or before 30 June 2017 had expired without exercise.

During July 2017, the Company announced it had successfully launched the Megastar App in the Great Britain, South Africa, New Zealand and Canada.

On 7 July 2017, the Company announced eleven new Sponsored Performers were added through its agreement with social media talent agency, Boomopolis. The new Sponsored Performers brought the Megastar audience reach close to 60 million, rapidly approaching the Company's target of 80 million.

On 14 August 2017, the Company announced eight-time Grammy Award winning superstar, Usher, to join MSM as Megastar Chief Creative Director for its global talent competition, Megastar. Usher will perform the roles of headline celebrity Mentor, Judge and Brand Ambassador.

On 14 August 2017, the Company announced it had successfully undertaken capital raising to raise a total of $10,500,000 (before costs), towards marketing and production plans and talent acquisition costs for the Megastar competition. The capital raising compromised of:

- Firm commitments for a placement of shares to raise $8,630,000 through the issue of 43,150,000 fully paid ordinary shares at an issue price of $0.20.
- Convertible loans raising $1,870,000 convertible at $0.20 per share with a 10% coupon of which $1,370,000 (plus interest) will be immediately converted through the issue of 7,210,000 fully paid ordinary shares and $500,000 (plus interest) will be repaid.

On 17 August 2017, the Company issued:

- 53,360,000 ordinary shares as per placement announced 14 August 2017.
- 279,276 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.
- 1,000,000 ordinary shares for services rendered.
- 12,500,000 performance rights for services rendered issued pursuant to the Company's Performance Rights Plan. The performance rights were issued in three classes, each with different market based and financial performance milestones. Each performance share will convert into 1 ordinary share of MSM upon achievement of the performance milestone.

On 18 August 2017, the Company announced it would commence the process for the sale of ordinary shares for holders who hold less than a marketable parcel (as defined by the ASX Listing Rules). The offer applies to shareholders who were holders of shares valued at less than $500 based on the issue price of shares of $0.235 per share on the Record Date.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

On 24 August 2017, the Company announced the appointment of two additional world class entertainment public relations firms to drive and strengthen the Company's public relations across key geographies as it prepares to commence one of the largest global marketing and media programs for a mobile App. Rogers & Cowan has been appointed to roll out Megastar's campaign in the US and 3 Monkeys Zeno is responsible for the execution of the Company's UK/Great Britain campaign.

On 6 September 2017, the Company advised it had applied to the ASX for quotation of its existing 33,980,548 unlisted options exercisable at $0.10 and expiring on 7 November 2019.

On 7 September 2017, the Company announced the schedule for the first Megastar competition with the first global heat commencing 30 September 2017 and the Finale scheduled for 1 December 2017. The Company also confirmed 30 September 2017 as the release date for the Megastar App in the US and Australia.

On 14 September 2017, the Company announced the commencement of key production and media activities associated with the release of the Megastar App in the US and Australia and the launch of the first Megastar competition. These production activities are part of final preparations for the first global audition heat commencing on 30 September 2017 (US time) and the subsequent launch of the Megastar media and marketing program.

On 20 September 2017, the Company announced the global Megastar marketing and media program was ready to launch.

On 27 September 2017, the Company released a "walk through" video for the Megastar App ahead of the release of the Megastar App in the US and Australia and the launch of the global auditions for the first Megastar competition commencing 30 September 2017. The walk through video demonstrates key features of the app and explains how performers and fans will use the app to participate in the Megastar competition.

Other than the above, no matter has arisen since the end of the year that has significantly affected or may significantly affect the Company's operations, the results of those operations or its financial position.

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
   a. complying with Accounting Standards and the Corporations Regulations 2001; and
   b. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year then ended; and
   c. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements.

2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

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

Adam Wellisch
Chairman
29 September 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of MSM Corporation International Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MSM Corporation International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of unlisted investments

Key audit matter	How the matter was addressed in our audit
As at 30 June 2017, the carrying value of the Group's unlisted investments recognised as non-current financial assets was $604,402 (30 June 2016: $538,003), as disclosed in Note 8 of the financial report. Refer to Notes 2(e) and 2(q)(iv) of the financial report for a description of the accounting policy and significant estimates and judgements applied to these assets. In accordance with Australian Accounting Standards, the unlisted investments do not have quoted market prices and their fair value cannot be reliably measured, and accordingly are recognised at cost. At the end of each reporting period, management are required to assess whether there is any objective evidence that the assets are impaired. Due to the quantum of these assets and the subjectivity involved in determining whether there is any objective evidence of impairment on these assets, we have determined that the carrying value of unlisted investments is a key audit matter.	Our procedures included, but were not limited to the following: • Reviewing management's assessment that there were no objective indicators of impairment for reasonableness; • Holding discussions with management to understand the business operations and performance of the unlisted investments, and whether this information is consistent with management's impairment assessment position; • Considering whether any other data exists which would constitute indicators of impairment, including reviewing, where available, corporate transactions and documentation on recent and/or planned capital raisings by the investee; and • Assessing the adequacy of the related disclosures in Notes 2(e), 2(q)(iv) and 8 of the financial report.

Accounting for share-based payments

Key audit matter	How the matter was addressed in our audit
During the financial year ended 30 June 2017, the Group issued performance rights, options and shares to employees, consultants and key management personnel, which have been accounted for as share-based payments, as disclosed in Note 3 of the financial report. Refer to Notes 2(n) and 2(q)(ii) of the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements. Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments, we consider the Group's accounting for share-based payments to be a key audit matter.	Our procedures included, but were not limited to the following: • Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Holding discussions with management to understand the share-based payment transactions in place, and, where applicable evaluating management's assessment of the likelihood of achieving the performance conditions attached to the share-based payments; • Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation inputs; • Involving our valuation specialists to assess the reasonableness of management's valuation inputs in respect to the market based conditions attached to certain share-based payments; • Assessing the allocation of the share-based payment expense over the relevant vesting period; and • Assessing the adequacy of the related disclosures in Notes 2(n), 2(q)(ii) and 3 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual financial report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 19 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of MSM Corporation International Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

Dean Just

Director

Perth, 29 September 2017

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 21 September 2017.

Distribution of Equity Securities	**Number of holders**	
	Ordinary Shares	**Options**
1 - 1,000	1,012	28
1,001 - 5,000	197	22
5,001 - 10,000	122	20
10,001 - 100,000	618	57
100,001 and over	380	57
	2,331	184
Holding less than a marketable parcel	1,079	44

Ordinary Share Capital

362,964,173 fully paid, ordinary shares are held by 2,331 individual shareholders.

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

Substantial Shareholders	**No. of Ordinary Shares in which Interest is Held**	**%**
As at 21 September 2017, the register of substantial shareholders disclosed the following information:		
Douglas Barry <Douglas C Barry A/C>	16,546,763	6.02

Ordinary Shareholders		
JP Morgan Nominees Australia Ltd	18,745,515	5.16
Douglas Barry <Douglas C Barry A/C>	16,546,763	4.56
South West Investment Holdings Pty Ltd	11,098,021	3.06
Merrill Lynch (Australia) Nominees Pty Limited	10,207,104	2.81
Mr Adam Geoffrey Wellisch <The Welson Family A/C>	9,712,230	2.68
Zero Nominees Pty Ltd	8,306,587	2.29
Brispot Nominees Pty Ltd <House Head Nominee A/C>	8,269,428	2.28
UBS Nominees Pty Ltd	8,174,566	2.25
Dion Matthew Sullivan	7,014,388	1.93
David Charles Neesham & Pamela Christine Neesham < DC & PC Neesham Super A/C>	7,000,000	1.93
Sisu International Pty Ltd C/- DKP & CO	6,529,167	1.80
Alitime Nominees Pty Ltd <Honeyham Family A/C>	6,398,000	1.76
Tranaj Nominees Pty Ltd <FT Family A/C>	5,395,684	1.49
Mr Shaun Bain & Mrs Angelique Bain <S & A Family A/C>	5,395,683	1.49
HSBC Custody Nominees (Australia) Limited	5,192,951	1.43
Blackwall Investments Pty Ltd	4,856,115	1.34
Beretta Nickel Pty Ltd	4,856,115	1.34
Richsham Nominees Pty Ltd	4,250,000	1.17
Citicorp Nominees Pty Ltd	4,015,968	1.11
Wow Its A Log Pty Ltd <Olloch Family A/C>	4,007,194	1.10
	155,971,479	

ASX ADDITIONAL INFORMATION *(continued)*

Quoted Equity Securities	Number on Issue	Number of Holders
Options exercisable at $0.10 expiring 7 November 2019	33,880,548	184

Options	No. of Quoted Options in which Interest is Held	%
Konkera Pty Ltd <Konkera Family A/C>	3,062,500	9.04
Ellaz Pty Ltd <The Ripper Family A/C>	2,156,250	6.36
Mr Stephen John Dobson	1,613,544	4.76
Sisu International Pty Ltd C/- DKP & CO	1,562,500	4.61
Richsham Nominees Pty Ltd	1,487,500	4.39
David Charles Neesham & Pamela Christine Neesham < DC & PC Neesham Super A/C>	1,387,500	4.10
Alitime Nominees Pty Ltd <Honeyham Family A/C>	1,000,000	2.95
Tyche Investments Pty Ltd	1,000,000	2.95
Mr Prajwal Subed	925,000	2.73
Alignment Capital Pty Ltd	781,250	2.31
Schammer Pty Ltd <Schammer Family A/C>	781,250	2.31
Mr Paul Gabriel Sharbanee <The Scorpian Fund A/C>	781,250	2.31
Mr Rohan Charles Edmondson	625,000	1.84
Mr Ariel Edward King	625,000	1.84
Lonhro (WA) Pty Ltd <Lonhro A/C>	625,000	1.84
Stevsand Holdings Pty Ltd <Formica Horticultural A/C>	625,000	1.84
Angkor Imperial Resources Pty Ltd <Turkish Bread S/F A/C>	600,000	1.77
Peninsula Investments (WA) Pty Ltd	593,750	1.75
Showcoast Pty Ltd	593,750	1.75
S3 Consortium Pty Ltd	562,500	1.66
	21,388,544	

Unquoted Equity Securities	Number on Issue	Number of Holders
Options exercisable at $0.10 expiring 7 November 2019	32,000,000	54
Options exercisable at $0.125 expiring 18 March 2020	2,000,000	1
Options exercisable at $0.15 expiring 18 March 2020	900,000	3
Options exercisable at $0.35 expiring 19 September 2018	8,000,000	14
Options exercisable at $0.40 expiring 19 September 2019	3,500,000	2
Options exercisable at $0.45 expiring 19 September 2019	3,500,000	2
Options exercisable at $0.55 expiring 19 September 2019	1,500,000	1
Class A Performance Shares	50,000,000	20
Class B Performance Shares	50,000,000	20
Class C Performance Shares	7,800,000	6
Class D Performance Shares	2,500,000	1
Class E Performance Shares	5,000,000	11
Class F Performance Shares	5,000,000	11

ASX ADDITIONAL INFORMATION *(continued)*

Holders of 20% or more of Unquoted Options		**Number Held**	**%**
2,000,000 Options exercisable at $0.125 expiring 18 March 2020			
Name:	Sophie McGill	2,000,000	100
900,000 Options exercisable at $0.15 expiring 18 March 2020			
Name:	Jon Kraft	300,000	33
Name:	Jen Herman	300,000	33
Name:	Antonio Molins	300,000	33
8,000,000 Options exercisable at $0.35 expiring 19 September 2018			
Name:	South Creek Investments Limited	2,000,000	25
Name:	Cadmon Ventures Pty Ltd	2,000,000	25
3,500,000 Options exercisable at $0.40 expiring 19 September 2019			
Name:	Odeon Capital Group LLC	1,500,000	43
Name:	Cadmon Ventures Pty Ltd	2,000,000	57
3,500,000 Options exercisable at $0.45 expiring 19 September 2019			
Name:	Odeon Capital Group LLC	1,500,000	43
Name:	Cadmon Ventures Pty Ltd	2,000,000	57
1,500,000 Options exercisable at $0.55 expiring 19 September 2019			
Name:	Odeon Capital Group LLC	1,500,000	100

On Market Buy-Back

There is no current on-market buy-back.

Company Secretary

The name of the Company Secretary is Mark Clements.

Principal Registered Office

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

Registers of Securities

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

Stock Exchange Listing

Australian Securities Exchange Ltd.

Securities Subject to Escrow

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

Tenement Schedule

EPM 4068 (20%)