



# **MSM CORPORATION INTERNATIONAL LIMITED**

ABN 51 002 529 160

UNAUDITED PRELIMINARY REPORT  
30 JUNE 2019

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	2019 \$	2018 \$	Change	
Revenues from ordinary activities	1,509	33,099	decreased	95%
Loss from ordinary activities after tax attributable to the owners	560,100	18,921,838	decreased loss	97%
Loss for the year attributable to the owners	560,100	18,921,838	decreased loss	97%
<hr/>				
	<b>2019</b>	<b>2018</b>		
NET TANGIBLE ASSETS/(LIABILITIES) PER SECURITY (cents)	0.009	(0.05)		

#### DIVIDENDS

No dividends have been provided for or paid by the consolidated entity in respect of the year ended 30 June 2019 (2018 – nil).

#### BASIS OF FINANCIAL REPORT PRESENTATION

This financial report is for the year ended 30 June 2019 and has been prepared in accordance with the Australian Securities Exchange Listing Rules as they relate to Appendix 4E and in accordance with the Corporations Act 2001. The accounting policies adopted with the contents of this report are consistent with those of the previous financial year and corresponding interim reporting period. Comments are for the twelve months ended 30 June 2019 with comparatives for the twelve months ended 30 June 2018. All amounts are measured in Australian dollars.

#### AUDIT STATUS

The financial statements contained within this Appendix 4E are in the process of being audited and, as such, the accounts are presented unaudited.

## CORPORATE & FINANCIAL

The Company incurred a loss after tax of \$560,100 (30 June 2018 – loss of \$18,921,838). The reduced operating loss reflected a focus upon significantly reducing expenditure on platform development, marketing and distribution whilst progressing toward the launch of the WWT2 competition in the form of Megastar India and establishing a growth strategy via mobile gaming and eSports initiatives.

The rationalisation of the development and marketing team to consider a more flexible, cost-effective outsourced model resulted in a non-cash reversal of \$404,197 relating to previously recognised share based payment expenses. In addition, MSM Music Inc has managed long outstanding creditors through an Assignment for the Benefit of Creditors process which was formalised and executed on 7 December 2018 and resulted in the crediting an amount of \$1,382,678 in relation to the de-recognition of these creditors. This process was undertaken to make way for the Company to focus on progressing the partnership and licensing strategy which, in collaboration with The Riva Group, is intended to deliver shareholder value through the acquisition, development and operation of digital entertainment products that drive revenue through the Megastar Platform.

As at 30 June 2019, the Group has a net asset position of \$572,408 (30 June 2018 – deficiency \$2,031,185). The net asset position was further strengthened subsequent to year end following the conversion of \$1,426,515 borrowings to equity.

As at 30 June 2019, the Company has recorded an impairment adjustment of \$916,050 attributable to its strategic unlisted investments in accordance with AASB 9. However this will continued to be monitored on a periodic basis as the certainty surrounding the fair value of these investments becomes more evident.

During the year the Company successfully completed equity funding events including \$1.59M contributed by The Riva Group and its major stakeholders and a further \$1.752M, including \$1.44M convertible note raising lead managed by Emerald Capital Pty Ltd (Emerald Convertible Note Issue).

Proceeds of this most recent issue were used to fund the subscription for shares and secured, first ranking, interest free loan notes in The Riva Group's associated company Riva Technology and Entertainment Limited (RTE) for US\$1,500,000. RTE has acquired a majority equity interest in J&D Holdings Limited (J&D), which is the sole legal and beneficial owner of Firefly Games Inc. (Firefly Games). The loan notes are to be repaid by 31 December 2019 and MSM (along with other subscribers of the notes) have a priority right to be paid all profits or distributions received by RTE from J&D in repayment of the notes. Firefly Games was founded in January of 2015 with a focus of developing and publishing IP based mobile gaming titles. Firefly Games together with The Riva Group are the developers and publishers of the DreamWorks Universe of Legends mobile game and other future game releases.

The Group had cash on hand of \$357,779 at the end of the year (30 June 2018: \$303,875) and on 15 July 2019, the Company announced;

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

- (b) it had executed a license agreement for utilization of the Company's extensively built Megastar online platform for mobile gaming and eSports with RTE. The Licensee will pay MSM US\$2,000,000 for the rights and use of the platform. The first instalment is to be made on a quarterly basis, commencing 31 December 2019.

## 2020 OUTLOOK

The Company is focussed upon continuing its strategy of establishing joint ventures to commercialise the Megastar online platform in new markets in particular the expansion into eSports and mobile gaming.

This is expected to be driven via the strength of the Company's strategic relationships with The Riva Group and the association with Firefly Games and most recently, YDigital Media who collectively are technology companies with a vast amount of mobile gaming development and IP expertise engaged to add functionality to the next release of the Megastar product with gamification, interactive video content and high-profile eSports talent.

The Company is intending to do so whilst continuing to optimise expenditure as we progress toward the relaunch of the Megastar online platform to re-establish value for shareholders.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

		<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue from contracts with customers</b>	<i>Notes</i>		
In App Purchases	3	442	13,463
Interest Income	3	81,614	19,636
Other Income	3	1,382,678	-
		<u>1,464,734</u>	<u>33,099</u>
<b>Expenses</b>			
Finance cost	3	87,965	60,349
Administration expenses	3	274,765	1,588,603
Employee benefits and directors fees	3	416,540	2,928,497
Marketing expenses	3	36,882	1,613,167
Share based payments	2	(404,197)	2,803,410
Project expenditure		696,829	9,960,911
Changes in fair value of investments at fair value	5	916,050	-
<b>Loss from continuing operations before income tax expense</b>		<u>(560,100)</u>	<u>(18,921,838)</u>
Income tax expense		-	-
<b>Net loss from continuing operations after income tax expense</b>		<u>(560,100)</u>	<u>(18,921,838)</u>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on foreign operations		(623,405)	62,012
<b>Total comprehensive loss for the period</b>		<u>(1,183,505)</u>	<u>(18,859,826)</u>
Loss for the period attributable to owners of the Company		(1,183,505)	(18,859,826)
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<u>(1,183,505)</u>	<u>(18,859,826)</u>
<b>Loss per share from continuing operations attributable to owners of the Company</b>			
Basic and diluted loss per share		\$0.001	\$0.050

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

<b>ASSETS</b>	<i>Notes</i>	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		<b>\$</b>	<b>\$</b>
Cash and cash equivalents		357,779	303,875
Other current assets	4	2,115,373	337,944
<b>Total Current Assets</b>		<b>2,473,152</b>	<b>641,819</b>
<b>Non-Current Assets</b>			
Other non-current assets	4	-	75,887
Financial assets	5	-	657,556
<b>Total Non-Current Assets</b>		<b>-</b>	<b>733,443</b>
<b>TOTAL ASSETS</b>		<b>2,473,152</b>	<b>1,375,262</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	6	474,229	3,043,959
Borrowings	7	1,426,515	303,650
Provisions	8	-	58,838
<b>Total Current Liabilities</b>		<b>1,900,744</b>	<b>3,406,447</b>
<b>TOTAL LIABILITIES</b>		<b>1,900,744</b>	<b>3,406,447</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>572,408</b>	<b>(2,031,185)</b>
<b>EQUITY</b>			
Issued capital	9	36,182,851	31,903,556
Reserves	11	6,458,618	7,574,220
Accumulated losses		(42,069,061)	(41,508,961)
<b>TOTAL EQUITY/(DEFICIENCY IN EQUITY)</b>		<b>572,408</b>	<b>(2,031,185)</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2018</b>	31,903,556	7,574,220	(41,508,961)	(2,031,185)
Net loss for the period	-	-	(560,100)	(560,100)
Other comprehensive loss	-	(623,405)	-	(623,405)
<b>Total comprehensive loss for the period</b>	-	(623,405)	(560,100)	(1,183,505)
Transactions with owners in their capacity as owners				
Issue of shares	4,373,190	-	-	4,373,190
Share based payments	88,000	(492,197)	-	(404,197)
Capital raising expenses	(181,895)	-	-	(181,895)
<b>Total transactions with owners and other transfers</b>	4,279,295	(492,197)	-	3,787,098
<b>Balance at 30 June 2019</b>	<b>36,182,851</b>	<b>6,458,618</b>	<b>(42,069,061)</b>	<b>572,408</b>
<b>Balance at 1 July 2017</b>	17,430,292	4,948,798	(22,587,123)	(208,033)
Net loss for the period	-	-	(18,921,838)	(18,921,838)
Other comprehensive loss	-	62,012	-	62,012
<b>Total comprehensive income/(loss) for the period</b>	-	62,012	(18,921,838)	(18,859,827)
Transactions with owners in their capacity as owners				
Issue of shares - prospectus	15,571,774	-	-	13,712,000
Share based payments	-	2,563,410	-	2,563,410
Shares issued on conversion of options	18,207	-	-	18,207
Capital raising expenses	(1,116,716)	-	-	(1,116,716)
<b>Total transactions with owners and other transfers</b>	14,473,265	2,563,410	-	17,036,675
<b>Balance at 30 June 2018</b>	<b>31,903,556</b>	<b>7,574,220</b>	<b>(41,508,961)</b>	<b>(2,031,185)</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>Cash flows from operating activities</b>		
Cash receipts from customers	442	13,463
Interest received	1,067	19,636
Project development payments	(622,149)	(10,840,390)
Payments to suppliers and employees	(1,853,101)	(4,144,604)
Net cash outflows from operating activities	(2,473,741)	(14,951,895)
<b>Cash flows from investing activities</b>		
Payments for investments	-	(204,867)
Payments for loans	(2,083,163)	-
Net cash outflows from investing activities	(2,083,163)	(204,867)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	3,469,691	15,349,986
Capital raising costs	(144,032)	(1,116,717)
Proceeds from convertible loans	1,440,000	-
Proceeds from short term loans	-	302,194
Repayments of short term loans	(154,850)	-
Net cash inflows from financing activities	4,610,808	14,535,463
Net increase/(decrease) in cash and cash equivalents	53,904	(416,432)
Cash and cash equivalents at the beginning of the financial period	303,875	720,307
Cash at the end of the financial period	<b>357,779</b>	<b>303,875</b>

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



**NOTE 1: BASIS OF PREPARATION**

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the financial report for the year ended 30 June 2019 and any public announcements made by MSM during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**Statement of compliance**

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3.A and the disclosure requirements of ASX Appendix 4E. Australian Accounting Standards include Australian equivalents of International Reporting Standards ("AIFRS").

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

**NOTE 2: SHARE-BASED PAYMENTS**

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Recognised as a share-based payment expense:		
Options issued to employees - Note 2(c)	(406,009)	226,173
Options, performance rights and shares issued to key management personnel - Note 2(b)	(86,188)	109,495
Options issued for services	-	146,733
Shares issued for services - Note 2(a)	88,000	240,000
Performance Rights issued for services	-	2,081,009
<b>Total share-based payment expense</b>	<b>(404,197)</b>	<b>2,803,410</b>

**(a) Fair Value of Options and Shares issued for services**

On 5 July 2018, the Company issued shares to unrelated parties in consideration for corporate advisory services. The fair value of equity granted was by reference to the fair value of services received by reference to invoices received.

As a result, an expense of \$88,000 was recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019.

**(b) Fair Value of Performance Rights issued – prior period**

As approved at Company's 2016 and 2017 Annual General Meeting's, the Company issued 2,400,000 and 4,000,000 performance right to former Managing Director, Mr Dion Sullivan, respectively. On 27 November 2018 Mr Dion Sullivan's resignation was announced and as such he will no longer meet the service condition attached to the performance rights. As a result, a reversal of \$144,714 in relation to Mr Sullivan's rights has been recognised in the Statement of Profit or Loss and Other Comprehensive Income and has been recorded for the period.

As at 30 June 2019, a share based payment reversal of \$86,188 relating to key management personnel issued in prior periods was recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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

In prior periods, 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.

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 12, 24, 36 and 48 months, the share based payment expense have been expensed over the vesting period.

As at 30 June 2019, the unvested employee entitlements were eligible for reversal for those recipients' no longer employees of the Company. As a result, a reversal of \$406,009 (30 June 2018: an expense of \$226,173) has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

Under the 'option equity' agreements, eligible employees and KMP are entitled to nil shares (30 June 2018: 5,517,700) in the Company.

**NOTE 3: REVENUE AND EXPENSES**

	2019	2018
<b>(a) Revenue and other income</b>	<b>\$</b>	<b>\$</b>
In App purchases	442	13,463
Interest and other income	81,614	19,636
Other income (i)	1,382,678	-
	<u>1,464,734</u>	<u>33,099</u>
<b>(b) Expenses</b>		
Wages, salaries, director's fees and other remuneration expenses	416,540	2,928,497
Administration expense	274,765	1,588,603
Marketing expenses	36,882	1,613,167
Finance costs – short term loans	-	30,063
Finance costs – other	87,965	30,286
	<u>816,152</u>	<u>6,190,616</u>

**Note (i)** During the period \$1,382,678 of trade creditors recorded in MSM Music Inc were de-recognised as part of the Assignment for the Benefit of Creditors ('ABC') process. This has been reflected as Other Income in the Statement of Profit or Loss and Other Comprehensive Income.

**NOTE 4: OTHER ASSETS**

	2019	2018
<b>Current other assets</b>	<b>\$</b>	<b>\$</b>
Other receivables	-	25,168
GST recoverable	15,602	39,052
Loan receivable (a)	1,996,201	-
Prepayments	103,570	273,724
	<u>2,115,373</u>	<u>337,944</u>
<b>Non-current other assets</b>		
Other receivables	<u>-</u>	<u>75,887</u>

**Note (a)** During the year, the Company entered into an agreement to subscribe for shares and secured, first ranking, interest free loan notes in Riva Group's associated company Riva Technology and Entertainment Limited (RTE) for US\$1,500,000 paid over two instalments:

- the payment of US\$1,000,000 (\$1,382,501) on 23 November 2018.
- the payment of US\$500,000 (\$708,316) on 9 January 2019.

The loan notes are repayable in full by 31 December 2019. In accordance with AASB 9 Financial Instruments ("AASB 9"), the loan notes have been recognised at fair value on initial recognition, being the present value of the future discounted cash flows at a determined market rate for a similar loan.

**NOTE 5: FINANCIAL ASSETS**

<b>Financial assets at fair value through profit or loss ("FVPL")</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Balance at 1 July	657,556	604,402
Acquisition	223,053	-
Foreign exchange movements	35,441	-
Changes in fair value	(916,050)	53,154
Total unlisted investments at FVPL	<u>-</u>	<u>657,556</u>

On 7 July 2016, the Company made a strategic investment of US\$100,000 (A\$135,300) 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.

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\$36,000 (A\$48,708).

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\$135,300) on 7 August 2015;
- The payment of US\$50,000 (A\$67,650) on 8 December 2016; and
- US\$150,000 (A\$202,950) in the form of either cash or MSM shares, at MSM's election. This is accounted for under Trade and Other Payables (Note 6).

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\$67,650).

On 18 March 2019, the Company entered into an agreement to subscribe for shares and secured, first ranking, interest free loan notes in Riva Group's associated company Riva Technology and Entertainment Limited (RTE). On initial recognition, the fair value of the shares was determined to be US\$156,622 (A\$223,053).

As at 30 June 2019, the fair value of the Company's unlisted investments were assessed in accordance with AASB 9 Financial Instruments, and as a result a fair value decrease of \$916,050 was recognised in this year.

**NOTE 6: TRADE AND OTHER PAYABLES**

	2019 \$	2018 \$
Trade creditors (a)	228,340	2,529,474
Share subscription account	-	172,000
Accruals	32,000	139,536
Other Payables	213,889	202,950
Total trade and other payables	<u>474,229</u>	<u>3,043,959</u>

**Note (a)** During the year \$1,382,678 of trade creditors recorded in MSM Music Inc were de-recognised as part of the Assignment for the Benefit of Creditors ('ABC') process. This has been reflected as Other Income in the Statement of Profit or Loss and Other Comprehensive Income.

**NOTE 7: BORROWINGS**

	2019 \$	2018 \$
Short term loans (a)	-	303,650
Convertible notes (b)	1,426,515	-
Total borrowings	<u>1,426,515</u>	<u>303,650</u>

**Note (a)** During the period, the Company settled all short term loans payable through the issue of both ordinary shares in the Company and cash.

**Note (b)** At year end, the Company had raised \$1,440,000 (before costs) under the Emerald Convertible Note Issue before costs. The Convertible Notes are unsecured, interest free and have a redemption date 24 months from the date of issue. Subsequent to year end, on 15 July 2019, the Convertible Notes converted at \$0.007 per share, following Shareholder approval being obtained at the Company's Annual General Meeting on 26 April 2019. Refer to Note 13.

**NOTE 8: PROVISIONS**

	2019 \$	2018 \$
Provision for employee benefits	-	58,838
Total provisions	<u>-</u>	<u>58,838</u>

## NOTE 9: CONTRIBUTED EQUITY

Share capital at 30 June 2019	\$	No. of Shares	Amount per share
Balance at beginning of period	31,903,556	430,418,591	
Proceeds from shares issued	3,445,570	80,129,525	0.043
Proceeds from shares issued	312,000	39,000,000	0.008
Shares issued for services – Note 2(a)	88,000	2,046,512	0.043
Shares issued for liability settlement (b)	346,620	43,327,500	0.043
Shares issued for liability settlement (b)	33,000	4,125,000	0.008
Share issued under 'equity option' agreement	-	338,505	
Shares issued for short term loan settlement (a)	236,000	29,500,000	0.008
Capital raising costs	(181,895)	-	
Total issued and paid up capital at the end of the period	36,182,851	628,885,633	
<b>Share capital at 30 June 2018</b>	<b>\$</b>	<b>No. of Shares</b>	<b>Amount per share</b>
Balance at beginning of period	17,430,292	311,135,662	
Proceeds from shares issued	10,072,000	50,360,000	\$0.200
Proceeds from shares issued	3,400,000	22,666,667	\$0.150
Proceeds from shares issued	1,859,774	43,250,559	\$0.043
Shares issued for services	240,000	1,000,000	\$0.240
Share issued under 'equity option' agreement	-	1,823,637	-
Shares issued on conversion of options	18,207	182,066	\$0.100
Capital raising costs	(1,116,716)	-	
Total issued and paid up capital at the end of the period	31,903,556	430,418,591	

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.

**Note (a)** On 20 November 2018, the Company issued shares to partially extinguish outstanding short term loans (Note 7). In accordance with the accounting standards, the fair value of the shares were calculated, being a share price of \$0.008 per share. For this transaction, the difference between the fair value of the shares granted and the loan recognised has been recognised in the statement of profit or loss and other comprehensive income for the year.

**Note (b)** On 2 May 2019 and 19 June 2019, following Shareholder approval being obtained at the Company's Annual General Meeting on 26 April 2019, the Company issued shares and options to extinguish outstanding trade and other payable balances. In accordance with the accounting standards, the fair value of the shares and options was calculated, being a share price of \$0.008 per share. For these transactions, the difference between the fair value of the equity instruments granted and the liability recognised has been recognised in the statement of profit or loss and other comprehensive income for the year.

**NOTE 10: BASIC LOSS PER SHARE**

	<b>2019</b>	<b>2018</b>
	\$	\$
Basic loss per share	0.001	0.049
Diluted loss per share	0.001	0.049

***Basic loss per share***

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

	<b>2019</b>	<b>2018</b>
	\$	\$
Net loss	(560,100)	(18,921,838)
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	499,190,771	384,615,325

**NOTE 11: RESERVES**

**Share Based Payment Reserve**

	<b>2019</b>	<b>2018</b>
	\$	\$
Opening Balance	7,653,163	5,089,753
Options, shares and performance rights issued to key management personnel - Note 2(b)	(86,188)	109,495
Options issued to employees - Note 2	(406,009)	226,173
Options issued for consulting and advisory services	-	146,733
Performance rights issued	-	2,081,009
	<u>7,160,966</u>	<u>7,253,163</u>

**Foreign Exchange Translation Reserve**

Opening Balance	(78,943)	(140,955)
Exchange differences on foreign operations	(623,405)	62,012
	<u>(702,348)</u>	<u>(78,943)</u>

**Total Reserves**

	<u>6,458,618</u>	<u>7,574,220</u>
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**NOTE 12: COMMITMENTS AND CONTINGENCIES**

Under the terms of the agreement to acquire an equity interest in WinWin Holdings Pty Ltd (Note 5), 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\$213,888) 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 6 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 Company is continuing to finalise the transfer of ownership to the majority owner of EMP 4068 in lieu of quarterly tenement expenditure commitments.

**Operating Lease Commitments**

Non-cancellable operating leases contracted for but not recognised in the financial statements	<b>2019</b>	<b>2018</b>
Payable – minimum lease payments	\$	\$
Not later than 12 months	-	182,070
Later than 12 months	-	478,696
	<u>-</u>	<u>660,776</u>

There have been no other changes in commitments requiring disclosure since the last annual reporting date, 30 June 2018.

As per Note 3 and Note 6, MSM Music Inc. is party to the ABC process. While MSM Corporation International Limited and MSM Music Inc. engaged US based legal and other advisers in respect of the ABC process and such parties advised MSM Corporation International Limited that the ABC process was a generally accepted insolvency process in California (the State of incorporation of MSM-US), neither the Company nor MSM Music Inc. can guarantee that no creditor of MSM Music Inc. will challenge the ABC process in general or seek to make further claims against MSM Music Inc. and attempt to include MSM Corporation International Limited in such claims. No guarantees have been entered into by the Company in relation to the debts of its subsidiaries.

**Contingent Payments**

	<b>2019</b>	<b>2018</b>
	\$	\$
Contingent Payments	-	23,001

The Company has received a claim from Mr Dion Sullivan for an amount of US\$518,225.98 (approximately \$737,000 at the date of this preliminary report) which is claimed comprises unpaid salary, bonuses and other benefits. The Company disputes and rejects the claim, believes it has no basis and has engaged litigation counsel to defend the claim.

There have been no other changes in contingent liabilities, contingent assets or other commitments since the last annual reporting date, 30 June 2018.



**NOTE 13: SUBSEQUENT EVENTS**

On 15 July 2019, the Company announced it had executed a license agreement for utilization of the Company's extensively built Megastar online platform for mobile gaming and Esports with the Riva Group's subsidiary, Riva Technology and Entertainment Limited (RTE)(License). The Licensee will pay MSM US\$2,000,000 for the rights and use of the platform. The first instalment is to be made on a quarterly basis, commencing 31 December 2019.

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

On 15 July 2019, the Company issued 35,050 shares in relation to the Company's 'equity option' agreement. Furthermore, 205,714,286 shares were issued at deemed issue price of \$0.007 per share on conversion of the convertible notes (Note 7).

On 17 July 2019, the Company issued a cleansing prospectus for the offer of up to 50,000 shares at an issue price of \$0.01 per share to raise up to \$500 (before expenses).

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

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

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

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