

QUARTERLY ACTIVITIES AND CASH FLOW REPORT

Period ended 31 December 2017

HIGHLIGHTS

- + Megastar WWT1 achieved more than 435,000 installs in 10 weeks with more than 23 minutes per session for voting users (Fans), greater than 75 minutes for live streaming users and exceptional retention statistics
- + Megastar ranked as high as #4 in entertainment apps from over 2 million apps in the Apple Store
- + Megastar has built a brand, a platform and a highly engaged base of performers and fans that will continue to grow and monetise through Monthly Megastar Spotlight competitions
- + Megastar Spotlight Competitions run continuously as “feeder competitions” leading into WWT2 which is planned for second half 2018
- + Binding MOU with Riva Digital FZ LLC (Riva) to plan the launch of Megastar India

Digital technology and entertainment company, MSM Corporation International Limited (“MSM” or the “Company”) is pleased to release its Quarterly Activities Report and Appendix 4C for the three-month period ended 31 December 2017.

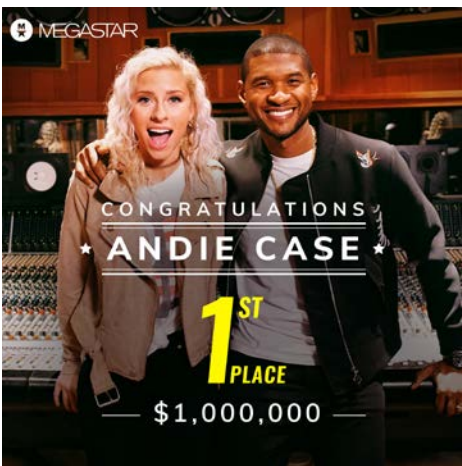
WWT1 Grand Finale

On 15 December 2017, Singer/songwriter Andie Case of the United States was announced Winner, Megastar Worldwide Tournament One. Users across the US, UK, Australia, Canada and South Africa watched the WWT1 Finale via the Megastar App for a combined total of more than 351,000 minutes (244 days).

There were over 4000 **organic** installs on the day of the Finale as Chief Creative Officer, Usher and fellow Judge, Jeb Corliss met with the final 5 Megastars who travelled to LA for the WWT1 Live Stream Finale to provide mentoring, review the final 5 videos and announce the prize winners.

There were more than 435,000 installs as of 12 December 2017 of the Megastar App. Following its release, the Megastar App rapidly hit number 6 in the weekly entertainment App rankings in the US App store and has seen peaks in hourly rankings at number 4. High volatility in user acquisition means that early data may not provide a reliable indicator at this stage. Organic growth (unpaid installs stemming from paid user acquisition efforts) are approaching a net of 24% for the entirety of WWT1. The average cost per Install (CPI) of the Megastar app was US\$4. Entertainment Industry average CPI is US\$11-US\$17.

Industry heavyweights from some of Hollywood’s most powerful agents, managers, record label executives and YouTube Multichannel Networks attended the



Singer/songwriter Andie Case of the United States – Winner, Megastar World Wide Tournament One.



Singer Chris Black of Australia placed 2nd in the Megastar World Wide Tournament One.

Megastar Finale at landmark recording studio “The Village” in Los Angeles to meet with MSM management, as well as the performers, to discuss longer term talent management deals which potentially drive revenue for MSM through a share of touring, merchandising and commercial deals.

The media attention created by the Grand Finale and the USD\$1M prize award boosted the Megastar Brand value and user acquisition and post-announcement, Usher and Andie Case were interviewed on Extra TV (viewership of more than 6.4M and social media reach of more than 9M) and Andie was interviewed by Australia’s Channel 7 morning show.

Megastar Metrics

Megastar WWTI achieved more than 435,000 installs in 10 weeks with more than 23 minutes per session for voting users (Fans), greater than 75 minutes for live streaming users, more than 58% aggregate Day 1 retention and greater than 38% Day 14 retention.

Organic growth for installs exceeded anticipated averages throughout the entire 10 weeks of WWTI and are continuing to increase.

During WWTI, a one week only live streaming competition was held – with the top 3 finishers having the opportunity to meet Usher in person. This is one of the benefits of owning and operating our own platform – that MSM can run a “pop up” or mini competition. The purpose of the “Meet Usher” competition was to provide a baseline for driving the live streaming ecosphere amongst Performers and Fans, thereby allowing MSM to understand then optimise user monetisation opportunities in the tipping and donation sectors.

Progress of Monthly Megastar Spotlight Competition

As announced on 12 December 2017, many of the top 50 performers from WWTI that did not make the final 5 competed in the December Monthly Megastar Spotlight Tournament (MMST).

The MMST continues to engage and retain fans and performers whilst allowing MSM to test and scale new features of the Megastar app in a faster, real time environment.

MSM has now developed and proven a new model for operating talent competitions globally via a mobile app platform. Megastar’s talent competition platform is significantly lower cost to operate and scale than equivalent television formats. Megastar now has data and IP to engage with large media partners to scale Megastar.

Audience retention and organic growth continues following the completion of WWTI. Current engagement metrics for MMST remain high with more than 23 minutes average per session for voting users and more than 73 minutes average session for live stream consumption per user.

MSM will continuously run Megastar Spotlight competitions leading up to WWT2, which is now anticipated to be run in the second half of 2018. This is expected to include genre specific, branded and sponsored competitions.

Megastar India

In December 2017, the Company announced it had signed a Binding Memorandum of Understanding (“Agreement”) with The Riva Group LLC (“The Riva Group”) to negotiate definitive agreements for the launch of Megastar in India.

The Agreement is a major milestone in further expanding the global footprint of Megastar across non-English speaking territories and draws on the highly popular culture and following of Bollywood globally. The Agreement provides an exclusive framework for the parties to negotiate and execute the required license and associated agreements to allow The Riva Group to operate an Indian version of Megastar. This licensing model has historically been highly successful and commonly used by other media and talent competitions (eg: Voice, Idol, X-Factor & Got Talent) when entering in to new territories.

The Company has undertaken expansive research of various territories and globally popular genres over the last 12 months in deciding on Bollywood as the most culturally diverse and exciting opportunity to enter in the next phase of Megastar's growth strategy.

The key to expanding the Megastar brand and footprint is finding the right partners for selected territories and ensuring the principles and values of both organisations are aligned. MSM are proud to partner with The Riva Group who have a highly successful track record of delivering excellence in media, leisure, entertainment and cutting-edge technology.

The Riva Group have vast experience specialising in licensing agreements where they most notably hold license agreements for world class entertainment Intellectual Property with; Dreamworks, Marvel, Sony Pictures, Electronic Arts, Lionsgate, Square Enix, Microsoft Studios, Cartoon Network. In October 2017, The Riva Group in partnership with Los Angeles-based Firefly Games developed and launched the cutting-edge Dreamworks Universe of Legends Mobile Game where Shrek meets Kung-Fu Panda in a Dreamworks Hero mashup.

The next step is for the parties to negotiate and agree a binding Heads of Agreement finalising, amongst other things, the funding and license fee obligations, and the anticipated timeline for the delivery of the first Bollywood version of Megastar. These negotiations are to occur during a 90 day period of exclusivity agreed by the parties. MSM will provide a further update to the market upon execution of a binding Heads of Agreement, or as any more definitive agreements, are executed.

Corporate & Financial Update

During the quarter, the Company raised A\$3.4 million to drive user acquisition and engagement through advertising and marketing. The Company received strong support from new and existing institutional investors, as well as strategic investment from US based, EAS Advisors and Doug Barry, major shareholder and Chairman of MSM's US Operations.

Canaccord Genuity (Australia) Limited acted as Lead Manager and bookrunner to the capital raise.

During the quarter, CEO & Co-Founder, Dion Sullivan, presented at the Techknow Invest Roadshow in Melbourne and Sydney and on 21 December 2017, he hosted an Investor Briefing during which he talked about the success of Megastar WWTP and opportunities arising for the Company in 2018. Future investor briefings are being planned as an effective method of communicating the Company's strategy.

As of 31 December 2017, the Company held approximately A\$1.4M.

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ABOUT MSMCI

MSM Corporation International Limited ("MSMCI") is an online entertainment company that specialises in building and launching new digital entertainment products to audiences in the US, Great Britain, Australia, Canada, New Zealand and South Africa. MSMCI partners with local operators in non-English speaking markets to maximise the reach of its products and services globally.

MSMCI's flagship product is Megastar, a global, mobile-first talent competition, featuring performers of any category, who competed to win one Million US Dollars, a role in a film and various other prizes. Winners are chosen by fans voting in the competition through the Megastar App.

The first Megastar competition launched in MSMCI's six core markets with the App available for download from the Apple and Google Stores. Additional Megastar competitions will subsequently launch in non-English speaking markets via partnering and licensing agreements.

Megastar was founded by Adam Wellisch and Dion Sullivan in February 2014 and listed on the Australian Securities Exchange becoming MSMCI (ASX:MSM) in January 2016. The Company is currently headquartered in Sydney, Australia and Oakland, California, USA.

Visit www.msmci.com to learn more or to [sign up for the investor newsletter](#).



+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

MSM CORPORATION INTERNATIONAL LIMITED

ABN

51 005 529 160

**Quarter ended
("current quarter")**

31/12/2017

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
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1. Cash flows from operating activities

	\$A'000	\$A'000
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1.1 Receipts from customers	6	6
1.2 Payments for		
(a) research and development	-	(477)
(b) product manufacturing and operating costs	(3,909)	(7,251)
(c) advertising and marketing	(1,008)	(1,824)
(d) leased assets	-	-
(e) staff costs	(824)	(1,229)
(f) administration and corporate costs	(532)	(1,063)
1.3 Dividends received (see note 3)	-	-
1.4 Interest and other items of a similar nature received	15	19
1.5 Interest and other costs of finance paid	(4)	(31)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(6,256)	(11,856)

+ See chapter 19 for defined terms.

		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	3,400	13,418
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(184)	(850)
3.5	Proceeds from borrowings	-	1,870
3.6	Repayment of borrowings	-	(1,870)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,216	12,568
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,472	720
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,256)	(11,856)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,216	12,568
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,432	1,432

+ See chapter 19 for defined terms.

		Current quarter \$A'000	Previous quarter \$A'000
5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	1,432	1,472
5.2	Call deposits	-	3,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,432	4,472

6. Payments to directors of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(229)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
<i>Directors and company secretarial fees.</i>		

7. Payments to related entities of the entity and their associates		Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(200)
9.3 Advertising and marketing	(800)
9.4 Leased assets	-
9.5 Staff costs	(400)
9.6 Administration and corporate costs	(300)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows¹	(1,700)

¹ The Company is currently in voluntary suspension pending an announcement regarding a capital raising.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Mark Clements
Company Secretary
31 January 2018

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.