

QUARTERLY ACTIVITIES AND CASH FLOW REPORT

Period ended 31 March 2018

HIGHLIGHTS

- Completed placement of 40M shares to raise \$1.72M before costs. Intention to undertake an entitlements issue to eligible shareholders on similar terms to the placement
- The Riva Group confirmed its engagement and support for MSM by subscribing for a firm allocation of 37M shares at \$0.043 per share to raise up to \$1.59M
- Riva and MSM are in the final stages of documenting the binding HoA for the launch of Megastar India. The MOU exclusivity period has been extended to 30 April 2018
- Discussions advancing with leading entertainment industry players regarding strategic partnerships to drive user growth and monetisation
- Significant reduction in cash outflow in Q1 2018 compared to Q4 2017 following completion of development and extensive live operations of MSM's new video competition platform, which includes technology, legal and brand intellectual property
- Megastar platform continues to evolve with the introduction of shorter (feeder) competitions that focus on live streaming
- Three patents relating to the Megastar platform have progressed to non-provisional filings. Five Prime Advisors LLC have been engaged to provide independent valuations
- MSM Music Inc, the Company's US subsidiary, has engaged leading US legal firm, Goodwin Procter LLP, to advise on funding strategies for the development of new features and services to allow performers to monetise their creative works in collaboration with fans on the Megastar platform

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 March 2018.

2018 Strategy

During the quarter, the Company announced it had completed a review of its strategy incorporating the analysis of WWT1 insights along with opportunities arising from its 2017 research and development activities to define clear strategic priorities. **The strategy is designed to accelerate organic acquisition of performers and fans** by establishing a talent discovery, promotion, monetisation and management ecosystem around the Megastar Video Competition Platform. Further details of this strategy will be released to the market in coming weeks.



In 2018, MSM will drive user growth and monetisation on the Megastar platform by focusing on the execution of four key strategic initiatives to drive organic acquisition, activation, retention, revenue and referral:

- Finalise advanced discussions with strategic, media industry partners to scale the Megastar platform
- Advance the RIVA MOU into a defined Heads of Agreement for the launch and operation of Megastar India by the operating/funding partner and to establish an operating model for expansion into other territories
- Refine, improve and expand Megastar's features, services and product offerings (such as Live Streaming) to maximise user engagement and monetisation opportunities
- The Company is currently undertaking detailed design and planning to establish a talent discovery, promotion, monetisation and management ecosystem and will update the market on this initiative in due course

MSM is actively pursuing revenue opportunities with potential competition sponsors and distributors of content from WWTI. Discussions are also in progress with prominent individuals in the entertainment industry following the finale of WWTI.

The Company has identified a significant opportunity to drive growth through audience participation in the value created by new talent discovered via the Megastar platform (including popular performers from WWTI). Over the past 5 months, the Company has consulted with leading US technology and legal firms to develop new features and services to allow performers to monetise their creative works in collaboration with fans on the Megastar platform.

During the quarter, the Company announced that its wholly owned US subsidiary, MSM Music Inc ("MSM US") has formally engaged law firm Goodwin Procter LLP ("Goodwin") to advise on the formation of a US entity ("Megastar Studios") that will be structured and administered with the intention of raising capital in the US utilising a US Crowd Funding strategy.

Following the initial US Crowd Funding, Megastar Studios is planning to establish a talent discovery, promotion, monetisation and management ecosystem.

US Crowd Funding

The US equity Crowd Funding strategy and creation of a talent discovery, promotion, monetisation and management ecosystem is intended to leverage Megastar Studio's highly engaged user base generated during World Wide Tournament One to facilitate interactions between fans and performers that are currently unavailable within the entertainment industry.

Further details on the Company's strategy regarding the development of a talent discovery, promotion, monetisation and management ecosystem to be used in the Megastar platform will be released shortly.

Goodwin Procter LLP

Goodwin is a top 50 legal firm worldwide and has a dedicated crowdfunding team distinctively qualified to advise on issues related to the formation, structuring and financing of crowdfunding platforms. Goodwin has represented major technology companies, including the underwriters on **Snap Inc.'s** \$3B IPO and **Atlassian Corporation PLC** during its \$150M 462M secondary offering IPO, as company



counsel and remains company counsel today. Goodwin and has been ranked the number one law firm for venture-backed IPO & M&A exits by Pitchbook.

Megastar India

MSM has a memorandum of understanding (MOU) with Riva for the launch of Megastar in India. It is anticipated that MSM will provide its Megastar Intellectual Property (Brand, Format, Platform) and technical expertise. Riva will provide funding, operational capabilities, including marketing and PR/Media support along with its A-list (Bollywood) connections in the Indian media and entertainment market. The Indian market has 1.3B+ people with 400M+ smartphone or tablet users and is expected to massively accelerate the growth of Megastar's user base¹.

On 17 April 2018, the Company announced that MSM and Riva had extended the exclusivity period for the binding heads of agreement (HoA) negotiations until 30 April 2018 as the final stages of documenting the HoA for India are completed.

MSM will update the market upon the completion of the agreement and the anticipated timeline for the delivery of the first Indian version of Megastar.

¹ Indian Market Statistics – Statista - 2018 India SmartPhone Report/2018 India Tablet Report

Patents

During the quarter, the Company provided an update on the progress of three patents pending.

- (a) **PATENT APPLICATION (US15/877118): SYSTEM AND METHOD FOR ANALYZING AND TRACKING MEDIA FOR TALENT DISCOVERY** - relates to the system and methods used for media recognition, tracking across a variety of creative platforms (e.g., YouTube, Instagram, Twitter) based upon the analysis of media in which any of the talent appears.
- (b) **PATENT (US15/886523): SYSTEM AND METHOD FOR EVALUATING THE TRUE REACH OF SOCIAL MEDIA INFLUENCERS** - relates to marketing management systems and methods which is of benefit to companies who wish to determine the best social media influencer to hire and promote a brand.
- (c) **PATENT APPLICATION (US15/746786): SYSTEM AND METHOD FOR A MEDIA PLATFORM** - relates to networked and web-based computer systems. More particularly, the invention relates to an interactive media platform for optimizing media competitions for which prizes and/or rewards are distributed to contestants and users on the network, and any associated marketplace.

MSM relies on trademark, copyright, trade secret, domain-name-protection, and patent laws to protect our proprietary rights. A key component of the Company's strategy to create shareholder value is the strategic use of patent law to protect the inventions created by its world-class team.

The Company is pleased to report that three patent applications have progressed from provisional filings, which were first filed October 2015 and July 2017, to non-provisional utility patent applications, which provide the strongest form of protection that the Company can file at this stage of the patent life-cycle.

These filings allow the Company to reasonably perform a valuation on the IP based on the prospective 20-year monopoly that the Company, and its legal advisors, Eandi Fitzpatrick LLP now expect MSM to achieve following the examination of the patents by the examiner.



The valuation of the patents is currently being undertaken by Five Prime Advisors LLC. The patent applications are highly relevant and valuable to MSM but also have other potential uses outside of the Company's existing ecosystem. Furthermore, MSM will be entitled to enforce its rights in relation to the patents, should they be infringed.

MSM will update the market upon the completion of the independent valuations.

Progress of Monthly Megastar Spotlight Competition

During the quarter, Megastar has continued to operate Spotlight and Lightning Competitions to maintain engagement at a very minimal marketing spend. New user acquisition has reduced in line with spending on paid social media campaigns which target user acquisition.

Significant Reduction in Expenditures

As announced in the previous quarterly report, following completion of the major creative, legal and technology investments in 2017 there has been a very significant natural reduction in expenditures by the Company.

Based on the WWTI analysis and debrief, MSM will continue to focus on optimising the user experience with shorter, tighter tournaments to drive efficiencies in user acquisition and retention spending. Having effectively created the entertainment format, advertisements and talent related production, Executive Director, Ms Sophie McGill, stepped down from her board position in January 2018.

Corporate & Financial Update

During the quarter, the Company raised \$1.72 million via a placement to institutional and sophisticated investors at \$0.043 per share with a one (1) for two (2) free attaching listed option expiring at \$0.10 on 7 November 2019 ("Placement").

The Placement was supported by new and existing institutional investors. The issue price of \$0.043 per share is the closing price on 12 January 2018 and a 24.6% discount to the 15 day VWAP.

The Placement involved the issue of 40,000,000 new fully paid ordinary shares in the Company ("Shares"), along with a one (1) for two (2) free attaching listed option exercisable at \$0.10, expiring 7 November 2019 ("Options"), 4,000,000 Placement Shares are to be issued utilising of the Company's existing placement capacity under ASX Listing Rule 7.1 and 36,000,000 Placement Shares are to be issued utilising of the Company's existing placement capacity under ASX Listing Rule 7.1A. The Options will be subject to shareholder approval at a general meeting to be convened by the Company shortly.

CPS Capital Group Pty Ltd acted as Lead Manager to the Placement.

On 17 April 2018, the Company announced that it had received a firm commitment from The Riva Group ("Riva") to subscribe for a placement of 37 million new fully paid ordinary shares at A\$0.043 per share to raise A\$1.59M. as part of the proposed non-renounceable pro-rata 1 for 5 Entitlement Offer as announced on 8 February 2018. The Company is in discussions with other parties interested in participating on the same basis.





The Company intends to complete the Entitlement Offer on the same pricing terms as the Company's most recent placement (announced 21 February 2018), to raise A\$3.67M. Riva will also be entitled to a one (1) for four (4) free attaching option exercisable at A\$0.10 each, expiring 7 November 2019.

The new securities will be issued to Riva:

- (a) to the extent that there is sufficient shortfall from the Entitlement Offer, as part of that shortfall, without the need for shareholder approval; and
- (b) if there is insufficient shortfall, pursuant to the Company's placement capacity under Listing Rule 7.1, without the need for shareholder approval.

The Entitlements Offer and Placement timetable will be confirmed with the Australian Securities Exchange (ASX) following the conclusion of the voluntary suspension of MSM's securities. The purpose of the Placement and Entitlements Offer, is to assist the Company to pursue its strategic objectives as detailed in its ASX announcement on 8 February 2018.

As of 31 March 2018, the Company held approximately A\$0.6M.

MSM intends to remain suspended from quotation on ASX pending the finalisation of legal advice regarding its 2018 strategy and the finalisation of consultation with the ASX.

FOR FURTHER INFORMATION CONTACT:

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ASX Announcement
30 April 2018

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 March 2018

Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7	13
1.2 Payments for		
(a) research and development	-	(477)
(b) product manufacturing and operating costs	(835)	(8,086)
(c) advertising and marketing	(266)	(2,090)
(d) leased assets	-	-
(e) staff costs	(789)	(2,018)
(f) administration and corporate costs	(516)	(1,584)
1.3 Dividends received (see note 3)	-	-
1.4 Interest and other items of a similar nature received	10	29
1.5 Interest and other costs of finance paid	-	(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	(2,389)	(14,245)

	Current quarter \$A'000	Year to date (9 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	1,720	15,120
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	18
3.4 Transaction costs related to issues of shares, convertible notes or options	(126)	(976)
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	1,594	14,162
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	1,432	720
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,389)	(14,245)
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)	1,594	14,162
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	637	637

+ 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	637	1,432
5.2 Call deposits	-	
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)	637	1,432

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	141
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	
Directors and Company Secretarial fees	

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	700
9.3 Advertising and marketing	200
9.4 Leased assets	-
9.5 Staff costs	750
9.6 Administration and corporate costs	500
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows¹	2,150

¹ The Company is currently in suspension pending the announcement of the proposed non-renounceable pro-rata 1 for 5 Entitlement Offer Prospectus to raise \$3.667 million as announced on 8 February 2018. On 17 April 2018, the Company announced that it had received a firm commitment from The Riva Group to subscribe for a placement of 37 million new fully paid ordinary shares at \$0.043 per share to raise \$1.59 million as part of the Entitlement Offer. The Company is in discussions with other parties interested in participating on the same basis.

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
30 April 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.