



STRATEGY UPDATE AND FUNDING INITIATIVES

HIGHLIGHTS

- MSMCI to undertake 1-for-5 non-renounceable pro-rata rights issue at \$0.043 per new share, together with 1 free attaching option for every 4 new shares issued, to raise up to approximately \$3.67 million. MSMCI has received commitments to subscribe for the full amount offered under the rights issue.
- Proposed restructure of MSMCI's US operating subsidiary, MSM Music Inc ("MSM-US"), to qualify under Regulation A+ securities legislation with the intention of undertaking strategic capital raisings in the US from accredited and non-accredited investors.
- MSM-US intends to incorporate a new US entity as a Talent Management Studio ("Megastar Studios") with an intention to generate revenue from the management of top talent from Megastar competitions and the creation of original content.
- MSMCI to continue to commercialise the Megastar Brand, Video Competition Platform, data and content in all markets outside North America under licensing arrangements, continuing growth predicated on MSMCI's proprietary technologies.
- Goodwin Procter LLP advising the Board as it explores the potential for additional funding, growth and user engagement via the introduction of a securitised token for use within the Megastar Platform.

Digital technology and entertainment company, MSM Corporation International Limited (**MSMCI** or the **Company**) is pleased to provide details of its 2018 strategy and capital raising activities following completion of consultation with the ASX.

The disclosures in this announcement regarding the Company's US capital raising and securities strategy are to be read in conjunction with the cautionary statement in Appendix A of this announcement.

This announcement is also to be read in conjunction with the Company's prospectus dated 21 May 2018, in particular the risk disclosures in section 4 of the prospectus.

US Strategic Investments

Stage 1

Within the next 120 days, MSMCI intends to raise, through its wholly-owned US subsidiary MSM-US, between US\$3 million and US\$5 million, pursuant to Rule 506(c) of Regulation D under the US Securities Act of 1933, as amended (**US Securities Act**).

Participants in this capital raising are intended to be strategic media, entertainment and technology industry investors from the US, China and United Arab Emirates. All investors in the first stage of the capital raising must be "accredited investors" as defined in Rule 501(a) of Regulation D under the US Securities Act.

The funds raised from the Stage 1 capital raising are intended to be allocated towards:

- the ongoing enhancement and development of the Megastar Platform and product: approximately US\$1.5M;
- ongoing operation of the Megastar US operations, including the running of competitions: approximately US\$1.2M;
- the legal and regulatory costs and tax advice in connection with restructuring MSM-US to qualify under the US Regulation A+ securities legislation to permit it to raise funds from unaccredited investors in the US and potentially issue digital securities in accordance with the US securities law (see further detail below): approximately US\$1.0M;
- the establishment and initial funding of "Megastar Studios" (see further detail below): approximately US\$800,000; and
- business development (including development of strategic partnerships and marketing the Stage 2 capital raising described below): approximately US\$500,000.

The funding allocations described above are on the basis that US\$5 million is raised. If a lesser amount is raised, the allocation of funds is presently intended to be reduced on a pro rata basis. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied and the Board reserves the right to alter the way the funds are applied on this basis.

Stage 2

After the consummation of the Stage 1 of the capital raising described above, it is intended to undertake a second capital raising through an offering of securities pursuant to the recently amended provisions of Regulation A, or "Reg A+", under the US Securities Act to both accredited and non-accredited investors using the "Tier 2" format.

The quantum of the Stage 2 capital raising is not confirmed at this stage but will be limited to ensure that MSMCI retains a controlling interest in MSM-US.

It is intended that accredited and non-accredited investors who qualify may participate in the Stage 2 offering under Reg A+.

The Stage 2 capital raising may also include an offer of "Tokens" in accordance with the US Securities Act. Further details regarding this potential Token strategy is outlined below.

The funds raised from the Stage 2 capital raising are intended to be allocated primarily towards:

- the development and monetisation of the Megastar Studios (see further detail below); and
- the ongoing development of the Megastar Platform, including the development of a securitised digital 'token' system for use within the Megastar Platform (see further detail below).

Megastar Studios

It is intended that MSM-US will incorporate a wholly owned subsidiary in the US, "Megastar Studios".

Megastar Studios' business will comprise:

- talent identification, management, monetisation; and
- original content production.

It is intended that Megastar Studios will enter into contracts with successful performers identified through the Megastar competitions, and thereby generate an ongoing stream of revenue, as well as ensure the ongoing engagement of performers with the Platform. MSMCI cautions that there is no certainty that Megastar Studios will become revenue generating and the above is a statement of intention at this time.

Megastar Studios will initially be funded by MSM-US.

MSMCI will hold a controlling interest in Megastar Studios by virtue of its majority interest in MSM-US.

Potential securitised token system

In order to drive the continued enhancement of the Megastar Platform and engagement of its users, MSM-US has engaged US law firm Goodwin Procter LLP (**Goodwin**) to advise on the creation and issuance of a form of digital security which may be utilised within the Megastar Platform.

This new class of securities is presently intended to be called "TalentCoin Tokens" (**Tokens**), and would be issued and exchanged in accordance with US securities legislation.

The Tokens strategy will require various United States regulatory approvals. Although the MSM Group currently has no reason to believe that such approvals will not be granted as required, there can be no certainty that these approvals will be granted on acceptable conditions, or at all.

Amongst other things, it is intended that the Tokens would be used as an "in-app" currency within the Megastar platform to permit holders of the Tokens to purchase goods and services from and on the US Platform. For example, performers may use the Tokens to meet judges, mentors and other industry notables, use production services (such as tools, music, studio time), or pay for marketing/PR/promotion or celebrity mentoring sessions and master classes. Fans may use the Tokens to, amongst other things: buy music and merchandise, attend Meet & Greets with specific performers, and attend live events.

It is also intended that the Tokens would entitle holders to a portion of certain revenue generated by Megastar Studios. The portion of such revenue will be confirmed as the Tokens strategy is developed further.

Please refer to the cautionary statement below for further details regarding the potential expansion of the Megastar Platform to include securitised tokens.

License Agreements

Ahead of the proposed restructure, MSMCI will enter into three agreements with MSM-US.

All of the intellectual property rights in the digital video competition platform known as "Megastar" (**Platform**) and the "Megastar" brand and competition format (**Brand**) are currently held in MSM-US. Accordingly, to ensure that MSMCI will continue to commercialise its intellectual property throughout the world independently of MSM-US, prior to undertaking any capital raising into MSM-US, MSMCI and MSM-US will enter into three key agreements:

- **Megastar Brand License Agreement:** MSMCI will be granted a perpetual license pursuant to which MSMCI will be entitled to use the Brand and Megastar contest format in all jurisdictions excluding North America (although MSMCI and MSM-US may agree to continue to jointly run contests in North America).
- **Platform License Agreement:** MSMCI will be granted a perpetual license pursuant to which MSM will be entitled to use the Platform in all jurisdictions (including North America) for all activities excluding music and dance competitions.
- **Joint Content/Data Ownership Rights:** MSMCI and MSM-US will agree to joint rights to commercialise all content and data developed through the competitions operated by each of the entities.

It is not presently intended that MSMCI will be required to pay any royalties under these licences.

For the avoidance of doubt, MSMCI will retain control over MSM-US.

The proposed US Strategic Investment and Licence Agreements will not result in MSMCI being restricted in any way from conducting its business as it presently does. Rather, the Licence Agreements will clearly provide rights for MSMCI to use the intellectual property rights of its subsidiary, MSM-US.

Entitlements Offer & Strategic Cornerstone Investor – Riva Group

MSM is pleased to advise that it has today issued a prospectus for a capital raising by way of a non-renounceable pro rata offer on the basis of 1 new share for every 5 shares held on the record date at an issue price of \$0.043 per new share, together with 1 free attaching option for every 4 new shares issued, to raise up to approximately \$3.67 million (**Entitlements Offer**).

The prospectus for the Entitlements Offer has been lodged with ASIC and ASX today, and dispatched to eligible shareholders in due course.

As previously announced, the Company has entered into a number of agreements with strategic investors including the Riva Group to take up to approximately \$3,397,000 worth of the shortfall under the Entitlements Offer. If there is insufficient shortfall to satisfy these agreements, the Company intends to issue the balance of these securities to the strategic investors as a placement. The Company has also received commitments on behalf of eligible shareholders to apply for \$276,344 of their entitlements. As a result of these commitments and the agreements with the strategic investors, the Company has received commitments to subscribe for the full amount offered under the Entitlements Offer.

The funds raised under the Entitlements Offer are intended to be used primarily for the following purposes:

- ongoing improvement, marketing and operation of the existing competitions being operated by the Megastar platform, namely, the "Megastar Spotlight" and "Live Lightning" competitions;
- establishing the Megastar India joint venture with Riva Digital FZ LLC;
- establishing Megastar joint ventures in additional markets;
- establishing content distribution agreements;
- legal and accounting costs to qualify MSM-US under Reg A+ of the US Securities Act;
- marketing in connection with the proposed strategic capital raisings within MSM-US described in his announcement;
- researching, partnering/acquiring and developing products that will drive users and or revenue to the Megastar platform; and
- general working capital and the costs of the Entitlements Offer.

The key dates for the Entitlements Offer are set out below. The dates are indicative only and the Company reserves the right to vary them subject to the requirements of the ASX Listing Rules.

Event	Date (2018)
Lodgement of Prospectus with ASX Lodgement of Appendix 3B with ASX Option holders notified of Entitlements Offer	21 May
Notice of Entitlements Offer sent to Shareholders	23 May
Securities quoted on an "Ex" basis	24 May
Record Date for determining Entitlements	25 May
Prospectus and Application Form despatched to Eligible Shareholders	30 May
Last day to extend the Closing Date	5 June
Entitlements Offer Closing Date	8 June
Securities quoted on a deferred settlement basis	12 June
Notification of shortfall	14 June
Issue date of Securities under the Entitlements Offer Deferred settlement trading ends	18 June
Securities issued under the Entitlements Offer commence trading on ordinary settlement basis	19 June
General Meeting	22 June

MSM Managing Director, Dion Sullivan commented;

"MSM is grateful to be offering shareholders the opportunity to strengthen MSM's balance sheet ahead of the final stages of these strategic negotiations."

MSM US Chairman, Doug Barry commented;

"Megastar has proven it can source world class talent & engage fans globally with its unique and powerful platform. The next step is to launch a revolutionary, new, tokenized ecosystem to allow fans to directly support the artist they love and participate in the value that they help to create."

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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](#)



Appendix A**Reg A Security Legislation – SEC Resource**

<https://www.sec.gov/smallbusiness/exemptofferings/rega>

Cautionary Statement – Potential securitised token system

The offering and exchange of the Tokens is intended to occur within the United States. The offer and exchange of Tokens will therefore be required to comply with United States securities laws (namely, the US Securities Act).

In addition, regulation of tokens, token offerings, cryptocurrencies, blockchain technologies, and cryptocurrency exchanges is currently undeveloped and is likely to rapidly evolve, varies significantly among international, federal, state and local jurisdictions, and is subject to significant uncertainty. If the Tokens are deemed to be virtual currencies, state regulators have created new regulatory frameworks which may require MSM-US to comply with anti-money laundering, cyber security, consumer protection, and financial and reporting requirements, among others. In addition, US federal regulators have published guidance on the treatment of virtual currencies. For example, the Commodity Futures Trading Commission has publicly taken the position that certain blockchain assets are commodities. In addition, the US Financial Crimes Enforcement Network, has taken the position that entities that exchange virtual currency for real currency, and “administrators” who engage in the business of issuing and putting into circulation a virtual currency and who have the authority to redeem or withdraw such virtual currency from circulation (in exchange for fiat or in some cases even goods and services) are “money transmitters” that must register with the agency as a money services business. Depending on the features ultimately included in the Tokens, they may be deemed to be the equivalent of virtual currencies and MSM-US may be required to register prior to issuance of the Tokens and/or make periodic filings with the state and federal regulators.

On the basis of the features presently intended to be included in the Tokens, it is considered that they will be classed as digital securities regulated under Reg A+ of the US Securities Act, rather than a virtual currency or other form of asset. It is the intention of the MSM Group that the Tokens will continue to be classed as digital securities, and the above risk disclosure is provided as a matter of completeness in the event that this intention changes. Offers of Tokens will not be received in Australia, and therefore will not be an offer subject to the Corporations Act.

The MSM Group and its United States legal advisors are working towards finalising the structure of the Token system. The MSM Group will continue to seek legal and regulatory advice as it progresses through the various stages of development culminating in the launch of the Token system. The MSM Group will ensure that it complies with all existing and new regulations that may be brought in from time to time to further regulate the Token system.

The environment in which the Token system will operate is subject to complex and evolving policies, laws and regulations. It is likely that the laws and regulations applicable to the Token system will continue to change in an effort to keep up with the rapidly evolving industry. Due to their evolving nature, many of these laws and regulations are subject to uncertain interpretation. It is difficult to predict how existing and new laws and regulations will be applied to the Token system. It is

possible that they may be interpreted and applied in a manner that is inconsistent with current practices or the practices on which the Token system is developed to comply with and in particular, the features, use and underlying business model that MSM-US decides it wants to implement with respect to the structure of its Token system.

Existing and new laws and regulations applicable to the Tokens may be costly to comply with or delay or impede the development of the Token system. This may require significant time and attention of management and technical personnel, and subject the MSM Group to inquiries or investigations, claims or other remedies, including penalties, or otherwise harm the business.

The MSM Group, in consultation with its United States legal advisers, has considered the key laws and regulations in the United States which are likely to apply to the Token system and does not have any reason to believe that the current proposal would be inconsistent with the current United States laws and regulations.

The Token system will likely require various United States regulatory approvals. Although the MSM Group currently has no reason to believe that such approvals will not be granted as required, there can be no certainty that these approvals will be granted on acceptable conditions, or at all. The approvals may also not be granted on a timely basis. Any failure to obtain necessary regulatory approvals, or delays in such approvals being granted, will likely result in costly revisions to the structure, or the MSM Group potentially discontinuing with the Token system.

It is currently anticipated that the marketplace for the exchange of the Tokens would be one or more of the third-party securities exchanges or alternative trading systems registered (or in the process of being registered) with the SEC that may be available. Currently, there are only a few existing potential alternative trading systems providers that the MSM Group may partner with. There is no certainty that the MSM Group will be able to engage these parties (or any new alternative trading systems that become registered), or engage them on reasonable terms.

The strategy for the Token system is in its early stages, and in addition to satisfying the legal regulatory requirements described above, will require technological integration within the Megastar platform. This integration remains subject to technological and development risks which may result in unforeseen and unavoidable delays. These risks include, amongst other things, overestimating the ease at which the technology can be integrated within the Megastar platform, issues in developing the code, availability of appropriately skilled third parties, and unforeseen bugs and errors.

Investments into assets such as the Tokens are high risk in nature as assets of this nature have shown to be highly speculative.

As detailed above, the development and launch of the Token system remains subject to a number of key risks. The structure of the Token system therefore remains inherently uncertain. The Company cautions investors against making investment decisions based on the potential launch of the Token system.