

## Quarterly Activities and Cashflow Report – 30 September 2016

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### HIGHLIGHTS

- **High activity quarter, with third-party research firm, Hub Entertainment Research indicating the substantial commercial potential of the competition**
- **Commencement of Closed Beta Test competition, to provide insights ahead of world-wide launch in Q1'2017**
- **Company well-funded, with \$7.8m cash at bank following a successful Placement raising \$4.8m and the conversion of options**
- **VSA Capital Asia and EAS Advisors appointed to assist with strategic international expansion efforts**
- **Celebrity Chelsea Briggs appointed as Closed Beta Test competition host, with ongoing discussions with potential hosts for the world-wide competition**

MSM Corporation International Limited ("**MSM**" or "**the Company**") (ASX: MSM), a leading digital technology and entertainment company, is pleased to release the Quarterly Activities Report and Appendix 4C Quarterly Cashflow Report for the period ended 30 September 2016.

### OPERATIONAL UPDATE

#### Hub Research

MSM continues its commitment to refining the Megastar Millionaire competition platform ahead of its world-wide launch. Consistent with this objective, the Company commissioned a leading entertainment research house, Hub Entertainment Research, to conduct statistically rigorous research into the platform during the quarter. Announced to the market in July 2016, the Hub Research surveyed over 2,500 active social media users aged between 15 years to 45 years and demonstrated the significant commercial appeal of the Megastar Millionaire platform.

Key findings revealed:

- There was strong interest in participating in the competition, with 91% of respondents somewhat/very interested in being a Fan and 54% also somewhat/very interested in being a Performer.
- The competition is appealing across a broad range of demographic segments, with the weighted average price-point that users were willing to spend on the platform at \$62, a value that exceeded the Company's expectations.

The research was designed to identify avenues to optimise the Megastar Millionaire platform and maximise its value. It examined the appeal, willingness of users to pay for participation and the core drivers that will drive engagement with the platform.

**Closed Beta Test**

To further refine the platform, the Company launched its Closed Beta Test competition at the end of September 2016. The Closed Beta Test competition represents a beta launch of the Megastar Millionaire competition involving 1,000 participants. The participants are able to view and vote for their favourite performers and interact socially, effectively mirroring the competition when launched in Q1'2017. The competition is to last for 30 days, involves 6 rounds and has a grand prize of US\$10,000.

The Closed Beta Test will provide the last round of platform insights ahead of the world-wide launch of the full competition. It primarily allows the Company to obtain statistically relevant data and insights on user behaviour that will help MSM's technical team refine the platform.

In conjunction with the beta competition, a mobile app was launched and is available for download on iOS and Android. The beta app contains basic functionality that will feature in the world-wide product.

To facilitate the competition, social influencer and celebrity, Chelsea Briggs was appointed as the host of the Company's Closed Beta Test competition. Ms Briggs has served as the Executive Producer at HollywireTV, a YouTube channel with over 1.6 million subscribers.

Subsequent to the end of the quarter, the Company reported preliminary results from the Closed Beta. The Company is pleased with the strong retention and engagement data the competition has generated. User retention was approximately 61% on Day 1 of the competition and the average user session time is approximately 13.5 minutes. Both figures are encouraging and exceed industry norms.

**ToneDen reports substantial growth**

MSM's strategic partner, ToneDen continues to grow rapidly. ToneDen is an online music community that is designed to allow artists to build a following and reach their fans. Under the Company's strategic agreement with ToneDen, MSM will have access to ToneDen's large and rapidly growing content creator and fan base. During the quarter, ToneDen reported substantial user growth, with over 475,000 content creators, labels and businesses across music and media. With each user connected to a strong fan base, the platform has the ability to reach millions of fans globally, making it an important strategic relationship for MSM.

**CORPORATE UPDATE****Successful Placement, raising \$4.8m**

With the view of accelerating the development of the Megastar Millionaire competition, the Company completed a successful placement raising \$4.8 million before costs from strategic investors. Announced on 14 September 2016, the Placement involved the issue of 17,435,715 fully paid ordinary MSM shares at an issue price of \$0.28 per share to sophisticated and professional investors.

**Appointment of VSA Capital Asia**

To help facilitate MSM's international expansion, VSA Capital Asia was appointed as advisor to the Company during the quarter. VSA Capital Asia provides a range of financial and investment banking services that connect Asian investors with investment opportunities outside of China, Hong Kong and South East Asia.

VSA is assisting with the Company's international expansion initiatives in the Asian region by integrating with potential white label partners in strategic markets and delivery platforms.

### **US-Based EAS Advisors Appointed**

To assist MSM to build its investor profile in the US, the Company appointed US-based Advisory firm, EAS Advisors LLC. EAS was appointed to raise the profile of the Company with appropriate US investors and strategic partners to the Company.

### **FINANCIAL**

#### **Company well funded**

MSM is well-funded ahead of the launch of its Megastar Millionaire competition with \$7.844m cash at bank. Its strong cash position was supported via the completion of its \$4.8m Placement and the conversion of options during the quarter, raising an additional \$1m.

### **OUTLOOK**

The Company continues to make significant progress on its first product offering the Megastar Millionaire platform competition. Ahead of the launch of this competition, the Company's technical team will continue to refine the platform based on the user insights gathered from the ongoing Closed Beta Test competition.

In addition, with a celebrity host for the Closed Beta now appointed, the Company is focusing on the selection of a host for the world-wide launch scheduled for Q1'2017. The Company is currently in discussions with a number of parties and intends to make an announcement in the near term regarding its choice of celebrity host for the competition.

#### **Managing Director, Dion Sullivan commented;**

"This has been yet another busy quarter for MSM. We are making strong progress towards launch, with the insights from our testing processes allowing our technical team to strengthen and optimise the competition platform. This will truly ensure that the Megastar Millionaire competition is the world's richest online, mobile-first, talent discovery competition platform when launched in Q1'2017."

"With a Placement successfully completed, raising \$4.8m and the conversion of options raising further funds, the Company is well-funded ahead of launch. In addition, we have appointed VSA Capital Asia to facilitate our international expansion initiatives throughout the Asian region and we look forward to continuing to update the market with our progress in the months ahead."

#### **Executive Director Asia-Pacific, Sophie McGill commented;**

"A key focus of the Company at the moment is the selection of a world renowned celebrity host for the official competition. Selecting the right personality, who is recognisable on a global scale and has a strong following, will be pivotal to the success of the Megastar Millionaire competition and we are excited to be concluding these discussions shortly and announcing the host in the coming months."

**-Ends-**

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**About MSM**

MSM Corporation International Limited is a digital technology and media entertainment company that, via the first product offering, Megastar Millionaire, will launch the world's richest online, mobile-first, talent discovery competition platform.

Megastar Millionaire is a consumer digital entertainment technology platform; connecting performers and fans in an innovative and interactive gamification experience. It is designed to transform, mobilise and individualise the search for new artists, allowing people to easily showcase their talents to a global digital audience and offers significant advantages over traditional television platforms.

This highly disruptive, first-to-market platform will monetise mobile video via a highly successful talent competition format. Operating squarely within the US\$25bn online gaming and US\$30bn mobile sectors, Megastar Millionaire draws on the social media phenomenon, allowing individuals to demonstrate their skills and talents.

+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")

30 September 2016

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>	<b>\$A'000</b>	<b>\$A'000</b>
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(429)	(429)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(288)	(288)
(d) leased assets	-	-
(e) staff costs	(218)	(218)
(f) administration and corporate costs	(808)	(808)
1.3 Dividends received (see note 3)	-	-
1.4 Interest and other items of a similar nature received	8	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,735)</b>	<b>(1,735)</b>

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(4)
(b) businesses (see item 10)	-	-
(c) investments	(133)	(133)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(137)</b>	<b>(137)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	4,882	4,882
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	1,006	1,006
3.4 Transaction costs related to issues of shares, convertible notes or options	(256)	(256)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>5,632</b>	<b>5,632</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,084	4,084
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,735)	(1,735)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(137)	(137)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	5,632	5,632
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>7,844</b>	<b>7,844</b>

	Current quarter \$A'000	Previous quarter \$A'000
<b>5. Reconciliation of cash and cash equivalents</b> 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	5,844	1,584
5.2 Call deposits	2,000	2,500
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter</b> <b>(should equal item 4.6 above)</b>	7,844	4,084

<b>6. Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	(155)
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>	

<b>7. Payments to related entities of the entity and their associates</b>	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	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(385)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(2,300)
9.4 Leased assets	-
9.5 Staff costs	(515)
9.6 Administration and corporate costs	(350)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(3,550)</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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 October 2016

## 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.