

Quarterly Activities and Cashflow Report – 30 June 2016

Highlights

- **Highly active quarter, with multiple development milestones completed for the Megastar Millionaire platform, including:**
 - **Successful completion of a first prototype achieved ahead of schedule**
 - **Qualitative Friends and Family testing completed, helping to refine the platform**
 - **Quantitative independent testing undertaken by Hub Entertainment Research, identifying the significant commercial potential of the competition upon launch**
- **Company is now working towards commencement of Closed Beta Testing, further refining the platform**
- **Company actively seeking judging panel to compliment a broad consumer demographic**
- **MSM is well funded with over \$4m in cash reserves and is on track for the launch of its first product offering in early 2017**

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 June 2016.

OPERATIONAL UPDATE

Operationally, the Company made strong development progress towards the launch of its first product offering during the quarter.

Prototype completion

During the quarter, MSM completed the first prototype of the Megastar Millionaire platform. This represents a substantial technical milestone and was achieved ahead of schedule by the Company. The prototype contains the basic features and functionalities that will be included in the final consumer ready product. The prototype was completed in preparation for qualitative and quantitative research to further refine the platform, maximise platform efficiencies and increase user engagement.

Friends and Family – qualitative testing

To refine the Megastar Millionaire prototype, close associates of the Company participated in a qualitative testing program of the platform to identify areas where improvements could be made. 62% of the participants rated the platform favourably and provided the Company with highly valuable feedback on the modality and functionality of the platform. This data has assisted the Company with debugging the platform and refining its user experience. Following the feedback received, the on-boarding process for users was refined and the video uploading process streamlined, helping to minimise barriers to entry and intended to maximise the audience reach.

Hub Research – quantitative testing

With the view of quantifying the commercial potential and understanding the level of user engagement of the Megastar Millionaire competition platform, the Company commissioned leading entertainment research firm, Hub Entertainment Research to undertake quantitative testing of the platform.

Reporting the findings after the close of the period, in July 2016, the rigorous and statistically significant research revealed the enormous commercial upside potential of the competition.

Specifically, the weighted average price point participants were willing to pay far exceeded the Company's expectations, indicating that the platform had the potential to be monetised in a highly significant manner. With over 2,500 participants, the independent third party research also demonstrated that 91% of respondents were somewhat/very interested in being a Fan and 54% are also somewhat/very interested in being a Performer, illustrating the high engagement potential of the competition platform.

Promotional video goes live

The Company published a promotional video for its first product offering, Megastar Millionaire which can be viewed at <http://msmci.com/product-megastar-millionaire/>.

CORPORATE UPDATE***Ex-Netflix Data Scientist joins Advisory Board***

During the quarter, the Company appointed world-class data scientist, Antonio Mollins to Megastar Millionaire's Advisory Board. Mr Mollins was previously a key data scientist at Netflix and brings substantial quantitative analytical skills to the Advisory Board role. His appointment strengthens the technical capabilities of MSMCI ahead of the launch of its first product, Megastar Millionaire.

Mr Mollins joins an already high profile advisory board including Pandora Music co-founder, Jon Kraft; former Electronic Arts and Zynga executive, Jennifer Herman; accomplished TV and film producer Mr John Baldecchi and Michael Pole, a studio executive with over 25 years' experience managing the development of hit video games such as 'World of Warcraft'.

Director of Marketing Appointed

Marketing expert, Ms Janet Casamento was appointed as Director of Marketing during the quarter. Ms Casamento joins with a diverse digital and traditional marketing background and previously held a number of senior roles at digital-focused companies. Ms Casamento will be responsible for the Company's promotional strategy ahead of the launch of Megastar Millionaire in early 2017.

FINANCIAL

During the quarter, the Company invested into research and development on the Megastar Platform and spent funds on advertising and marketing, including the development of the promotional video. These expenses ensure the Megastar Millionaire platform is of the highest possible quality once launched.

Cash balance

The Company is well funded to pursue its growth objectives and had total cash reserves of approximately \$4 million as at 30 June 2016.

OUTLOOK

With the completion of quantitative and qualitative testing, MSM will analyse the data gathered over the coming months with the view to implementing a range of platform enhancements to optimise the Megastar Millionaire platform and refine the user experience. MSM is well positioned to commence its planned Closed Beta testing program in September 2016, which will provide guidance on further platform improvements.

The Company is currently seeking to assemble a renowned judging panel of well-known celebrities and entertainers that will appeal to a broad consumer demographic. Megastar Millionaire plans to announce a judging panel in the months ahead.

With a world-class technical and management team now in place and a healthy cash balance, MSM remains on track to launch its first product, Megastar Millionaire in early 2017.

-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.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

MSM CORPORATION INTERNATIONAL LIMITED

ABN

51 002 529 160

Quarter ended ("current quarter")

Thursday, 30 June 2016

Consolidated statement of cash flows

		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) staff costs	(127)	(127)
	(b) advertising and marketing	(184)	(202)
	(c) research and development	(427)	(1,653)
	(d) leased assets	-	-
	(e) other working capital	(442)	(1,009)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	13	30
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net operating cash flows (carried forward)		(1,167)	(2,961)

+ See chapter 19 for defined terms.

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows brought forward)	(1,167)	(2,961)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	(209)
(c) intellectual property	-	-
(d) physical non-current assets	(28)	(28)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(28)	(237)
1.14 Total operating and investing cash flows	(1,195)	(3,198)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	129	7,129
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (Share issue costs)	-	(597)
Net financing cash flows	129	6,532
Net increase (decrease) in cash held	(1,066)	3,334
1.21 Cash at beginning of quarter/year to date	5,147	747
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	4,081	4,081

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.24 Aggregate amount of payments to the parties included in item 1.2	134
1.25 Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions	
	Directors' and company secretary's fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	
	N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest	
	N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	N/A	
3.2 Credit standby arrangements	N/A	

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	1,581	5,147
4.2	Deposits at call	2,500	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		4,081	5,147

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement gives a true and fair view of the matters disclosed.

Mark Clements
Company Secretary
29 July 2016

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
- 3 **Accounting Standards.**
ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.