

31 July 2017

## QUARTERLY ACTIVITIES AND CASH FLOW REPORT 30 JUNE 2017

### HIGHLIGHTS

- + **Momentum building** during the quarter with several new agreements which boosted audience reach substantially
  - o Signed agreement with *Fullscreen Media* bringing over 20 high calibre Sponsored Performers
  - o Engaged *DanceOn* to provide over 14 amazing dancers to enter Megastar as Sponsored Performers and influencers.
  - o Partnership with social media talent agency *Boomopolis* to provide additional 35+ Sponsored Performers and Influencers
- + Sponsored Performers and Influencer network rapidly expanded audience reach that is now **approaching 60 million people globally**
- + Analyst research on Megastar's business model and valuation metrics published
- + **The Megastar App went live in Great Britain, South Africa and New Zealand** with Canada, Australia and the US to follow next quarter

MSM Corporation International Limited (ASX: MSM), a leading digital technology and entertainment company, is pleased to release its Quarterly Activities Report and Appendix 4C Quarterly Cash Flow Report for the three-month period ended 30 June 2017.

### OPERATIONAL UPDATE

MSM has made significant operational progress this quarter with the commencement of the phased launch of the Megastar competition. The lead up to the launch saw a number of developments which expanded the potential audience reach considerably, to close to 60 million.

#### Expansion of Sponsored Performers

The Company was pleased to announce an agreement with Los Angeles-based Fullscreen Media to provide 20 high calibre performers to join the Megastar competition as Sponsored Performers. Fullscreen's talent comes from a range of genres including; music, extreme sports and magic. The talent's significant social media following will assist in increasing brand awareness and user engagement.

MSM also formed a strategic partnership with social media talent agency Boomopolis. Boomopolis brought a total of 31 Sponsored Performers and influencers to promote the Megastar competition. This agreement is aligned with the Company's marketing strategy which plans to harness established performers and social media influencers, creating an instantly accessible and highly invested audience.



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Megastar has also inked contracts with a number of independent Sponsored Performers including Olympic Gold medal gymnast Shawn Johnson East and Frisbee Trick Shot Performer Brodie Smith. They join the ranks of 14 dancers from DanceOn (IZO), a digital first platform for dancers that was co-founded by the infamous Madonna.

The total number of Sponsored Performers now stands at 79, with a total audience reach close to 60 million and fast approaching the targeted 80 million ahead of the global launch.

### **Enhanced Tournament Structure**

The implementation of heats to the competition structure was strategically implemented to assist in marketing activities. The phased launch strategy was designed to maximize audience reach and performer acquisition. The new heat structure supports the Company's geographically focused marketing investments and strategy, establishing a pattern of gradual user acquisition and improved audience retention over the course of the competition. Heats are weekly auditions, which deliver a new influx of performers into the competition, ensuring new and engaging content for fans over a slightly longer duration than previously planned.

Heats are underway in Great Britain, South Africa and New Zealand following the launch of the App in these regions. At the date of this report, the App had launched in Canada and will launch in Australia and the US in the coming weeks resulting in a truly global competition. After each country has their phased heat launches, the final rounds of heats which will be open to all six territories and will have the Sponsored Performers competing for their spot in Stage One of the Global competition where all competitors will be going head to head for one million dollars.

### **PUBLICATION OF RESEARCH**

The Company announced the publication of analyst research by RaaS Advisory Pty Ltd regarding MSMCI's first product, Megastar. The report was commissioned by the Company and prepared by RaaS to provide an explanation of the Megastar competition, its business model, valuation metrics and drivers. The report is available on the Company's website at [www.msmci.com/research](http://www.msmci.com/research).

### **CORPORATE UPDATE**

In April, the Company announced it had made a strategic investment of US\$100,000 in The Influential Network Inc., a leading influencer-marketing platform. MSM will leverage The Influential Network's marketing platform and that supports 15,000 top social media influencers to drive further awareness and promotion of the Megastar competition.

### **FINANCIAL**

As of 30 June 2017, the Company's cash balance was approximately A\$720,000. Subsequent to quarter end the Company advised that an announcement is pending in relation to a material contract to significantly increase the audience reach of its worldwide talent competition, Megastar and a capital raising. The Company's securities remain suspended from trading until this announcement has been finalised.

As momentum builds to the global launch of Megastar, spend on advertising and marketing increased during the quarter as a result of expanded marketing operations to promote the current phased launch.



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### **OUTLOOK**

The Company is advancing its marketing initiatives and has seen positive engagement among fans throughout the heats in Great Britain, South Africa and New Zealand. Initial user engagement metrics have shown encouraging signs of growth with 16% growth for time-on-app since implementing the heat system and 13% increase in videos consumed.

The outlook is extremely positive ahead of the next regional launches in Canada, Australia and the US. Once complete, Megastar will have an audience reach that will reflect a truly global audience.

Megastar has built a strong social media presence with its network of high quality Sponsored Performers and Influencers. Ahead of the global launch the Company will soon be launching a targeted user acquisition campaign and will launch the Sponsored Performers within the competition that will significantly drive user growth and engagement.

The Company is in the final stages of agreeing to terms with an award winning global celebrity of music and film. This is the culmination of more than six months of negotiations. The Company looks forward to announcing the finalisation of this arrangement shortly.

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

“This quarter has been the most exciting yet for MSM, the initial launch of our Megastar competition has been something we have been working towards and it is great to see all our hard work come to fruition. The updated tournament structure has enabled us to really harness the marketing process and amplify the Megastar brand. We’ve seen some really exciting and talented competitors in the heats and I can’t wait to find out who will be the first Megastar winner.”

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

“Megastar boasts close to 60 million people in its reach with promise to grow even larger as our Performers and Influencer network increases. We have ramped up our operations and this next quarter will be even more exciting and action packed as we launch in all six regions and move from the heats into the tournament stages. The talent being showcased is exceptional and I am delighted to be part of the team that brings this fun and engaging platform to the world.”



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## FOR FURTHER INFORMATION, CONTACT:

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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, competing 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 launches 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](http://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

<b>Name of entity</b>		
MSM CORPORATION INTERNATIONAL LIMITED		
<b>ABN</b>		<b>Quarter ended ("current quarter")</b>
51 005 529 160		30 June 2017
<b>Consolidated statement of cash flows</b>		
	<b>Current quarter</b>	<b>Year to date (12 months)</b>
<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	(856)	(3,869)
(b) product manufacturing and operating costs		-
(c) advertising and marketing	(740)	(1,720)
(d) leased assets	-	-
(e) staff costs	(359)	(1,249)
(f) administration and corporate costs	(685)	(2,563)
1.3 Dividends received (see note 3)	-	-
1.4 Interest and other items of a similar nature received	3	61
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>(2,637)</b>	<b>(9,340)</b>

		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	(205)
	(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</b>	<b>Net cash from / (used in) investing activities</b>	-	(205)

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	4,885
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	31	1,552
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(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</b>	<b>Net cash from / (used in) financing activities</b>	31	6,181

<b>4.</b>	<b>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	3,326	4,084
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,637)	(9,340)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(205)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	31	6,181
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	720	720

+ See chapter 19 for defined terms.

		Current quarter \$A'000	Previous quarter \$A'000
<b>5.</b>	<b>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	720	1,658
5.2	Call deposits	-	1,668
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter</b> <b>(should equal item 4.6 above)</b>	720	3,326

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	(369)
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.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	(100)
9.2 Product manufacturing and operating costs	(300)
9.3 Advertising and marketing <sup>1</sup>	-
9.4 Leased assets	-
9.5 Staff costs	(350)
9.6 Administration and corporate costs	(650)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows <sup>1</sup></b>	<b>(1,400)</b>

*Note 1:*

*Subsequent to quarter end, the Company advised that an announcement is pending in relation to a material contract to significantly increase the audience reach of its worldwide talent competition "Megastar" and a capital raising. Funds from the capital raising are intended to meet advertising and marketing costs as the Company progresses towards the global launch of "Megastar".*

<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	-	-

+ See chapter 19 for defined terms.



## 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 July 2017

## 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.