



CAPITAL RAISING AND 2018 STRATEGY

HIGHLIGHTS

- Binding commitments received for the placement of 40,000,000 shares to raise \$1.72M before costs. Intention to undertake an entitlements issue to eligible shareholders on similar terms to the placement
- Discussions advancing with leading entertainment industry players regarding strategic partnerships to drive user growth and monetisation
- Approximately 70% reduction in estimated 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, leading to WWT2 in Q4
- India MOU with RIVA on track for Heads of Agreement completion in Q1
- Three patents relating to the Megastar platform have progressed to non-provisional filings. Five Prime Advisors LLC have been engaged to provide independent valuations

Digital technology and entertainment company, MSM Corporation International Limited ("MSM" or the "Company") is pleased to provide details of capital raising activities, an overview of its 2018 strategy including significantly reduced expenditure following completion of the development of the Megastar platform and delivery of Worldwide Tournament 1 (WWT1).

MSM has created 4 valuable assets through the rapid investment of capital:

A World-first Video Competition Platform: Legal frameworks; Competition engine; Mobile App; Analytics platform; 3 patents pending.

An Experience People Love: Integrity, celebrity, a supportive creative community, live streaming and cash prizes. Engagement metrics, organic growth and social media posts show that people love Megastar.

Highly Engaged Users: Performers engage their fans directly by live streaming in the App and calling out to them on social media to download Megastar and vote for them. And fans are doing it.

A World class team and network: The Megastar team have acquired and assembled unique knowledge and a global A-List network of entertainment industry leaders that present a formidable barrier to entry for any who attempt to replicate our success.

The development of these assets has created significant opportunities to partner with entertainment industry leaders, emerging talent and fans to disrupt the incumbent entertainment business models.

MSM intends to **accelerate organic growth of performers and fans** engaging in Megastar by establishing a complete ecosystem for talent discovery, promotion, monetisation and management around the Megastar Video Competition Platform.

Capital Raising – Placement and Entitlements Issue

The Company advises that it has received confirmation from CPS Capital Group Pty Ltd (“CPS Capital”) of the receipt of binding commitments for a Placement to institutional and sophisticated investors to raise AUD\$1.72 million at AUD\$0.043 per share (“**Placement**”).

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

CPS Capital is Lead Manager and bookrunner to the Placement and Entitlements Issue.

The Placement involves 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 AUD\$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.

The Placement remains subject to the receipt of cleared funds which are expected on 9 February 2018.

The Company intends to provide eligible shareholders with the opportunity to participate in a one (1) for five (5) non-renounceable entitlements issue to raise approximately AUD\$3.44 million at AUD\$0.043 per share, along with a one (1) for four (4) free attaching listed option exercisable at AUD\$0.10, expiring 7 November 2019 to progress the strategy as outlined above (“**Entitlements Issue**”). Details of the Entitlements Issue, including indicative timetable will be provided to shareholders shortly.

The funds from the Placement and planned Entitlements Issue are expected to enable the Company to pursue its strategic objectives as outlined below.

Key Insights from Worldwide Tournament 1 (WWT1) Data Analysis

Following the completion of WWT1, the Company embarked on an in-depth data analysis to determine what worked and what didn’t work. The analysis revealed;

A clear and significant demand for a mobile-app platform for discovering and amplifying emerging talent.

- Megastar delivers a highly engaging experience which significantly exceeds industry average* engagement metrics
- MSM now has the data and IP to engage with influential media industry partners to scale Megastar
- Shorter competitions (with more live streaming) generate stronger engagement and monetisation than longer tournament cycles
- Feedback from users is that they want more ways to participate in the competitions now that the Megastar ecosystem has been established
- Users that participated in Live streaming were 5x more engaged** and, they converted to paying customers at a 15x higher rate, than users that did not participate in live streaming

- Sponsored Performers cost 4x more than performers acquired by the MSM Artist & Repertoire (A&R) team and drove a fraction of the engagement. On average:
- A&R Performers cost 25% of the cost of the Sponsored Performers
- A&R Performers had 6x more engagement** in Live Streams than Sponsored Performers
- A&R Performers had 5x more engagement** with their Videos than Sponsored Performers

Complex multinational legal restrictions created challenges in delivering the original vision for Megastar's fan experience. This also prevented MSM's ability to iterate the platform during WWTI. These challenges are being mitigated by moving to shorter competitions to allow more rapid iteration and enhancement of platform features.

Megastar has created an opportunity to establish a talent discovery, promotion, monetisation and management ecosystem that will enable fans to participate in the value created by talent discovery and promotion on the Megastar platform.

* Industry average metrics are sourced from Statista and includes, but not limited to; Reddit, Tumblr, Facebook, Pinterest, Skye, Twitter, Tinder, Instagram, LINE, WhatsApp, SnapChat, Google Hangouts, Kik, FB Messenger, GroupMe

** Engagement is defined as time spent on the app or time spent viewing/using a specific feature of the app (such as live streaming)

2018 Strategy

The Company has completed a review of its strategy incorporating the analysis of WWTI 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 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.

MSM is actively pursuing revenue opportunities with potential competition sponsors and distributors of content from WWT1.

Management will advance the agreement for the launch of Megastar India with The Riva Group in Q1'18. Partnering with this highly successful new media operator will accelerate the expansion of Megastar across non-English speaking territories. The team will initially target the global Bollywood audience of more than 1.5 billion people.

Megastar will continuously operate Spotlight and Lightning Competitions leading up to WWT2 in Q4 2018. This is expected to include genre specific, regional, branded and sponsored competitions.

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 WWT1). 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. MSM will update the market as this key strategic initiative progresses.



Progress of Monthly Megastar Spotlight Competition

As announced on 12 December 2017, the Monthly Megastar Spotlight Tournament (MMST) continues to engage and retain fans and performers whilst allowing MSM to test and scale new features of the Megastar app in a faster, real time environment.

Many of the top 50 performers from WWT1 that did not make the final 5 are now competing in the Monthly Megastar Spotlight Tournaments (MMST) and more recently in Daily Lightning Tournaments. The first winner of the December tournament, Olivia Thai was decided on 8 January 2018. Ms. Thai placed 9th in the Megastar WWT1 competition. Top 5 WWT1 performers have recently participated in the daily lightning competitions.

The second MMST commenced on 8 January 2018. In addition, daily Lightning Competitions commenced on 26 January 2018. These shorter competitions focus on live streaming and act as feeders to the larger Worldwide Tournaments.

Engagement metrics remain strong despite 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

Following completion of the major creative, legal and technology investments in 2017 there will be a very significant natural reduction in expenditures by the Company. MSM has developed and launched the Megastar competition platform in 6 countries, incorporating multinational legal frameworks, technology, branding, patents, tier 1 industry partnerships and unique operating capabilities. The ongoing expenditure required to leverage these assets, is significantly lower than the during the development phase which ended with the finale of WWT1. As announced in the Quarterly Activities and Cashflow Report on 31 December 2017, The Company plans to reduce estimated cash outflows by approximately 70% from Q4 2017 to Q1 2018.

Given the transition from development into operations, the Company has undertaken a top-down review of expenditure to ensure that spending is optimised to generate maximum value for shareholders. The Company has reduced expenditure in the following areas: Platform development (including Technology, Brand Development and Promotion, Legal Frameworks and Content Production); Celebrity and sponsored performer payments; Marketing; Public Relations and staff costs associated with these areas.

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, has stepped down from her board position. Ms McGill will continue to provide consulting services as required from time to time.

The Board thanks Ms McGill for the significant contribution she has made to the development and launch of Megastar and wishes her well in her future endeavours. Sophie's departure makes way for new appointments as the Company pursues its strategic objectives in 2018. Discussions are in progress with prominent individuals in the entertainment industry following the finale of WWTI.

Patent Applications

The Company relies on trademark, copyright, patent, trade secret, and domain-name-protection laws to protect its proprietary rights. In the United States and internationally, various applications have been filed to protect aspects of the Company's intellectual property. Three patents (US Patent Applications 15/746786; 15/877118; 15/886523) relating to the Megastar platform have progressed to non-provisional filings.

Five Prime Advisors LLC have been engaged to provide independent valuations of the Company's patents. The Company will provide further details regarding the patents and valuations in due course.

MSM Managing Director, Dion Sullivan commented;

"The injection of funds through this Placement and Entitlements Issue will enable Megastar to advance its strategy to disrupt existing business models for talent discovery, promotion and management and to create value by empowering emerging talent. We intend to create value for shareholders through the identification, amplification and monetisation of the next generation of megastars."

"Completion of Megastar's technology, legal and brand build, strong engagement metrics, powerful industry partners and significant expenditure reductions, are proving to be a compelling proposition for strategic investors in the United States and Asia. Given the recent share price performance, we are 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, entertainment ecosystem to allow fans to directly support the artist they love and participate in the value that they help to create."

Note: All references to quarters in this announcement refer to calendar year quarters (i.e.: Q1 2018 refers to January to March 2018).

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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.

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