

QUARTERLY ACTIVITIES AND CASH FLOW REPORT

Period ended 30 June 2018

HIGHLIGHTS

- Raised ~A\$2.082M via Entitlements Issue with shortfall commitments of A\$1.59M to be settled
- Binding HoA executed with The Riva Group for the launch of Megastar India
- Silicon Valley in app and online development and project engineering specialists, Software Developers Inc (SDI) engaged as part of continued review of cost reduction strategies
- Megastar platform continues to be optimised for WWT2
- Leading US legal firm, Goodwin Procter LLP, progressed regulatory compliance for US funding strategies



Digital technology and entertainment company, MSM Corporation International Limited ("MSM" or the "Company") is pleased to release its Quarterly Activities Report and Appendix 4C for the three-month period ended 30 June 2018.

On 22 May 2018 the Company finalised discussions with ASX regarding its 2018 strategy and resumed trading on ASX upon lodgement of the Entitlement Offer to eligible shareholders to raise A\$3.67M at \$0.043 per share on a 1 for 5 basis together with a free attaching listed \$0.10 option expiring 7 November 2019, for every 4 new shares issued.

The Company confirmed that it had entered into a number of agreements with strategic investors to subscribe for approximately A\$3.397M of any shortfall in the Entitlement Offer and an undertaking pursuant to which Eligible Shareholders will apply for approximately A\$0.276M of their entitlements (Agreements). To date A\$2.082M has been received and the Company is continuing to settle the shortfall pursuant to these Agreements.

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

- ongoing optimisation of the marketing and operation of existing competitions being operated by the Megastar platform
- 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;

- 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.

US Capital Raise

As announced on 22 May 2018, the Company is intending to undertake a two-stage capital raising through its wholly-owned US subsidiary, MSM Music Inc ("MSM-US").

The present strategy is to raise between US\$3 million and US\$5 million pursuant to rule 506(c) of Regulation D under the US Securities Act of 1933 to 'accredited investors' (as defined in Regulation D) who are considered to be strategic to the MSM Group. The Company will retain a controlling shareholding in MSM-US and the funds raised are intended to cover the costs of the US-arm of the business.

Please refer to the announcement released on 22 May 2018 and Entitlement Offer Prospectus dated 21 May 2018 and Supplementary Prospectus dated 31 May 2018 for further details regarding the proposed capital raising, including the associated risks.

Commercialisation of Megastar through licensing strategy

During the quarter, the Company confirmed its strategy to enter into agreements with a view to commercialising the Megastar brand, Platform, data and content in all markets outside North America under licensing arrangements (refer announcement dated 21 May 2018).

The licensing strategy is intended to:

- Expand the reach of the Megastar Platform
- Reduce the operating costs of the Company as the intention is for the costs associated with the operation of the platform and the competitions to be borne by the licensees

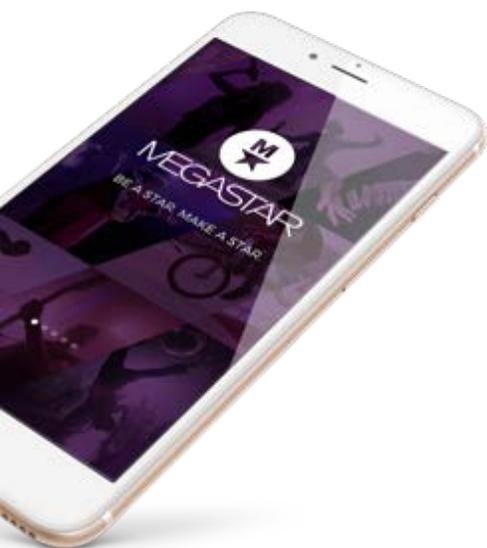
As announced on 4 and 5 June 2018, the Company has already entered into a binding heads of agreement with The Riva Group ("Riva") committing the parties to work together to launch Megastar as the premier digital talent discovery platform in India.

The Board is continuing to consider other potential similar licensing arrangements in respect of other jurisdictions and the Company may enter into further licensing arrangements in the future. The Board will update the market as and when any such additional arrangements are executed.

Megastar India Joint Venture

On 4 and 5 June 2018, the Company announced it had executed a binding heads of agreement with Riva, pursuant to which:

- MSM and Riva intend to incorporate a new joint venture entity, which will enter into a license agreement with the MSM Group for the use of the Platform and the Megastar brand to operate talent competitions in India
- The joint venture must pay MSM an annual royalty of 5% of gross revenue, with a minimum annual guarantee of US\$500,000. Regardless of actual



revenue generated by the joint venture, MSM is entitled to receive a minimum of US\$500,000 per annum. The minimum payment guarantee is intended to drive the rapid mobilisation and monetisation of Megastar in India by MSM's joint venture partners. The first royalty payment is due to be paid to MSM by 30 June 2019 (regardless of actual revenue generated) and subsequent payment due annually thereafter

- MSM will have a 15% shareholding in the joint venture which entitles MSM to 15% of profit distributions paid by the Megastar India joint venture to its shareholders. This 15% is free-carried and non-dilutable in perpetuity. For the avoidance of doubt, this non-dilutable, 15% free-carried shareholding is in addition to the 5% revenue royalty entitlement described above
- The joint venture will pay all the costs of any building, testing and deployment of changes to the current Platform as specified by the joint venture for Megastar India

Megastar Studios

During the quarter, the MSM Group announced its intention to incorporate a wholly owned subsidiary in the US, "Megastar Studios".

Megastar Studios' business is intended to 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.

MSMCI will hold a controlling interest in Megastar Studios which will initially be funded by MSM-US.

Progress of WWT2

During the quarter, the development team continued with the optimisation of the Megastar platform in preparation for WWT2. The Live Lightning and Spotlight competitions have been temporarily suspended to focus resources on delivering a new competition format. The new format is intended to feature greater functionality and re-engage with performers and fans in new ways.

Patents

The valuation of the patents is currently being undertaken by Five Prime Advisors LLC and will be released to the market upon completion of the independent valuations in accordance with regulatory requirements. The patent applications are highly relevant and valuable to MSM but also have other potential uses outside of the Company's existing ecosystem. Furthermore, MSM will be entitled to enforce its rights in relation to the patents, should they be infringed.



Significant Reduction in Expenditures

The Company has been highly focused upon optimising expenditure on platform development, marketing and distribution whilst progressing toward the launch of the WWT2 competition, to generate maximum value for shareholders.

As part of this process, during the quarter, Ms Danika Mullins was contracted as an interim Chief Marketing Officer (CMO) based in MSM's San Francisco office to deliver a flexible, cost effective, and multi-dimensional approach to leveraging MSM's significant existing IP and technical capabilities, for the benefit of all users, both Performers and Fans.

Ms Mullins has held numerous senior marketing, communications, human resources, business development and investor relations focused roles inside significant ASX listed companies, over the last eighteen years including: iiNet Ltd (ASX: IIN), Programmed Maintenance Services Ltd (ASX: PRG) incorporating both Integrated Group Ltd and subsidiary Total Marine Services, Humanis Group Ltd (ASX: HUM), Iluka Resources (ASX: ILU) and Adcorp Ltd (ASX: AAU).

In addition, as part of a far reaching overall operational review process, Software Developers Inc (SDI), a Silicon Valley based company specialising in app and online development and engineering projects, were appointed to perform an independent review of MSM's ongoing IP management and prompt a move toward a more flexible, low-cost, outsourced model to allow MSM to scale up when needed to execute and adapt quickly, while minimising costs.

Corporate

On 22 June 2018, shareholders approved all resolutions relating to the issue of February Placement Securities (refer ASX announcement dated 8 February 2018) and Committed Placement Securities (refer ASX announcement released 22 May 2018).

During the quarter, the Company entered into a series of loan arrangements pursuant to which an aggregate of A\$216,304 of interim loan funding from several parties has been advanced to date, including a loan amount of US\$50,000 advanced by Dion Sullivan, a Director. A flat interest rate of 10% is payable on these loans, which are unsecured. The maturity date for the loans is the earlier of completion of a capital raising by the Company of at least A\$3 million, six months after drawdown or at the lender's request in the event of default.

As at 30 June 2018, the Company held approximately A\$0.3M. Subsequent to quarter end the Company received A\$1.943M pursuant to the Entitlement Offer and Committed Placement Securities.



FOR FURTHER INFORMATION CONTACT:

Investor/Media queries:

Danika Mullins

P: + 61 (0) 415 700 845

E: danika@msm.com



ASX Announcement
31 July 2018

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](#).



+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		Quarter ended ("current quarter")	
51 005 529 160		30 June 2018	
Consolidated statement of cash flows		Current quarter	Year to date (12 months)
1.	Cash flows from operating activities	\$A'000	\$A'000
1.1	Receipts from customers	-	13
1.2	Payments for		
	(a) research and development	-	(477)
	(b) product manufacturing and operating costs	(183)	(8,270)
	(c) advertising and marketing	(6)	(2,096)
	(d) leased assets	-	-
	(e) staff costs	(660)	(2,678)
	(f) administration and corporate costs	(70)	(1,654)
1.3	Dividends received (see note 3)	-	-
1.4	Interest and other items of a similar nature received	-	29
1.5	Interest and other costs of finance paid	-	(31)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(919)	(15,164)

		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(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)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	398	15,518
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	18
3.4	Transaction costs related to issues of shares, convertible notes or options	(28)	(1,004)
3.5	Proceeds from borrowings	216	2,086
3.6	Repayment of borrowings	-	(1,870)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	586	14,748
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	637	720
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(919)	(15,164)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	586	14,748
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter¹	304	304

¹Subsequent to quarter end the Company received \$1.943M of the commitments on the Entitlement Issue as announced 14 June 2018. This formed part of the binding agreements with strategic investors and eligible shareholders to subscribe up to \$276k or take up to approximately \$3.397M worth of the shortfall. The Company is continuing to settle the shortfall pursuant to these agreements.

		Current quarter \$A'000	Previous quarter \$A'000
5.	Reconciliation of cash and cash equivalents 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	304	637
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	304	637

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	11
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	
	Directors and Company Secretarial fees	

7.	Payments to related entities of the entity and their associates	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	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	216	216
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.		
The lenders of the loan facility are various related and unrelated parties. The loan is advanced on an unsecured basis and interest is payable at a flat rate of 10% of the principal amount. There are no other facilities that have been entered into or proposed.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	290
9.3 Advertising and marketing	60
9.4 Leased assets	-
9.5 Staff costs	300
9.6 Administration and corporate costs	500
9.7 Other (provide details if material) ²	460
9.8 Total estimated cash outflows¹	1,610

¹Subsequent to quarter end the Company received \$1.943M of the commitments on the Entitlement Issue as announced 14 June 2018. This formed part of the binding agreements with strategic investors and eligible shareholders to subscribe up to \$276k or take up to approximately \$3.397M worth of the shortfall. The Company is continuing to settle the shortfall pursuant to these agreements.

²Includes ~\$240k for the repayment of loans and ~\$220k for the payment of Lead Manager Fees on completion of the Entitlement Issue.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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 July 2018

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.