

Quarterly Activities and Cash Flow Report – 31 December 2016

HIGHLIGHTS

- **Strong operational progress with Closed Beta Test competition completed, demonstrating impressive user engagement statistics and providing platform refinement insights**
- **Open Audition process commenced to test and improve the new functionalities and metrics of the Megastar competition platform**
- **Discussions with celebrity judges and hosts underway, with talent announcements expected in the coming months**
- **Company well-funded ahead of the launch of the Megastar competition, on-track for Q1 2017**

MSM Corporation International Limited (“**MSM**” or “**the Company**”) (ASX: MSM), a leading digital technology and entertainment company, is pleased to release its Quarterly Activities Report and Appendix 4C Quarterly Cashflow Report for the period ended 31 December 2016.

OPERATIONAL UPDATE

The Company has made strong operational progress towards the world-wide launch of its Megastar Millionaire competition with a number of milestones achieved during the quarter.

Closed Beta Test Completed with Impressive Results

In October 2016, the Company launched the Closed Beta Test competition. The Closed Beta test was a 30-day competition that involved participation from around 3,000 participants, including performers and their fans. The competition consisted of 6 rounds, with a grand prize of US\$10,000 for the winning performer. The competition was launched by YouTube Celebrity (HollyWire) host Chelsea Briggs.

Integration with social media was a key aspect of the Closed Beta Test. The competition featured built-in Facebook connectivity, allowing performers to connect with their existing fan base through social media. Fans could also link to Facebook, further amplifying the reach of the platform.

The Closed Beta Test competition delivered excellent user engagement **statistics that exceeded industry norms and demonstrated high levels of user engagement.**

Key insights from the Closed Beta test include:

- **User Retention on Day 28 of 19%.**
- **Average user session time of 9 minutes.**
- **Average push notification re-engagement of 86%.**

The positive results have validated strength in the offering and the commercial potential of the platform.

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The insights derived from the Beta competition will direct the Company's platform refinement process to optimise user experience and engagement related metrics ahead of the worldwide launch of the competition in Q1 2017.

Open auditions process

Following the completion of the Closed Beta Test, the Company initiated an "Open Audition" process. The Open Auditions are smaller test tournaments that are shorter in duration and have smaller prizes.

These tournaments allow the development team to continue testing and refining the features and metrics of the platform in order to make changes that increase user engagement and retention.

The Company is pleased to note that participation in the Open Audition tournaments is almost double that of the Closed Beta Test, even with minimal marketing spend.

Digital Riot Launches First Film

Megastar Millionaire's strategic partner, Digital Riot, has launched its first "direct to fan" online film titled "FML". The film's cast have a cumulative social media following of over 60 million people across a number of social channels. This extensive social media following will be leveraged to amplify awareness of the film that is being distributed on iTunes, Google Play and Amazon. Digital Riot is currently producing additional films for future release.

CORPORATE UPDATE

ASX CEO Session

In December 2016, MSM CEO Dion Sullivan presented at the CEO Session Series event in Sydney. Mr Sullivan presented an overview of the Company's pathway to launch of the Megastar Millionaire platform.

The interview and presentation can be viewed at this link:

<http://www.finnewsnetwork.com.au/MediaCenter/AsxMediaCenter.aspx?Site=FNN859>

Strengthened Managerial and Technical Team

Former Intel and SanDisk executive marketing leader, Ms Jane Barrett has been appointed as Sr. Director of Marketing to oversee all Corporate Marketing ahead of the worldwide competition launch. Ms Barrett is a global executive marketing leader with deep experience in both traditional and digital marketing and will lead the Company's marketing team who are focused on amplifying awareness of the competition.

To strengthen the Company's technical team ahead of launch, MSM appointed three new software engineers who are tasked with refining the competition platform based on the Closed Beta Test insights and will be responsible for the ongoing development work of MSM's technical operations.

FINANCIAL

The Company had cash at bank of \$5.668 million as at 31 December 2016 and is well funded to pursue its strategic growth initiatives ahead of the launch of the Megastar Millionaire competition.

OUTLOOK

Ahead of the launch of the platform, MSM will implement an extensive consumer marketing campaign across online and traditional media platforms. The campaign will be conducted in conjunction with MSM's strategic partners, A-list talent and influencer network to amplify its reach and adoption of the platform. In addition, the Company is currently completing follow-up qualitative and quantitative testing to ensure that the platform's newly added features are optimised and consistent with target audience expectations.

Discussions with potential international licensees regarding the operating of non-English versions of Megastar Millionaire are currently in progress and MSM is investigating international expansion initiatives. The Company looks forward to updating the market in the months ahead about its progress in this area.

Managing Director, Dion Sullivan commented;

"Analysis of the insights provided by Megastar Millionaire's Closed Beta competition have been a key focus during the December quarter. The results from the Closed Beta were better than expected and we're delighted with the engagement received from users. The insights have helped the development team refine the platform and these new refinements are now being tested via the Open Audition process."

Executive Director Asia-Pacific, Sophie McGill commented;

"The December quarter has set the foundation for the year ahead. 2017 will be a transformational year, with the Megastar Millionaire platform launching in the coming months. We are in the midst of confirming our celebrity and social talent ahead of launch and we look forward to announcing these ahead of the world-wide launch."

-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.

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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")

31 December 2016

Consolidated statement of cash flows

1. Cash flows from operating activities

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(989)	(1,418)
(b) product manufacturing and operating costs		-
(c) advertising and marketing	(483)	(771)
(d) leased assets	-	-
(e) staff costs	(294)	(512)
(f) administration and corporate costs	(396)	(1,208)
1.3 Dividends received (see note 3)	-	-
1.4 Interest and other items of a similar nature received	27	35
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)	-	-

1.9 Net cash from / (used in) operating activities

(2,135)

(3,874)

	Current quarter \$A'000	Year to date (6 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	(71)	(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)	-	-
2.6 Net cash from / (used in) investing activities	(71)	(205)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	30	4,913
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	1,006
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)	-	-
3.10 Net cash from / (used in) financing activities	30	5,663
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	7,844	4,084
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,135)	(3,874)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(71)	(205)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	30	5,663
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	5,668	5,668

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		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	2,668	5,844
5.2	Call deposits	3,000	2,000
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)	5,668	7,844

		Current quarter \$A'000
6.	Payments to directors of the entity and their associates	
6.1	Aggregate amount of payments to these parties included in item 1.2	(266)
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. Directors' fees include executive directors performance bonuses (\$100k).</i>		

		Current quarter \$A'000
7.	Payments to related entities of the entity and their associates	
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	

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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	-	-
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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(974)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(680)
9.4 Leased assets	-
9.5 Staff costs	(242)
9.6 Administration and corporate costs	(348)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(2,244)

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	-	-

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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 January 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.