



# kabuni

**AND CONTROLLED ENTITIES**

ABN 28 158 307 549

**INTERIM FINANCIAL REPORT**

FOR THE HALF YEAR ENDED

31 DECEMBER 2016

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## CORPORATE DIRECTORY

### Directors

Mr. Tony King - Executive Chairman  
 Mr. Neil Patel - Managing Director  
 Mr. Colm O'Brien - Non-Executive Director  
 Mr. Ajai Sehgal - Non-Executive Director  
 Mr. Nathan Sellyn - Non-Executive Director

### Company Secretary

Mr. Brett Tucker

### Registered Office

Level 1, 35 Richardson Street  
 West Perth WA 6005

### Share Registry

Security Transfer Registrars  
 770 Canning Highway  
 Applecross WA 6153

### Auditors

Stantons International Audit and Consulting  
 Level 2, 1 Walker Avenue  
 West Perth WA 6005

### Solicitors

Jackson McDonald  
 Level 17 225 Georges Tce  
 Perth WA 6843

### Stock Exchange

Australian Securities Exchange  
 (Home Exchange: Perth, Western Australia)  
 ASX Code: **KBU**

### Website

[investor.kabuni.com](http://investor.kabuni.com)

# Directors' Report

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The Directors present their report for Kabuni Limited ("Kabuni" or "the Company") and its subsidiaries ("the Group") for the half-year ended 31 December 2016.

## Directors

The persons who were directors of Kabuni Limited at any time during the half-year are:

- Mr. Tony King (Chairman)
- Mr. Neil Patel (Managing Director) – appointed 25 August 2015
- Mr. Nik Ajagu (Non-Executive Director) – appointed 25 August 2015/  
resigned 18 November 2016
- Mr. Nathan Sellyn (Non-Executive Director) – appointed 25 August 2015
- Mr. Matthew Hehman (Non-Executive Director) – appointed 16 September 2015/  
resigned 18 July 2016
- Mr. Colm O'Brien (Non-Executive Director) – appointed 18 July 2016
- Mr. Ajai Sehgal (Non-Executive Director) – appointed 1 August 2016

## Review of Operations for the Half-year ended 31 December 2016

### Highlights

- Kabuni continued to increase registered designers on the platform to 1939, up 18% from the quarter ended 30 September 2016.
- The Company issued 111,134,280 ordinary shares for gross proceeds of \$3,000,625 (See *Share Capital*)
- Subsequent to December 31, 2016, the Company completed the acquisition of Design Campus, an online education platform (See *Market and Business Development*)
- Lori Dennis, co-founder of Design Campus and celebrated interior designer, joined Kabuni as a Strategic Advisor (See *Market and Business Development*)
- Frans Tjallingii, as seasoned business executive, joined the Company as Chief Operating Officer (See *Market and Business Development*)

### Description of Business

Kabuni is a North American-based Omni-channel business in the home design space that enables independent home design professionals to connect, learn and grow their business through the three pillars of the Company's business model: Community, the Kabuni House and the Kabuni Marketplace (the "Kabuni Platform"). Kabuni's shares trade on the Australian Securities Exchange (the "ASX") under the trading ticker "KBU".

#### The Kabuni Marketplace

The Kabuni Marketplace is made up of Apple iOS and web browser-based applications, which provide the interface for users to interact with a sophisticated database and e-commerce system. Users are offered the complete Kabuni experience, with the ability to collaborate, share design ideas and purchase products from Kabuni's product catalogue. Revenue from the marketplace is generated by purchasing the item at wholesale price and re-selling it at its retail price, making a profit on the sale. Designers are incentivised to promote sales as they earn income by receiving a predetermined share of Kabuni's profit made in respect of a transaction for a product promoted by the designer.

#### The Kabuni Community

The Kabuni Community is a community of designers, makers and consumers who, through Kabuni's technology, connect and share design ideas, learn through online educational courses and in the Kabuni House, and network at monthly social events.

#### The Kabuni House

The Kabuni House (formerly Kabuni Design Studio) is a 300 square metre retail space located in downtown Vancouver, B.C., which serves as a co-working and events space for the design community. The Kabuni House generates revenue through the sale of monthly or annual memberships to the House, along with event rentals and educational courses. The House model, once expanded and scaled to other cities across North America, is expected to serve as a primary source of revenue for Kabuni.

# Directors' Report

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## Market and Business Developments

Based on industry sources, the home furnishings industry generates over US\$100 billion dollars in retail sales in the US annually (Source: Census Bureau, 2016). With respect to the United States design industry specifically, industry sources indicate that it is made up of over 68,067 employed interior designers and 12,642 design firms (Source: American Society of Interior Designers (ASID), 2016). It is further estimated that designers in the US and Canada recommend annually over US\$68.5 billion in value of products for clients (Source: ASID and Interior Design Magazine Universe Study, 2014 – includes US & Canadian interior design and architecture firms who work on residential or commercial interior design projects and who specify at least US\$500,000 worth of products annually). A recent survey of online shoppers indicated that marketplaces have a strong appeal, with 35% of their online product searches starting at marketplaces, 31% at retailers' channels and only 15% starting at search engines (UPS Whitepaper: The Pulse of the Online Shopper, 2016).

The Company aims to offer unique, locally crafted home furniture and furnishings, and artwork on the Kabuni Marketplace in order to attract and inspire designers and customers to engage on the Kabuni Platform. These unique products are typically less widely available and add to the attractiveness of Kabuni's product offering for designers and consumers. These products are created by makers comprised of furniture designers and artists. Initially, the majority of these makers will be located in British Columbia, Canada, due to the proximity of the Vancouver Kabuni House. In order to grow the community of makers, Kabuni plans on attending industry events, such as design award ceremonies, to identify and contact leading makers, encouraging referrals from its current community of designers and makers and by joining and participating in local crafting and design organisations.

The Kabuni Platform offers an innovative alternative to consumers who are looking to purchase home furnishings or design their homes. Kabuni addresses the paralysis that is often experienced by consumers when faced with an almost unlimited number of product choices online. Kabuni does this by connecting each customer with an interior designer at no charge, to help the customer make those difficult purchasing decisions by sharing design ideas and suggesting products that fit with those ideas. In this way, Kabuni differs from popular platforms like Houzz and Pinterest, where consumers are expected to sift through a large mass of information by themselves. The Company intends to grow its customer base organically by capitalizing on designer's social media connections, securing arrangements with key brand influencers, such as well-known television personalities in the home design space, and putting in place referral programs for customers, thereby incentivising existing users to introduce the Kabuni Platform to new users.

Another way that Kabuni is reaching out to connect customers, designers and makers to the Kabuni Platform is through Kabuni House. In the fourth quarter of the year ended 30 June 2016, Kabuni House was successfully launched in Vancouver, Canada with its grand opening celebration attended by interior designers, decorators, local makers of furniture and art, customers, and press. Kabuni House offers a space for designers, makers and customers to meet, collaborate, and access the Kabuni Platform through the technology tools offered within the Kabuni House, such as the Holographic "Dream Room", interactive multi-touch tables and interactive touch walls, thereby creating a full omni-channel experience.

In addition, Kabuni House offers a co-working space, through a paid membership program, for interior designers, makers, architects, realtors and home stagers to work on projects, meet with clients, network and attend monthly events. Members, who are local artists or makers, also have the added benefit of displaying their works at Kabuni House in the gallery-like setting. The membership program is a tiered paid membership model which is estimated to generate an average monthly membership fee of approximately \$125 per month per member. The Company aims to grow membership numbers to 500 paying members by 30 June 2017. Should the Company attain this level of monthly membership and achieve the average monthly membership fee per member, then the Company anticipates that sufficient income will be generated to offset the operating costs of the Kabuni House, making it into a profit center.

While the paying membership model is in its infancy, by focusing on growing the number of Kabuni House members, the Company aims to promote the Kabuni Marketplace sales while gaining the ability to generate additional membership revenues. Kabuni believes that it will achieve this membership target, primarily by increasing its brand awareness within the local design community in Vancouver. Local awareness of the Kabuni brand is anticipated to be increased by developing a robust schedule of educational, industry-specific events to be held at the Kabuni House. Kabuni also intends to develop relationships with larger interior design firms and schools, further giving visibility to Kabuni in the local design industry. A successful membership program at Kabuni House Vancouver will provide the framework for the development of future Kabuni Houses throughout the major city centers in North American, subject to a positive comprehensive business case assessment.

On 31 January 2017, the Company acquired Design Campus, an online education platform tailored specifically for the interior design industry. Using online video, members subscribe to design courses that feature relevant training content, including courses accredited by both the Interior Design Continuing Education Counsel (IDCEC) and the Architects Institute of America (AIA). Members also gain access to the Design Campus library, a database of educational design articles and literature. Design Campus' content will be integrated into Kabuni's current online and offline offerings, creating multiple benefits for the Company's members and attracting new members to Kabuni House and the online platform.

# Directors' Report

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Additionally, to further create awareness of Kabuni and its brand, the Company had originally launched an Ambassador program in February, 2016, which was intended to introduce the Kabuni Platform to designers across Canada and the United States. The initial roster of ambassadors included recognised influencers from Los Angeles, Vancouver, and Seattle. These ambassadors were to promote the Kabuni brand through their social media channels and personal networks, helping to drive designers to the Kabuni Platform. The Company put the Ambassador Program on hold shortly after the first quarter of the current financial year, while the Company awaited the full development of the platform, and launch of the Kabuni House. The program is currently being redeveloped to firstly increase online engagement and membership at Design Campus and offline at Kabuni House(s). The Company believes there is a strong synergy between the approximately 50 professors that are connected to Design Campus and the Company's Ambassador Program. Also, Ambassadors are being engaged to explore the development of additional Kabuni houses in the coming year.

During the half-year ended 31 December 2016 and to the date of this report, the Company significantly strengthened its Board and executive team through the following additions:

- On 18 July 2016, the Company announced the appointment of Mr Colm O'Brien to the Board of Directors following the resignation of Mr. Matthew Hehman. Colm has over 20 years' executive level experience in financial services, management consulting, and media industries. He has led ASX listed company Aspermont Limited (ASX: ASP) as CEO and transformed that business from a local mining publication to a global, digitally led resources media business including world leading events.
- On 27 July 2016, the Company appointed Ms. Raquel Hirsch, an accomplished marketing executive, to serve as Kabuni's Chief Revenue Officer. Raquel has been instrumental in honing revenue strategies since joining Kabuni. With the addition of Kabuni's new chief operating officer and for budgetary reasons, Ms. Hirsch has now transitioned from her previously reported position to that of a strategic consultant.
- On 1 August 2016, the Company appointed Mr. Ajai Sehgal to the Board of Directors. Ajai is the CTO/CIO of The Chemistry Group and brings deep experience in Product and Technology with global scale. Ajai Sehgal served Hootsuite as its CTO/CIO from 2014 to 2017, leading Software Engineering, IT, Security, and Operations. Prior to Hootsuite, he spent 16 years with the Canadian Armed Forces before joining Microsoft in Redmond WA as a Software Engineering Lead. While at Microsoft, he helped found and scale Expedia from a small group of 40 people within Microsoft into a new public company that became the world's largest travel agency. He later helped establish Groupon's travel business as VP of Product & Technology. With more than 30 years of experience, Ajai specializes in the global scaling of SaaS technology and is a founder and executive member of the board of Doxanto.
- On 17 August 2016, the Company announced the appointment of Lisa Dea, an experienced financial professional, as Chief Financial Officer. Ms. Dea, CPA, CA has over 19 years of experience in the finance, securities, and accounting fields. Lisa has been the CFO of several Toronto Stock Exchange (TSX) and TSX Venture Exchange listed companies where she was responsible for corporate strategy, all aspects of finance and legal, debt and capital market activities, managing banking relationships with the US, Canadian and international banks, internal and external public reporting, financial controls, processes and corporate governance.
- On 5 October 2016, the Company announced the appointment of Frans Tjallingii, an accomplished executive, who will bring valuable operational experience to Kabuni as Chief Operating Officer. Frans has extensive commercial, business development, organizational development and strategy experience in the Marine and Oil and Gas industries. He started in his career in business development at a consulting engineering firm. Frans then worked for the Netherlands Government dealing with international maritime environmental treaties and conventions. He joined SMIT in 2004 (currently part of Royal Boskalis Westminster) where he has performed both market and investment analysis and set-up and analyzed and/or helped restructure multiple companies. Frans has a Masters degree in Marine Biology from the University of Groningen (Groningen, the Netherlands) and a Masters of Business Administration from the Rotterdam School of Management (Rotterdam, the Netherlands).
- Concurrent with the Design Campus acquisition, the Company entered into a consulting services agreement with Lori Dennis, a co-founder of Design Campus and a leading interior designer, speaker and best-selling author and star of HGTV's "the Real Designing Women", to join Kabuni as a Strategic Advisor and to help the Company penetrate its core designer market. Ms. Dennis has been featured in such publications as Architectural Digest, Elle Décor, LUXE, Dwell, the New York Times, and the Wall Street Journal. Recognized by industry titans like American Express, Verizon, Volvo, HGTV, ASID, NBC, VIKING, Food Network Oxygen and countless others as expert in luxury and green lifestyles, Ms. Dennis speaks at events around the world.

Further, on 14 November 2016, the Company announced the retirement of Nik Ajagu from the Board of Directors at the Company's annual general meeting held on 17 November 2016.

# Directors' Report

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## Share Capital

As of the date of this report, the Company had 241,443,455 issued and outstanding ordinary shares, 38,130,493 issued and outstanding performance shares, 82,567,146 issued and outstanding listed options, and 17,921,667 issued and outstanding unlisted options.

On 21 October 2016, the Company completed a Private Placement and raised gross proceeds of \$807,300. As part of the Private Placement, 14,950,000 free attaching options were issued, exercisable at \$0.05 on or before 30 June 2019 (the "Private Placement Options"). There were no underwriting arrangements entered into as part of the Private Placement, however in connection with the Private Placement a cash fee of 6% of the funds raised pursuant to the Private Placement has been paid.

The Company also completed a Rights Issue and Shortfall offer on 29 November 2016 and 13 December 2016, respectively, by issuing 81,234,280 ordinary shares for gross proceed of 2,193,325. For every two new shares issued under the Rights and Shortfall Issue, one free attaching option was issued for a total of 40,617,146 options issued, exercisable at \$0.05 each on or before 30 June 2019 (the "Rights Options"). Both the Rights Issue and Shortfall Offer are subject to a cash fee of 6% of the funds raised respectively.

## Significant change in the Group's state of affairs

Other than as set out above, there has been no significant change in the Group's state of affairs or in the nature of the Group's principal activities during the half-year.

## Events subsequent to Reporting Date

On 31 January 2017, the Company acquired Design Campus, an online education platform and training resource for the professional design community, for US\$50,000.

On 10 February 2017, the Company issued 1,000,000 options to consultants, exercisable at \$0.06 per share until 30 June 2019, along with issuing 250,000 options to employees, exercisable at \$0.05 per share until 30 September 2019.

Subsequent to the end of the financial period, the Board and management of the Company have been conducting a comprehensive review of the Group's operations, results of operations and business strategies. More specifically, the Company is considering to bring the focus of the business to providing education, tools and networking to Kabuni's community of design professionals. It is anticipated that the Company will, in the coming weeks, announce in more detail the resulting changes to the Group's operations and business strategies, promptly following completion of this review.

Other than as set out above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial period that, in their opinion, has significantly affected or may significantly affect in future financial years, the operations of the Group, the results of those operations or the Group's state of affairs.

## Forward Looking Information

Certain statements contained in this document constitute forward-looking information. These statements relate to future events or the Company's future performance. The use of any of the words "could", "expect", "predict", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the Company's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. The Company's prospectus and other documents filed with securities regulatory authorities (accessible through the ASX website <http://www.asx.com.au/> and the SEDAR website [www.sedar.com](http://www.sedar.com)) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference. The Company disclaims any intention or obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

## Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 7 and forms part of this Directors' report for the half-year ended 31 December 2016.

# Directors' Report

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This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Tony King  
Chairman

Perth, Western Australia,  
27 February 2017



27 February 2017

Board of Directors  
Kabuni Limited  
Level 1, 35 Richardson Street  
WEST PERTH WA 6005

Dear Sirs

**RE: KABUNI LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Kabuni Limited.

As Audit Director for the review of the financial statements of Kabuni Limited for the six-month period ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)



**Martin Michalik**  
Director



# Kabuni Ltd.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2016

		31 December 2016 \$	31 December 2015 \$
	Note		
<b>Revenue</b>		10,936	1,600
Selling expenses		(1,471)	(862)
		9,465	738
<b>Operating expenses</b>			
Advertising and promotion		153,571	215,902
Depreciation	6	85,082	8,878
General and administration		156,373	212,724
Insurance		17,725	3,257
Professional and consulting services		449,466	966,886
Rent		165,705	152,088
Salaries, directors fees, bonus and benefits		1,344,083	1,268,308
Software development		102,045	16,045
Travel expenses		131,895	125,443
Total operating expenses		2,605,945	2,969,531
<b>Net loss from operations</b>		(2,596,480)	(2,968,793)
Share-based payments	10	(123,790)	(352,667)
Movement in value of derivative and convertible debt		-	(29,320)
Loss on settlement of accounts payable		-	(124,198)
Loss on settlement of convertible debt		-	(47,668)
Bank fees and interest		(7,310)	-
Listing expense		(54,610)	(8,885,899)
Unrealized exchange gain (loss)		2,623	(105,807)
Realized exchange loss		-	(5,008)
Other income		1,661	70,496
<b>Loss for the period attributable to members of Kabuni Limited</b>		(2,777,906)	(12,448,864)
<b>Other comprehensive (loss) / income</b>			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange (loss) \ gain on translation of foreign operations		(25,767)	98,725
<b>Total other comprehensive (loss) / income</b>		(25,767)	98,725
<b>Total loss and comprehensive loss for the period attributable to members of Kabuni Limited</b>		(2,803,673)	(12,350,139)
<b>Loss per share</b>			
- basic and diluted	14	(0.02)	(12.30)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should read in conjunction with the accompanying notes.

# Kabuni Ltd.

## Consolidated Statement of Financial Position as at 31 December 2016

	Note	31 December 2016 \$	30 June 2016 \$
<b>Current assets</b>			
Cash and cash equivalents		1,955,974	1,958,734
Trade and other receivables	4	141,703	147,748
Prepaid expenses and deposits	5	158,860	142,936
Assets held for sale		5,000	5,000
<b>Total current assets</b>		<b>2,261,537</b>	<b>2,254,418</b>
<b>Non-current assets</b>			
Property and equipment	6	781,819	809,469
<b>Total non-current assets</b>		<b>781,819</b>	<b>809,469</b>
<b>Total assets</b>		<b>3,043,356</b>	<b>3,063,887</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	300,921	434,161
Loans payable	8	84,660	84,983
<b>Total current liabilities</b>		<b>385,581</b>	<b>519,144</b>
<b>Total liabilities</b>		<b>385,581</b>	<b>519,144</b>
<b>Net assets</b>		<b>2,657,775</b>	<b>2,544,743</b>
<b>Equity</b>			
Issued capital	9	20,116,448	17,338,533
Reserves	10	4,273,685	4,160,662
Accumulated losses	11	(21,732,358)	(18,954,452)
<b>Total equity</b>		<b>2,657,775</b>	<b>2,544,743</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# Kabuni Ltd.

## Consolidated Statement of Changes in Equity for the half-year ended 31 December 2016

	Note	Issued Capital \$	Share-based Payments / Performance Shares Reserves \$	Foreign Exchange Translation Reserve \$	Accumulated Losses \$	Total \$
<b>Balance as at July 1, 2015</b>		<b>502,255</b>	-	<b>(59,181)</b>	<b>(3,020,015)</b>	<b>(2,576,941)</b>
Shares issued on conversion of loan		1,420,000	-	-	-	1,420,000
Shares issued to advisors		811,509	-	-	-	811,509
Shares issued on settlement of loan		560,000	-	-	-	560,000
Shares issued to directors		198,333	-	-	-	198,333
Shares issued by Kabuni Technologies Inc.		141,253	-	-	-	141,253
Performance shares issued			4,013,049	-	-	4,013,049
Fair value of shares issued for acquisition of Kabuni Technologies Inc.		7,200,200	-	-	-	7,200,200
Shares issued immediately prior to the acquisition of Kabuni Technologies Inc.		6,486,287	-	-	-	6,486,287
Share issue costs		(804)	-	-	-	(804)
Loss for the period		-	-	-	(12,448,864)	(12,448,864)
Cumulative translation adjustment		-	-	98,725	-	98,725
<b>Balance as at 31 December 2015</b>		<b>17,319,033</b>	<b>4,013,049</b>	<b>39,544</b>	<b>(15,468,879)</b>	<b>5,902,747</b>
<b>Balance as at July 1, 2016</b>		<b>17,338,533</b>	<b>4,132,432</b>	<b>28,230</b>	<b>(18,954,452)</b>	<b>2,544,743</b>
Issue of shares	9	3,000,625	-	-	-	3,000,625
Share issue costs	9	(222,710)	-	-	-	(222,710)
Issue of listed options	10	-	15,000	-	-	15,000
Issue of unlisted options	10	-	123,790	-	-	123,790
Loss for the period	11	-	-	-	(2,777,906)	(2,777,906)
Cumulative translation adjustment		-	-	(25,767)	-	(25,767)
<b>Balance as at 31 December 2016</b>		<b>20,116,448</b>	<b>4,271,222</b>	<b>2,463</b>	<b>(21,732,358)</b>	<b>2,657,775</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Kabuni Ltd.

## Consolidated Statement of Cash Flows for the half-year ended 31 December 2016

	31 December 2016 \$	31 December 2015 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,164,022)	(3,395,102)
Receipts from sales and related debtors	10,936	1,600
Payments for staff costs	(1,355,735)	
Payments for advertising and marketing	(115,266)	
Payments for research and development	(87,101)	
Interest paid	-	(80,000)
Interest received	1,661	70,496
<b>Net cash used in operating activities</b>	<b>(2,709,527)</b>	<b>(3,403,006)</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	-	(88,915)
Purchase of property and equipment	(58,356)	(297,809)
Cash acquired on completion of reverse acquisition	-	9,543,330
<b>Net cash (used in) / provided by investing activities</b>	<b>(58,356)</b>	<b>9,156,606</b>
<b>Cash flows from financing activities</b>		
Proceeds from convertible debt	-	84,382
Proceeds from issue of shares	3,000,625	510,000
Proceeds from listed options	15,000	-
Payments for share issue costs	(222,710)	(417,839)
Payments of loan payable	-	(600,000)
<b>Net cash provided by / (used in) by financing activities</b>	<b>2,792,915</b>	<b>(423,457)</b>
<b>Change in cash and cash equivalents during the period</b>	<b>25,032</b>	<b>5,330,143</b>
Cash and cash equivalents, beginning of the period	1,958,734	552,257
Impact of exchange rate changes on cash and cash equivalents	(27,792)	82,295
<b>Cash and cash equivalents, end of the period</b>	<b>1,955,974</b>	<b>5,964,695</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements

For the half-year 31 ended December 2016

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### 1. Nature and continuance of operations

Kabuni Ltd. ("Kabuni" or "the Company"; formerly Magnolia Resources Limited) was incorporated on 11 May 2012 under the *Corporation Act 2001* of Australia. Kabuni is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") under the symbol KBU.

Kabuni is a North American-based SaaS and e-commerce platform in the home design space that enables independent home design professionals to grow their business through an omni-channel retail experience. Kabuni's platform enables designers worldwide to collaborate with clients anywhere in the US and Canada and earn income from the sale of home décor products and furnishings from Kabuni's catalogue through curated Inspiration Boards.

These consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. For the half-year ended 31 December 2016, the Company and its consolidated entities have a net working capital surplus of \$1,875,956 and accumulated deficit of \$21,732,358. The Company's ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has achieved profitable operations. While the Company raised gross proceeds \$3,000,625 during the half-year ended 31 December 2016, (Note 9), the Company will require additional financing prior to the end of the financial year to provide sufficient working capital to maintain its operations for the 2018 financial year.

No provision has been made in these consolidated financial statements for any adjustments to the net recoverable value of assets should the Company not be able to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

The Company's registered office is at 35 Richardson Street, West Perth, WA, Australia, 6005.

### 2. Reverse takeover transaction ("RTO")

On 25 August 2015, the Company completed its acquisition of 100% of Kabuni Technologies Inc., formerly named PDT Technologies Inc. ("Kabuni Tech.").

Under the sale share agreement ("SSA") 100% of the share capital of Kabuni Tech. was sold for the following consideration:

- (a) 38,376,819 fully paid ordinary shares of the Company, consisting of:
  - i. 25,550,000 shares to shareholders of Kabuni Tech.;
  - ii. 10,026,818 shares to other shareholders of Kabuni Tech.; and
  - iii. 2,800,001 shares to certain creditors of Kabuni Tech. to settle outstanding payables.
- (b) 4,257,547 shares to corporate advisors of Kabuni Tech. who introduced and facilitated the transaction.
- (c) 15,523,810 shares to holders of Kabuni Tech.'s convertible loan payable.
- (d) 37,463,826 performance shares to directors, employees and advisors which will automatically convert into shares upon satisfaction of certain milestones.

The 2,800,001 shares issued to certain creditors of Kabuni Tech. were issued to settle outstanding payables in the amount of \$560,000. The Company recognized a loss on settlement of accounts payable of \$124,198 during the year ended 30 June 2016, which related to the difference between the fair value of the share issued by Magnolia and the debt settled.

The 15,523,810 shares issued to holders of Kabuni Tech.'s convertible debt were issued to settle outstanding debt in the amount of \$1,420,000. The Company recognized a loss on settlement of convertible debt of \$47,668 during the year ended 30 June 2016, which related to the difference between the fair value of the share issued by Magnolia and the debt settled.

# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements

For the half-year 31 ended December 2016

### 2. Reverse takeover transaction ("RTO") (continued)

The acquisition of Kabuni Tech. resulted in the shareholders of Kabuni Tech. obtaining control of the merged entity. In addition, the board of directors of the merged entity was restructured such that two of the Company's three directors stepped down and were replaced by Kabuni Tech's nominees. A nominee of Kabuni Tech. serves as the Managing Director and the Kabuni Tech. management team has assumed responsibility for the management of the merged entity.

Consequently, the transaction is considered a reverse take-over ("RTO"). Since the Company has become a dormant public shell, the Company does not meet the definition of a business and the acquisition is accounted for as a purchase of the Company's net assets. The purchase consideration is determined as an equity-settled share-based payment, under IFRS 2, Share-based Payments, at the fair value of the equity instruments retained by the shareholders of the Company, based on the market value of the Company's ordinary shares on the date of the closing of the RTO.

The application of the RTO guidance has resulted in the Company (the legal parent) being accounted for as the subsidiary and Kabuni Tech. (the legal subsidiary) being accounted for as the parent entity.

As Kabuni Tech. is deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The Company's results of operations have been included from the date of the RTO. The legal capital of the entity continues to be that of the Company, the legal parent.

#### Net asset acquired:

Cash and cash equivalents	\$	2,815,998
Receivables		58,616
Other assets		5,000
Due from Kabuni Tech.		750,000
Accounts payable and accrued liabilities		(490,755)
	\$	3,138,859

#### Purchase price of equity:

36,001,000 ordinary shares at \$0.20 per share	\$	7,200,200
Finders Fees'		
Advisor shares (4,257,547 ordinary shares)		811,509
Additional shares to a director (666,666 ordinary shares)		133,333
Performance shares		3,879,716
	\$	12,024,758

#### Cost of public listing

**\$ 8,885,899**

The transaction was measured at the fair value of the shares that Kabuni Tech. would have had to issue to shareholders of the Company to give shareholders of the Company the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Kabuni Tech. acquiring the Company. The fair value of the ordinary shares was determined based on the share value in the concurrent public offer which was \$0.20 (Note 9).

During the year ended 30 June 2016, a listing fee of \$8,885,899 was charged to the statement of profit or loss and other comprehensive income as a listing expense to reflect the difference between the fair value of the amount paid (being the number of ordinary shares retained by the original shareholders of the Company and finders' fee shares) and the fair value of the net assets received from the Company in accordance with in AASB 2 Share-based Payments.

# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements

For the half-year 31 ended December 2016

### 3. Basis of presentation

#### (a) Statement of compliance

These condensed consolidated Interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, using the accounting policies consistent with International Financial Reporting Standards ("IFRS") and with requirements of the Corporations Act 2001 and Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

These interim consolidated financial statements were authorized for issue by the Board of Directors on 27 February 2017.

#### (b) Basis of preparation

These condensed consolidated Interim financial statements have been prepared on the historical cost basis, except certain financial instruments that are measured at fair value at the end of each reporting period, and are presented in Australian dollars ("AUD").

These condensed consolidated Interim financial statements should be read in conjunction with the most recently issued annual consolidated financial statements of the Group, which include information necessary or useful to understanding the Group's business and financial statement presentation. In particular, the Group's significant accounting policies were presented as Note 3 to the consolidated financial statements for the financial year ended 30 June 2016, and have been consistently applied in the preparation of these interim consolidated financial statements.

The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

#### (c) Significant judgements and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The critical judgements and estimates applied in the preparation of the Group's condensed interim consolidated financial statements for the half-year ended 31 December 2016 are consistent with those applied and disclosed in note 3 to the Group's consolidated financial statement for the year ended 30 June 2016.

### 4. Trade and other receivables

The summary of the Group's receivables is as follows:

	31 December 2016	30 June 2016
	\$	\$
Taxes receivable from governments	115,395	103,694
Other receivables	26,308	44,054
	<b>141,703</b>	<b>147,748</b>

At the reporting date, none of the receivables were past due or impaired.



# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements For the half-year 31 ended December 2016

### 5. Prepaid expenses and deposits

The summary of the Group's prepaid expenses and deposits are as follows:

	31 December 2016	30 June 2016
	\$	\$
Prepaid expenses	69,220	55,493
Deposits	89,640	87,443
	<b>158,860</b>	<b>142,936</b>

### 6. Property and equipment

The summary of the Group's property and equipment is as follows:

Cost	Equipment - Office	Furniture - Office	Equipment - Kabuni House	Furniture - Kabuni House	Leasehold Improvements - Kabuni House	Total
Balance at 30 June 2015	\$ 35,045	\$ -	\$ -	\$ -	\$ -	\$ 35,045
Additions	106,177	39,176	200,675	113,583	331,706	791,317
Cumulative translation adjustment	12,429	(545)	3,629	(1,710)	9,308	23,111
Balance at 30 June 2016	\$ 153,651	\$ 38,631	\$ 204,304	\$ 111,873	\$ 341,014	\$ 849,473
Additions	205	8,055	1,186	40,683	11,453	61,582
Cumulative translation adjustment	(572)	(146)	(780)	(426)	(1,302)	(3,226)
Balance at 31 December 2016	\$ 153,284	\$ 46,540	\$ 204,710	\$ 152,130	\$ 351,165	\$ 907,829
<b>Accumulated depreciation</b>						
Balance at 30 June 2015	\$ 2,608	\$ -	\$ -	\$ -	\$ -	\$ 2,608
Depreciation expense	20,629	17,193	-	-	-	37,822
Cumulative translation adjustment	(426)	-	-	-	-	(426)
Balance at 30 June 2016	\$ 22,811	\$ 17,193	\$ -	\$ -	\$ -	\$ 40,004
Depreciation expense	14,955	4,509	2,317	28,719	34,582	85,082
Cumulative translation adjustment	(371)	(215)	70	867	573	924
Balance at 31 December 2016	\$ 37,395	\$ 21,487	\$ 2,387	\$ 29,586	\$ 35,155	\$ 126,010
<b>Carrying amount</b>						
Balance at 30 June 2015	32,437	\$ -	\$ -	\$ -	\$ -	\$ 32,437
Balance at 30 June 2016	\$ 130,840	\$ 21,438	\$ 204,304	\$ 111,873	\$ 341,014	\$ 809,469
Balance at 31 December 2016	\$ 115,889	\$ 25,053	\$ 202,323	\$ 122,544	\$ 316,010	\$ 781,819

### 7. Trade and other payables

	31 December 2016	30 June 2016
	\$	\$
Trade payables	148,061	125,028
Accruals	150,520	307,851
Other payables	2,340	1,282
	<b>300,921</b>	<b>434,161</b>

Trade payables are non-interest bearing and are normally settled on a 30-day basis. Other payables are non-interest bearing and have an average term of 30 days. All amounts are expected to be settled within twelve months.

# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements

For the half-year 31 ended December 2016

### 8. Loan payable

Kabuni Tech. has received a series of short-term loans from a company owned by a director and officer of the Company. These loans accrued interest at 8% per annum, compounded annually. As at 31 December 2016, Kabuni Tech. had loans outstanding, including accrued interest of \$84,660 (CAD\$82,179) (30 June 2016 - \$84,983 (CAD\$82,179)). The loan was originally due on 30 June 2014, but subsequently was extended to 30 June 2015. The Kabuni Tech. had provided a general security agreement over its assets to the lender.

On 30 June 2015, Kabuni Tech. entered into an amending agreement whereas the loan was extended an additional year and will mature on 30 June 2016. As per the agreement, the loan will no longer bear interest and the lender has released and discharged of all security that was previously held over Kabuni Tech.'s assets. During the half-year ending 31 December 2016, the maturity date of the loan was extended to 30 June 2017.

### 9. Share capital

#### (a) Issued and paid up capital

	31 December 2016		30 June 2016	
	\$		\$	
Issued capital				
241,443,455 fully paid ordinary shares (30 June 2016: 130,309,175 shares)		\$ 20,116,448		\$ 17,338,533

  

	31 December 2016		30 June 2016	
	No.	\$	No.	\$
Balance at beginning of the year	130,309,175	17,338,533	34,317,980	502,255
Shares issued for private placement <sup>1</sup>	29,900,000	807,300		
Shares issued for rights issue <sup>2</sup>	47,900,947	1,293,325		
Shares issued for shortfall issue <sup>2</sup>	33,333,333	900,000	-	-
Capital raising costs <sup>2</sup>	-	(222,710)	-	(514,517)
Shares issued to a director <sup>3</sup>	-	-	333,333	65,000
Shares issued for services <sup>4</sup>	-	-	150,000	19,500
Shares issued by Kabuni Technologies Inc. <sup>6</sup>	-	-	1,258,838	141,253
Elimination of existing Kabuni Technologies Inc. shares	-	-	(35,576,818)	-
Existing Kabuni Limited shares on acquisition	-	-	36,001,000	-
Shares issued immediately prior to the acquisition of Kabuni Technologies <sup>5</sup>	-	-	35,000,000	7,000,000
Issue of Kabuni Ltd shares on acquisition	-	-	35,776,818	7,200,200
Shares issued on conversion of convertible debt <sup>5</sup>	-	-	15,523,810	1,420,000
Shares issued on settlement of payables <sup>5</sup>	-	-	2,800,001	560,000
Shares issued to advisors	-	-	4,057,547	811,509
Shares issued to directors	-	-	666,666	133,333
Balance at end of the period	241,443,455	20,116,448	130,309,175	17,338,533

1. On October 21, 2016, the Company completed a Private Placement and raised gross proceeds of \$807,300. As part of the Private Placement, 14,950,000 free attaching options were issued, exercisable at \$0.05 each on or before 30 June 2019 (Note 10(b)). There were no underwriting arrangements entered into as part of the Private Placement, however in connection with the Private Placement a cash fee of 6% of the funds raised pursuant to the Private Placement has been paid.

# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements

For the half-year 31 ended December 2016

### 9. Share capital (continued)

#### (a) Issued and paid up capital (continued)

2. The Company also completed a Rights Issue and Shortfall offer on 29 November 2016 and 13 December 2016, respectively, by issuing 81,234,280 ordinary shares for gross proceeds of 2,193,325. For every two new shares issued under the Rights and Shortfall Issue, one free attaching option was issued for a total of 40,617,146 options issued, exercisable at \$0.05 each on or before 30, June 2019 (Note 10(b)). Both the Rights Issue and Shortfall Issue are subject to a cash fee of 6% of the funds raised.
3. During the year ended 30 June 2016, the Company issued 333,333 ordinary shares to a director of the Company for nil consideration. The Company recorded shares issued as consideration of \$65,000 to reflect the fair value of the shares issued.
4. On March 1, 2016, the Company issued 150,000 ordinary shares to an advisor in consideration for services provided to the Company.
5. On August 24, 2015, the Company completed the RTO transaction (Note 2). Concurrently with the RTO, the following transactions occurred:
  - The Company completed a concurrent public offer ("Concurrent Financing") and issued 35,000,000 ordinary shares at \$0.20 for gross proceeds of \$7,000,000. The Company incurred share issue costs of \$513,713 in connection with the financing. As part of the Concurrent Financing, the Company issued 12,000,000 options to investors at a price of \$0.005 per option for gross proceeds of \$60,000 (note 10(b)).
  - The Company issued 2,800,001 ordinary shares to certain creditors of Kabuni Tech. to settle outstanding debt. The fair value of the shares was \$560,000 based on the share price of the Concurrent Financing.
  - The Company issued 15,523,810 ordinary shares to holders of Kabuni Tech.'s convertible debt to settle outstanding debt. The fair value of the shares was \$1,420,000 based on the share price of the Concurrent Financing.
6. During the year ended June 30, 2016, Kabuni Technologies Inc. issued 1,258,838 ordinary shares at prices between CAD\$0.0001 and CAD\$0.15 for total proceeds of \$141,253. The Company recorded share-based payments expense of \$154,333 (CAD\$146,741) to account for the difference between fair value of the issued and the consideration received.

#### (b) Escrow shares

As at 31 December 2016, the Company had 25,540,879 (30 June 2016 – 46,301,031) ordinary shares classified by the ASX as restricted securities which are being held in escrow. These shares will all be released from escrow on September 3, 2017. On July 2, 2016, 2,666,666 and on August 25, 2016, 18,093,486 ordinary shares were released from escrow.

### 10. Reserves

	31 December 2016	30 June 2016
	\$	\$
Foreign currency translation reserve <sup>1</sup>	2,463	28,232
Share based payments	258,173	119,383
Performance shares reserve <sup>2</sup>	4,013,049	4,013,049
	<b>4,273,685</b>	<b>4,160,664</b>

1. The foreign exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve.

# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements

For the half-year 31 ended December 2016

### 10. Reserves (continued)

2. The performance share reserve is used to record the value of Class A performance shares and Class B Performance Shares issued to certain Kabuni employees and the advisors based on the directors' assessment of the likelihood of the performance shares being converted to ordinary shares.

#### (a) Performance shares reserve

<b>Performance Shares</b>	<b>Shares Outstanding</b>	<b>\$</b>
Class A	10,032,622	2,006,524
Class B	10,032,625	2,006,525
Class C	9,032,623	-
Class D	9,032,623	-
	<b>38,130,493</b>	<b>4,013,049</b>

  

	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the period	4,013,049	-
Performance shares issued – RTO transaction <sup>1</sup>	-	3,879,716
Performance shares issued - Directors <sup>2</sup>	-	133,333
Balance at the end of the period	<b>4,013,049</b>	<b>4,013,049</b>

1. During the year ended 30 June 2016, in connection with the RTO, the Company issued 37,463,827 performance shares to directors, employees and advisors of the Company for \$nil consideration. The Company recorded performance shares reserve of \$3,879,716.

2. During the year ended 30 June 2016, the Company issued 666,666 performance shares to directors of the Company for \$nil consideration. The Company recorded performance shares reserve of \$133,333, using a fair value of performance share price of \$0.20 per share.

#### (b) Share based payments reserve

<b>Type</b>	<b>Options Outstanding</b>	<b>Fair Value</b>
	<b>No.</b>	<b>\$</b>
Listed	82,567,146	15,000
Unlisted	16,671,667	243,173
	<b>99,238,813</b>	<b>258,173</b>

#### Listed

	<b>31 December 2016</b>		<b>30 June 2016</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
Balance at the beginning of the period	<b>12,000,000</b>	-	-	-
Options issued on private placement <sup>2</sup>	14,950,000	-	-	-
Options issued on rights issue <sup>2</sup>	23,950,480	-	-	-
Options issued on shortfall issue <sup>2</sup>	16,666,666	-	-	-
Options issued on financing <sup>1,2</sup>	15,000,000	15,000	12,000,000	-
Balance at the end of the period	<b>82,567,146</b>	<b>15,000</b>	<b>12,000,000</b>	-

1. As part of the August 24, 2015 financing (Note 9(a)), the Company issued 12,000,000 options, at an issue price of \$0.005 per option, for a gross proceeds of \$60,000. The options are exercisable at \$0.30 within 3 years of issue. The gross proceeds were received by the Company prior to the completion of the RTO and were included in the cash and cash equivalents balance as part of the net assets acquired.

2. As part of the 21 October 2016, the 29 November 2016 and the 13 December 2016 financing (Note 9(a)), the Company issued 70,567,146 options. Of this number, 55,567,146 were options issued to the subscribers of the Private Placement, Rights Issue and Shortfall Issue. The remaining 15,000,000 were issued at a price of \$0.001 per option for gross proceeds of \$15,000.

# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements

For the half-year 31 ended December 2016

### 10. Reserves (continued)

#### (b) Share based payments reserve (continued)

##### Unlisted

	31 December 2016		30 June 2016	
	No.	\$	No.	\$
Balance at the beginning of the period	6,130,000	119,383	-	-
Employee share-based payments	12,281,667	114,230	3,630,000	112,532
Supplier share-based payments	-	9,560	2,500,000	6,851
Expired/forfeited	(1,740,000)	-	-	-
Balance at the end of the period	16,671,667	243,173	6,130,000	119,383

#### Recognised share-based payment transactions

Share based payment transactions recognized as operational expenses in the statement of profit or loss and other comprehensive income during the half year were as follows:

#### Share-based payment expense

	31 December 2016	31 December 2015
	\$	\$
Employee share based payments issued	114,230	352,667
Supplier share based payments issued	9,560	-
	123,790	352,667

#### i. Employee share based payments

The Company grants share options from time to time in order to assist in the recruitment, reward, retention and motivation of employees, directors and consultants of Kabuni Limited. The fair value at grant date of options granted during the reporting period was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option. The table below summarizes options granted to employees, directors and consultants during the period ended 31 December 2016:

Grant Date	Expiry date	Exercise price per option	Balance at start of the period	Granted during the period	Exercised during the period	Expired / forfeited during the period	Balance at end of the period
17/03/16	31/03/19	\$0.18	3,630,000	106,667	-	(1,540,000)	2,196,667
18/08/16	06/11/18	\$0.13	-	150,000	-	-	150,000
18/08/16	31/10/18	\$0.13	-	300,000	-	(100,000)	200,000
18/08/16	06/09/19	\$0.13	-	650,000	-	-	650,000
18/08/16	12/05/19	\$0.18	-	100,000	-	(100,000)	-
31/10/16	30/09/19	\$0.05	-	1,475,000	-	-	1,475,000
29/11/16	30/06/19	\$0.06	-	3,000,000	-	-	3,000,000
29/11/16	11/07/19	\$0.03	-	2,500,000	-	-	2,500,000
29/11/16	11/07/19	\$0.06	-	1,500,000	-	-	1,500,000
29/11/16	11/07/19	\$0.09	-	1,500,000	-	-	1,500,000
09/12/16	31/03/19	\$0.06	-	1,000,000	-	-	1,000,000
			3,630,000	12,281,667		(1,740,000)	14,171,667

# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements

For the half-year 31 ended December 2016

### 10. Reserves (continued)

#### (b) Share based payments reserve (continued)

On March 17, 2016, 4,190,001 share options exercisable at the greater of (1) \$0.18 and (2) the fair market value of the shares on the date of acceptance, provided that, for such purposes, the "fair market value" of the shares is defined as the average closing sale price of the shares on ASX over the 5 trading days immediately preceding the date of acceptance, on or before March 31, 2019 were granted to employees of the Group. The options will vest on September 3, 2016 (being 12-months after the date of listing on the ASX). No director or director related entity will participate in this issue and shareholder approval is not required in order to issue the options.

Options granted to employees and directors in the current period vest on various dates subject to employees remaining employed and directors remaining engaged with the Group.

The model inputs for options granted during the period ended 31 December 2016 included:

- a) options were granted for no consideration;
- b) expected life of options was 2 to 3 years;
- c) share price at grant date was between \$0.027 and \$0.06;
- d) expected volatility was between 91.0% and 100.6%;
- e) expected dividend yield of nil; and
- f) a risk free interest rate of 1.40% to 1.92%

#### ii. Share-based payment to suppliers

On February 19, 2016, 2,500,000 share options exercisable at \$0.20 on or before 30 June 2017 were granted to a consultant for corporate advisory services rendered during the financial period and over the coming 12 months. The options will vest when the share price (based on a 20-day volume weighted average price) of the Company, as quoted by the ASX, reaches a level of \$0.225. These options have been valued using the Black-Scholes option pricing model and are recognised as operational expenses in the statement of profit or loss and other comprehensive income.

Grant Date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Expired during the period	Balance at end of the period	Exercisable at end of the period
19/02/16	30/06/17	\$0.15	2,500,000	-	-	-	2,500,000	-
			<b>2,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500,000</b>	<b>-</b>

### 11. Accumulated losses

	31 December 2016	30 June 2016
	\$	\$
Movements in accumulated losses were as follows:		
Opening balance	(18,954,452)	(13,172,059)
Loss for the period	(2,777,906)	(5,782,393)
Closing balance	<b>(21,732,358)</b>	<b>(18,954,452)</b>

### 12. Segmented information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group's primary segment is one business, being the development of an e-commerce platform in the home design space. During the period ended 31 December 2016, the Group operated in the following geographic segments: Australia, India and Canada.

# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements

For the half-year 31 ended December 2016

### 12. Segmented information (continued)

#### (a) Revenue, interest and other income by geographical region

	31 December 2016	31 December 2015
	\$	\$
Australia	-	-
Canada	10,936	1,600
Unallocated items – interest and other income	1,661	70,496
<b>Total revenue</b>	<b>12,597</b>	<b>72,096</b>

#### (b) Loss by geographical region

	31 December 2016	31 December 2015
	\$	\$
Australia	(462,164)	(427,942)
Canada	(2,227,561)	(12,091,418)
India	(89,842)	-
Unallocated items – interest and other income	1,661	70,496
<b>Total loss</b>	<b>(2,777,906)</b>	<b>(12,448,864)</b>

#### (c) Total assets by geographical region

	31 December 2016	30 June 2016
	\$	\$
Australia	1,024,265	637,474
Canada	2,000,870	2,426,412
India	18,221	-
<b>Total assets</b>	<b>3,043,356</b>	<b>3,063,886</b>

### 13. Contingent assets and liabilities

There are no known contingent assets or liabilities



# Kabuni Ltd.

## Condensed Notes to the Consolidated Financial Statements

For the half-year 31 ended December 2016

### 14. Loss per share

Basic loss per share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The following reflects the loss and share data used in the total operations basic and diluted earnings per share computations:

	31 December 2016 \$	31 December 2015 \$
Loss used in calculating basic and dilutive EPS	(2,777,906)	(12,448,864)
<b>Number of Shares</b>		
Weighted average number of ordinary shares used in calculating basic loss per share:	153,707,166	101,203,760
<b>Effect of dilution:</b>		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	153,707,166	101,263,760

### 15. Commitments

#### (a) Lease agreement

In June 2015, Kabuni Tech. entered into a binding lease agreement for Kabuni House. Commencing July 1, 2015 the Company will pay monthly rent at a rate of \$10,814 (CAD\$10,500). The rental agreement is for a period of three years with the option to extend for an additional three-year period. In December 2016, Kabuni India entered into a binding lease agreement for office premises in India. Commencing February 1, 2017, the company will pay monthly rent of \$3,558 (IRR\$175,000). In November 2016, Kabuni Tech. entered into a four year lease agreement for the operation of a delivery van at a monthly rate of \$486 (CAD\$472). The total commitment at 31 December 2016, excluding operating costs, is as follows:

	AU\$
0-1 years	180,340
2-5 years	167,299
	<b>347,639</b>

#### (b) Termination payments

The Group has commitments in relation to termination payments pursuant to employment contracts.

### 16. Subsequent Events

On January 31, 2017, Kabuni Tech. acquired Design Campus, an online education platform and training resource for the professional design community, for US\$50,000.

On 10 February 2017, the Company issued 1,000,000 options to consultants, exercisable at \$0.06 per share until 30 June 2019, along with issuing 250,000 options to employees, exercisable at \$0.05 per share until 30 September 2019.

## Directors' Declaration

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The Directors of the Company declare that:

1. The condensed financial statements and notes as set out on pages 8 to 22 are in accordance with the Corporations Act 2001 and:

- a) Comply with the Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulation 2001;
- b) Give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the period from 1 July 2016 to 31 December 2016.

2. At the date of this statement, in the Directors' opinion, there are reasonable grounds to believe that Kabuni Limited will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Board of Directors made pursuant to S.303(5) of the Corporations Act 2001.



Tony King  
Chairman

Perth, Western Australia  
27 February 2017

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
KABUNI LIMITED**

**Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Kabuni Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Kabuni Limited ("the consolidated entity"). The consolidated entity comprises both Kabuni Limited ("the Company") and the entities it controlled during the period.

*Directors' Responsibility for the Interim Financial Report*

The directors of Kabuni Limited are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kabuni Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Kabuni Limited on 27 February 2017.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Kabuni Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.

*Inherent Uncertainty Regarding Going Concern*

Without qualification to the review conclusion expressed above, attention is drawn to the following matter.

As referred to in note 1 to the financial report, the financial report has been prepared on a going concern basis. At 31 December 2016, the consolidated entity had net assets of \$2,657,775, cash and cash equivalents of \$1,955,974 and net working capital surplus of \$1,875,956. The consolidated entity had incurred a loss for the period ended 31 December 2016 of \$2,777,906.

The ability of the consolidated entity to continue as a going concern and meet its administration and other commitments is dependent upon the consolidated entity raising further working capital or commencing profitable operations. In the event the company is unable to raise further working capital or commence profitable operations, the consolidated entity may not be able to meet its liabilities as they fall due, or realise its assets at their stated values.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
**Director**

West Perth, Western Australia  
27 February 2017

## Appendix 4D

### for the half-year ended 31 December 2016

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#### Reporting period

Current period: Half-year ended 31 December 2016  
 Previous corresponding period: Half-year ended 31 December 2015

#### Results for announcement to market

Revenue from ordinary activities	up	85.4%	to	10,936	from	\$1,600
Loss from ordinary activities after tax attributable to members	up	(77.7%)	to	(2,777,906)	from	(\$12,448,864)
Net loss for the period attributable to members	up	(77.7%)	to	(2,777,906)	from	(\$12,448,864)

#### Dividends

	Amount per share	Franked amount per share
Final	\$nil	N/A
Interim	\$nil	N/A

Record date for determining entitlements to dividends: N/A

#### Brief explanation necessary to enable the figures above to be understood:

Refer to Directors' Report.

#### Net tangible assets

31 December 2016:	Net tangible asset backing	1.0 cents per share
31 December 2015:	Net tangible asset backing	5.0 cents per share

#### Other

The group has not gained or lost control over any of its entities during the period. There are no associates or joint ventures held by the Group. For foreign entities the set of accounting standards used in compiling the report is the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).