

1 November 2016
Company Announcements Office
ASX Limited

By E-Lodgement

FIRST QUARTER ACTIVITIES AND CASHFLOW REPORT

Q1 HIGHLIGHTS

- 1,620 registered designers
- 157 designer/client connections with 97 engaged in conversation¹
- 20% increase in designers over last quarter
- Platform is revenue capable
- Board of Directors and Executive Team are strengthened

Kabuni Ltd (ASX: **KBU**) ("Kabuni," or the "Company") is pleased to provide an update on the Company's activities for the three-month fiscal period ended 30 September 2016 (the 'first quarter').

INCREASED ENGAGEMENT WITH DESIGNERS AND CLIENTS

In the first quarter, the Company added 421 designers to its online technology platform, which is accessible via Kabuni's iOS and web applications. This continues the growth trend experienced in the fourth quarter of the previous financial year, which saw an increase of 459 designers registered on Kabuni's platform in that timeframe. As at the end of the first quarter 1,620 registered designers are on the platform. The following graph highlights the growth trajectory of designers from July 2015 to September 2016.

BOARD & MANAGEMENT

Mr. Tony King
CHAIRMAN

Mr. Neil Patel
MANAGING DIRECTOR

Mr. Colm O'Brien
NON-EXECUTIVE DIRECTOR

Mr. Nik Ajagu
NON-EXECUTIVE DIRECTOR

Mr. Nathan Sellyn
NON-EXECUTIVE DIRECTOR

Mr. Ajai Sehgal
NON-EXECUTIVE DIRECTOR

Mr. Aaron Bertolatti
COMPANY SECRETARY

REGISTERED OFFICE

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West Perth WA 6005

POSTAL ADDRESS

PO Box 1440
West Perth WA 6872

CONTACT DETAILS

Tel: +61 8 9212 0105

WEBSITE

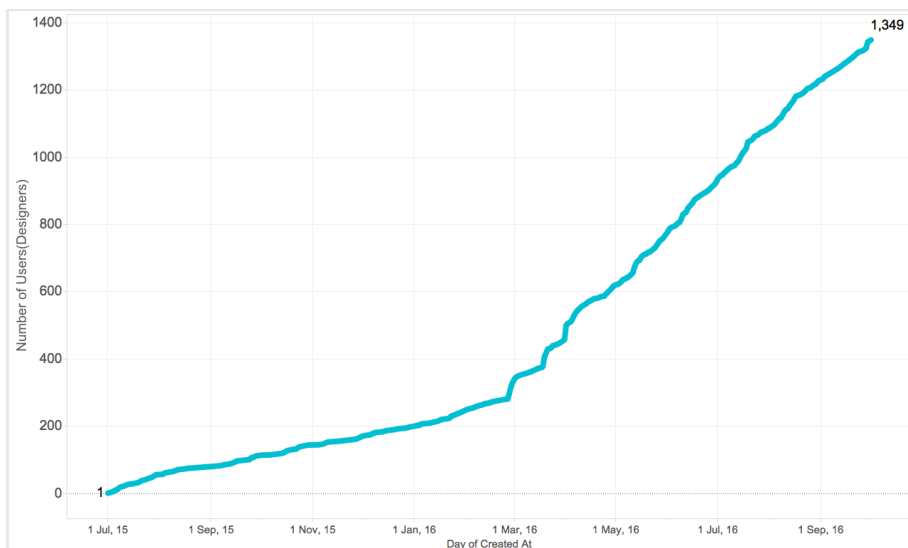
investor.kabuni.com

SHARE REGISTRY

Security Transfer Registrars
770 Canning Highway
Applecross
Perth WA 6153
Tel: 08 9315 2333

ASX CODE: KBU

¹ In this report, 'conversation' means a designer and client who communicate with one another and send a minimum of one message each.



Note: The above graph does not account for the 271 designers signed up prior to 1 July 2015. When added to the 1349 designer shown on the graph the total number is 1,620.

Kabuni's designers are predominantly located in the United States and Canada, though the platform is open to designers worldwide, with many designers having signed up in the United Kingdom, Australia, India and elsewhere.

User engagement on Kabuni's platform is also steadily increasing. During the first quarter, Kabuni users created 488 inspiration boards, showcasing their design ideas. As at the end of the first quarter, the total number of inspiration boards is over 2,700. Additionally, 157 connections have been made between designers and clients in this quarter.

With this steady growth in adoption of the platform by designers, Kabuni is well-positioned to take advantage of the market opportunity presented by the North American interior design industry. Interior designers in the US and Canada source annually over US\$68.5 billion in products for their clients (Source: American Society of Interior Designers, 2015).

TECHNOLOGY PLATFORM

Kabuni announced several upgrades to the technology platform in the first quarter. (See ASX announcements at www.asx.com.au.) The overarching result of these upgrades is a more closely aligned technology platform which has seen an increase in engagement by designers and clients. Users across all devices (desktop, iOS and Android) now have access to the complete Kabuni experience online; browse, post to their inspiration boards, interact with their personal designer and ultimately make purchases. The mobile app experience allows designers to curate on the go while collaborating with multiple clients. At the point of transaction, designers can now utilize the web app on a desktop to facilitate the purchase, or continue to transact on the mobile app.

The following is a summary of some of the updated features:

Capitalizing on Designers' Social Media Reach

Designers are able to share their Inspiration Boards on social media streams and in turn, their followers can now click on the board and be taken directly to the Kabuni marketplace, where they will have the ability to make a purchase. This allows designers to capitalize on their social media reach to generate additional income by sharing their Inspiration Boards, as they earn a share of Kabuni's gross profit from each sale made through the Boards. Designers put a significant amount of effort into promoting their businesses through social media and with this new feature, Kabuni has addressed a major challenge faced by designers in growing their business.

As designers continue to share their Inspiration Boards on social media channels such as Facebook, Twitter, LinkedIn, and Pinterest, Kabuni's reach of potential clients grows substantially. At the end of Q1, Kabuni had 1620 designers registered on the platform. Kabuni estimates that the average reach for each designer is approximately 1,500 social media connections², for a total of over 2.4 million connections across all Kabuni designers. Of these connections, Kabuni estimates that approximately 42% of them are on Facebook, 25% are on Twitter, 18% are on LinkedIn, and 15% are on Pinterest.

Commercialization of the Web Platform

Using their web browser, users can now explore products within Inspiration Boards, add products to their shopping carts, and order these products for delivery to their homes. As a result, clients can easily work with designers to realize a shared vision for their furnishing needs. By allowing users to place product orders from any device, this feature will significantly increase the number of potential clients who may purchase products and drive e-commerce transactions.



² In this report, a 'social media connection' is defined as a person who is connected to a designer on a social media channel as a 'friend', 'follower' or in a similar manner. Note that an individual may be connected to the same designer over different channels, and the same individual may be connected to two or more Kabuni designers. Accordingly, the number of social media connections does not necessarily represent a number of unique individuals.

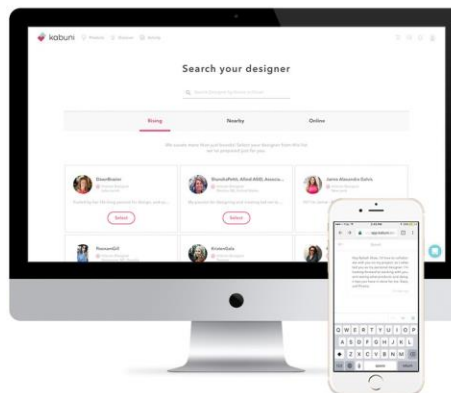


Universal Product Catalogue

All users, both clients and designers, are now able to browse Kabuni's complete catalogue of home décor products; a feature previously available only to designers. Opening the catalogue is expected to help drive engagement by allowing greater ease for designers and clients to collaborate.

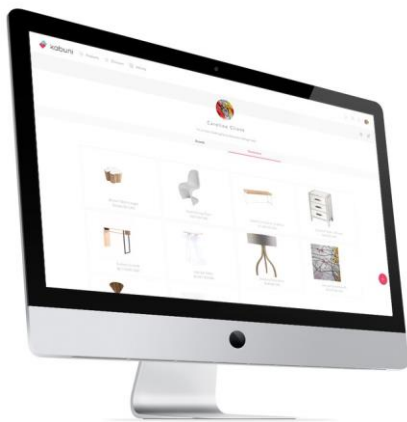
Selection of a Personal Designer

When connecting clients with designers, the number of steps has now been reduced from 8 steps to 3. Upon signing up, clients are now able to select a personal designer from a list which can be filtered based on location, most recently online or most active on the app. Once matched, the designer can contact the client on design ideas and projects. Designers are incentivized to engage with a client that is matched with them, as they continue to have the ability to earn income.



Increased Browsing Speed within Catalogue

As a result of optimization to the storage of Kabuni's servers, users have noted substantial increased performance when browsing the catalogue. This important architectural improvement facilitated by our development team has improved the end users' experience which is, of course, our priority.



Client Showroom

Clients now have their own showroom which allows them to store their favorite products. This improves the experience for the client as they can return repeatedly to their showroom, editing their favorites as opposed to having to search for each product every time.

KABUNI HOUSE

Kabuni House successfully launched four months ago in Vancouver, Canada. The Company held its grand opening celebration on 9 June 2016, which was attended by interior designers, decorators, local makers of furniture and art, clients, and press.

Kabuni House closes the circle on the goal of an omni-channel experience, complementing Kabuni's technology platform, driving e-commerce transactions and increasing brand awareness. The House has continued to receive coverage through media outlets (see below for samples) and continues to be seen as a competitive advantage for the Company.

Click below to access each article:

House and Home, July 2016, 'Design Apps We Can't Live Without'

<https://houseandhome.com/gallery/15-design-apps-we-cant-live-without/>

Gray Pacific Northwest Design, No. 30, Oct/Nov 2016, 'Work Around'

https://issuu.com/graymag/docs/gray_no_30/98

Kabuni House represents a significant potential additional revenue stream for Kabuni, in the form of a recurring monthly fee for House membership and access to its features. After having offered free membership for an initial period in the fourth quarter of the last financial year, Kabuni House began exploring the potential of generating subscription income by introducing a paying membership program in the first quarter.

Though the paying membership program remains in its infancy, it presents a compelling opportunity for Kabuni. More specifically, paying memberships provide Kabuni with the ability to generate revenue, offset the studio's operating costs and make it a profit centre. Currently, Kabuni's paid membership subscription model comprises of a C\$49/month limited access membership up to a C\$499/month unlimited access corporate membership. Among other benefits, House members get access to the co-working space, cutting-edge technology and access to new clients through Kabuni's own event marketing program.

AMBASSADOR PROGRAM

Kabuni's ambassadors are selected from among highly active Kabuni users and local design industry influencers. They utilize their influence to introduce their professional networks to the benefits of the Kabuni Platform in enhancing designers businesses. Through planning and attending events in their local communities, ambassadors are expected to attract new designers and makers to the Kabuni Marketplace. Currently, Kabuni has 5 ambassadors; 2 in Vancouver, 1 in Seattle and 2 in Los Angeles. By 30 June 2017 our goal is to have 60 ambassadors representing and working with Kabuni.

PARTNERSHIP WITH RENTED.COM

On 13 September 2016, Kabuni announced a partnership with Rented.com, an online marketplace that helps vacation rental homeowners find a property manager to manage their property.

The 12-month partnership allows Kabuni to promote its technology platform to Rented.com's users, which include over 600 property managers and 5,000 homeowners spanning over 60 countries. In the next quarter, Rented.com users will receive an electronic voucher for use in purchasing home furnishings and other products from Kabuni's catalogue. Kabuni writers are currently in the process of producing a series of articles on topics relating to interior design and of interest to Rented.com users.

BOARD AND EXECUTIVE APPOINTMENTS

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 is now transitioning from her previously reported position to that of a strategic consultant.

On 29 July 2016, the Company appointed Mr. Ajai Sehgal to the Board of Directors. Ajai joined Hootsuite as its CTO/CIO in April 2014, leading Software Engineering, IT, Security, and Operations. Prior to Hootsuite, Ajai 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 leading Hootsuite technology through the next step in its evolution.

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 as Chief Operating Officer, an accomplished executive who will bring valuable operational experience to Kabuni. Frans has extensive commercial, business development, organizational development and strategy experience. Currently, he leads the Canadian presence of SAAM SMIT Towage, a leader in the harbor towage industry.

FINANCE

The Company's cash position at September 30, 2016 was A\$611,000 compared with A\$1,959,000 at 30 June 2016. Overall, the Company's total cash operating costs decreased to A\$1,376,000 in the first quarter of fiscal 2017 compared to A\$1,774,000 in the fourth quarter of fiscal 2016.

On 17 October 2016, the Company announced its intentions to undertake an equity capital raising of up to \$5.15 million (See ASX Announcement - *Rights Issue and Placement* dated 18 October 2016) through a placement to sophisticated and professional investors of 29,900,000 fully paid ordinary shares of the Company for gross proceeds of \$807,300 (the "Private Placement") and 15,000,000 stock options for gross proceeds of \$15,000 (the "Option Placement"), and a partially underwritten non-renounceable pro-rata rights issue of Shares on a 1-for-1 basis to raise up to \$4.33 million. The funds raised will be used to accelerate growth in key areas of the business. On 21 October, the Company completed the Private Placement (See ASX Announcement - *Completion of Placement and Notice under Section 708A* dated 21 October 2016).

For further information please contact:

Kabuni Ltd.

Neil Patel

Chief Executive Officer

p: + 1 778-288-1974

ABOUT KABUNI

Kabuni is a North American-based SaaS and e-commerce platform in the home design space that enables independent designers and 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. Kabuni leverages proceeds from the platform to benefit local charitable organizations dedicated to combating homelessness. Kabuni believes in Better Homes for Everyone. For more information, please visit: <http://www.kabuni.com/>

Kabuni is owned by Kabuni Ltd (ASX: KBU), an Australian-based company publicly traded on the Australian Securities Exchange (ASX). The company's strategic focus is to build a global business in the home space by developing an ecosystem of innovative technologies and solutions to enhance the industry for professionals and consumers alike. For more information, please visit: <http://investor.kabuni.com/>

FORWARD LOOKING STATEMENTS

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", 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) 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.

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

Kabuni Limited

ABN

28 158 307 549

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (three months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3	3
1.2 Payments for		
(a) research and development	(61)	(61)
(b) product manufacturing and operating costs	(598)	(598)
(c) advertising and marketing	(51)	(51)
(d) leased assets		
(e) staff costs	(670)	(670)
(f) administration and corporate costs		
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
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	(1,376)	(1,376)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(6)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (three months) \$A'000
	(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	(6)	(6)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(4)	(4)
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	(4)	(4)

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	1,959	1,959
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,376)	(1,376)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4)	(4)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (three months) \$A'000
4.5	Effect of movement in exchange rates on cash held	38	38
4.6	Cash and cash equivalents at end of quarter	611	611

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	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	521	1,290
5.2	Call deposits	55	669
5.3	Bank overdrafts		
5.4	Other (Visa)	35	
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	611	1,959

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

83

Payment of Directors fees and remuneration

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

**Current quarter
\$A'000**

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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	381
9.3 Advertising and marketing	73
9.4 Leased assets	
9.5 Staff costs	919
9.6 Administration and corporate costs	238
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	1,611

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.

Sign here: 
(CFO)

Date: 1 November 2016

Print name: Lisa Dea

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.