

19 October 2016

Dear Shareholder

NON-RENOUNCEABLE RIGHTS ISSUE

On 18 October 2016, Kabuni Ltd (**Kabuni** or **Company**) announced a partially underwritten one (1) for one (1) non-renounceable rights issue offer at an issue price of \$0.027 (2.7 cents) per share (**New Share**), with one (1) free attaching option exercisable at \$0.05 (5 cents) and expiring on 30 June 2019 (**Free Attaching Option**) for every two (2) New Shares issued to raise approximately \$4.33 million before expenses (**Offer**).

The net funds raised are intended to be used to:

1. pay for the costs of operations, sales, marketing and the ongoing development of the Kabuni Business; and
2. provide working capital.

This letter is to inform you about the Offer and to explain why you will not be able to subscribe for New Shares and Free Attaching Options (**New Securities**) under the Offer. This letter is not an offer to issue New Securities to you, nor an invitation for you to apply for New Securities.

You are not required to do anything in response to this letter. Documents relating to the Offer were lodged with ASIC and ASX on 17 October 2016 and are being mailed to Eligible Shareholders (as defined below in the section headed "Eligibility criteria").

The Offer is to be implemented under section 713 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

Information about the Offer

1. The Offer is being made to eligible shareholders on the basis of the number of fully paid ordinary shares in the Company (**Shares**) held at 5.00pm (Perth time) on [day], [date] (**Record Date**). Under the Offer, eligible shareholders will be able to subscribe for one (1) New Share for every one (1) Share held on the Record Date at an issue price of \$0.027 (2.7 cents) per New Share, with one (1) Free Attaching Option exercisable at \$0.05 (5 cents) for every two (2) New Shares issued.
2. The Offer opens on Tuesday, 25 October 2016 and is expected to close at 5.00pm (Perth time) on Friday, 11 November 2016.
3. The Offer is non-renounceable which means that entitlements to participate in the Offer can be sold.
4. A person is eligible to participate in the Offer if they are a registered holder of Shares on the Record Date and they:
 - (a) have a registered address listed on the Company's share register in Australia or New Zealand;
 - (b) are not in the United States and are not a US person or acting for the account of benefit of a person in the United States or a US person; and
 - (c) are eligible under all applicable securities laws to receive an offer under the Offer, without the use of a prospectus, disclosure document or other lodgement, filing, registration or qualification.



5. The Offer is not extended to Kabuni shareholders who do not meet this criteria.
6. To the extent that a person holds Shares on behalf of another person resident outside Australia or New Zealand, it is that person's responsibility to ensure that any acceptance complies with all applicable foreign laws.
7. Up to 160,209,175 New Shares and 80,104,588 Free Attaching Options may be issued under the Offer (based on the current capital structure of the Company and assuming that no existing options, warrants or convertible notes are exercised or converted before the Record Date). New Shares issued under the Offer will rank equally with the Company's existing fully paid ordinary shares.
8. The Offer is partially underwritten by Alto Capital and CPS Capital Group Pty Ltd, and the Company's second largest shareholder, J & J Bandy Nominees Pty Ltd as trustee for the J & J Bandy Superannuation Trust has committed to accepting all of its Entitlement.
9. Eligible shareholders who take up their Rights in full may also apply for additional New Shares and Free Attaching Options under any shortfall.

Ineligible shareholders

Kabuni shareholders who are not eligible to participate in the Offer are "Ineligible Shareholders".

The restrictions upon eligibility to participate in the Offer arise because of the legal and regulatory requirements in countries other than Australia and New Zealand and the potential costs to the Company of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of existing Shares they hold and the relatively low value of New Shares to which they would otherwise be entitled.

Kabuni has determined, pursuant to ASX Listing Rule 7.7.1(a) and section 9A(3)(a) of the Corporations Act, that it would be unreasonable to make or extend offers to shareholders in certain countries under the Offer.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for the Offer stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Corporations Act, Kabuni wishes to advise you that it will not be extending the Offer to you and you will not be able to subscribe for New Shares and Free Attaching Options under the Offer. You will not be sent the documents relating to the Offer.

For further information on the Offer, please see the Company's announcements on ASX (www.asx.com.au) or the Company's website (www.investor.kabuni.com) or alternatively contact the Company on +61 8 9212 0105 from 9.00am to 5.00pm (Perth time), Monday to Friday.

The board and management thank you for your continued support of the Company.

Yours faithfully

Mr Aaron Bertolatti
Company Secretary