



kabuni

KABUNI LIMITED

ABN 28 158 307 549

AND ITS CONTROLLED ENTITIES

ANNUAL REPORT

30 JUNE 2016





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Corporate Directory

Directors

Mr. Tony King - *Chairman*
Mr. Neil Patel - *Managing Director and Chief Executive Officer*
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*

Company Secretary

Mr. Aaron Bertolatti

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 Pty Ltd.
Level 2, 1 Walker Avenue
West Perth WA 6005

Solicitors

Occam Legal
Unit 8, 448 Roberts Road
Subiaco WA 6008

Stock Exchange

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

Website

investor.kabuni.com



Report from the Chief Executive Officer

Dear Shareholders

The 2016 financial year ("FY2016" or "the year") was foundational for Kabuni. Our key achievements included:

- August 2015: Listing of Kabuni on ASX and completion of AUD\$7M Public Offer
- September 2015: "Whole New Home" Rebranded as "Kabuni"
- September 2015: Kabuni iOS Application Launched
- October 2015: Kabuni Partners With American Society of Interior Designers
- February 2016: India Software Development Office Opened
- April 2016: Kabuni iOS Application Becomes E-commerce Ready
- April 2016: Beta Tested Sales
- May 2016: First Version of Web Platform Launched
- June 2016: Kabuni House (formerly Design Studio) Officially Launched
- August 2016: Kabuni House Paying Membership Program Launched
- August 2016: Version 2.0 of Kabuni iOS App Launched
- August 2016: Web Platform Gains E-Commerce Functionality

In addition to the above, we have recently made several key appointments in the areas of financial, commercialisation and investor relations, that signals a move from a development phase to a commercialisation phase for the business.

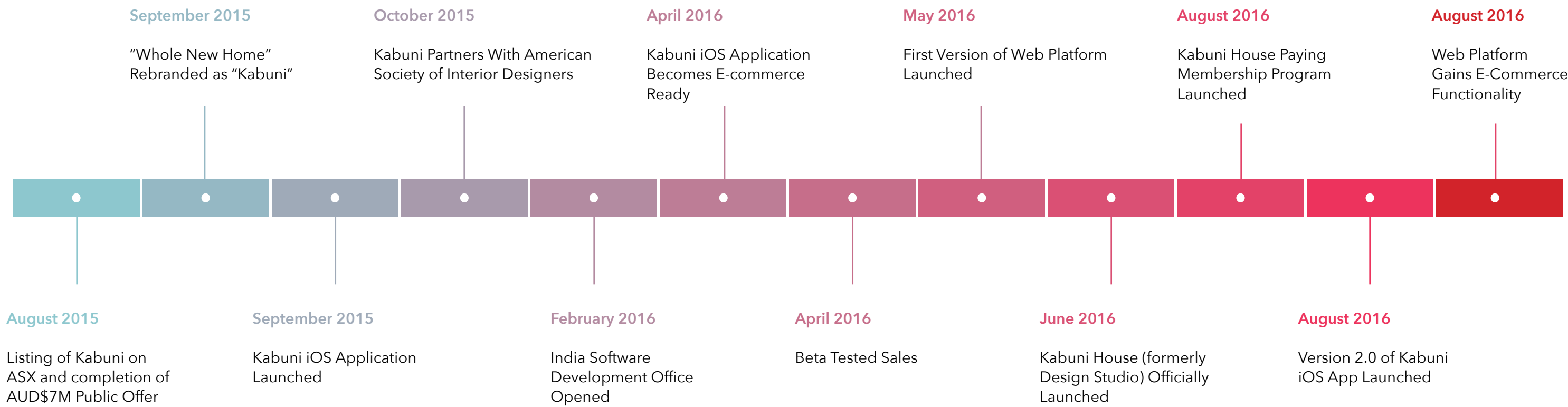
Our community of designers now totals in excess of 1,470 and our client base of customers is in excess of 6,000.

I'd like to take this opportunity to thank those of you that have taken this journey with us. We have learned that designers and makers are our biggest assets, which is why in the 2017 financial year ("FY2017" or "the next financial year"), we are focusing our attention and dedicating our resources towards helping them succeed



Neil Patel
CEO

Key Achievements in FY2016





Who We Are

Kabuni Ltd (ASX: KBU) ("Kabuni," or "the Company") is a North American omni-channel marketplace which provides interior designers, makers of home furnishings, and artists with effective Software-as-a-Service (SaaS) tools to grow their businesses, and enables customers who are in need of inspiration to cost-effectively access the services of interior designers to add beauty and value to their homes.

Our goal is to become the leading omni-channel platform for home design in the world. By supporting interior designers, makers and artists in their businesses with our technology, we aim to become the go-to home design platform for interior designers, makers, artists, and consumers. Furthermore, we leverage proceeds from sales on our platform to benefit local charitable organisations dedicated to combating homelessness.





What We've Built

Our Platform

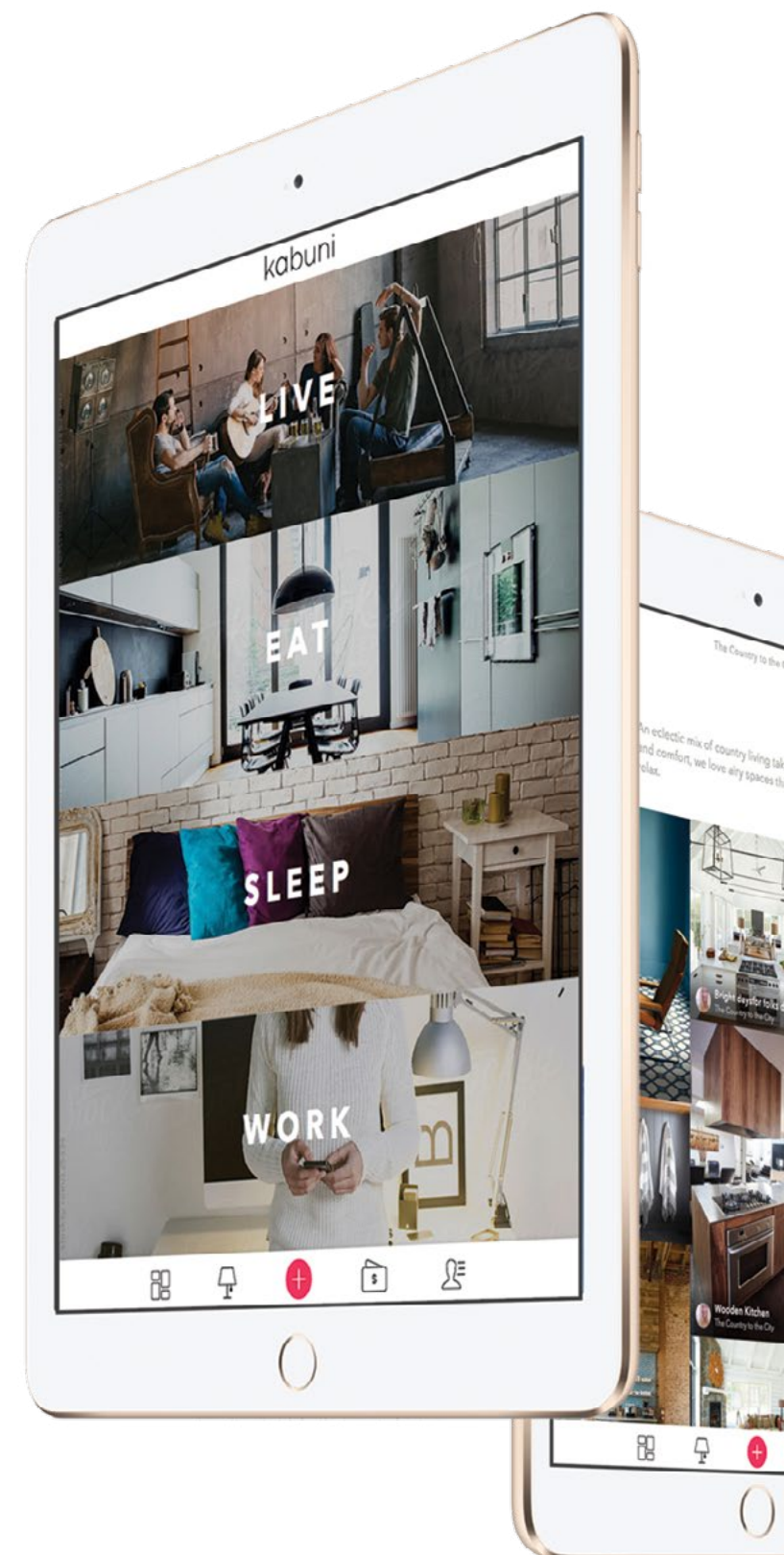
In September of last year, we launched our first Kabuni iOS application. Careful testing and implementation of user feedback lead to version 1.3, complete with profile and board creation, launched in November. January saw the release of version 1.4 which included an in-app messaging service for designers and clients to communicate. We were able to beta test an early version of our e-commerce functionalities in April, giving us further insight into improvements that had to be made before launching purchasing capability to the public.

Since the introduction of e-commerce purchasing capability in April, we have made multiple improvements to the features of our iOS application. The improvements made in Version 2.0 are all aimed at making the user experience more desirable and convenient and include:

- Simplifying the user experience by opening Kabuni's product catalogue to both clients and designers.
- 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.
- Kabuni's mobile application now has a comprehensive search function (called "Global Search"), which considerably improves users' ability to browse Kabuni's product catalogue, and search for products, Inspiration Boards, designers, and other users.
- The speed of processing by the application has improved substantially.

In the year, we also launched the first version of our web application, providing users with many of the same tools offered by our mobile application. Significantly, the web application has made the Kabuni marketplace available to users on any device, including desktop and other mobile devices, such as Android and Windows.

In the fourth quarter, we introduced full purchasing functionality to the web application, thereby significantly increasing the number of potential clients who may purchase products and drive e-commerce transactions. We expect that the web application will include the complete set of features of the iOS application early in the first quarter of FY2017.





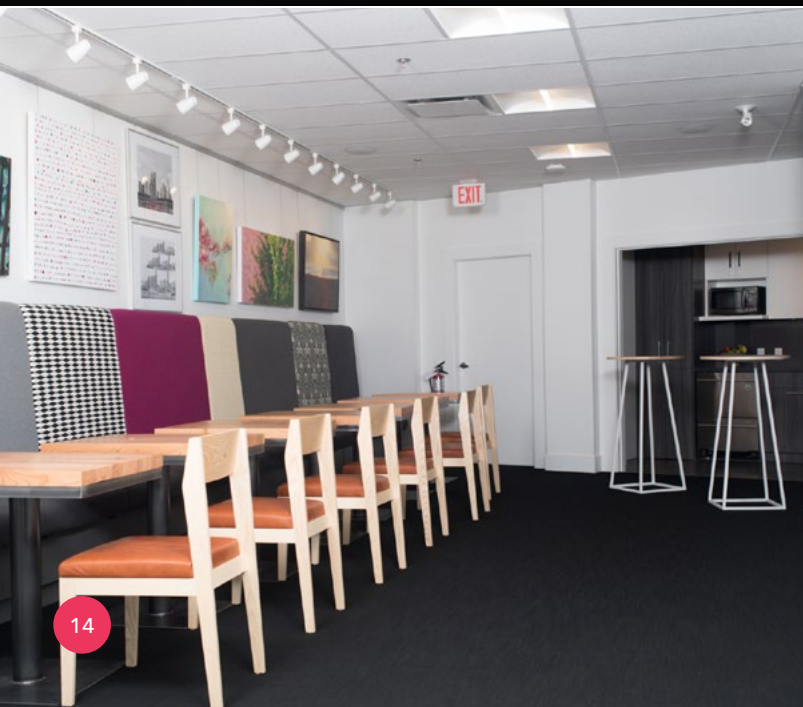
What We've Built

Our Community

In the 12 months prior to the date of this report, over 1,470 new designers have signed up for the Kabuni platform. Our partnership with the American Society of Interior Designers (ASID) has proven to be beneficial, yielding a multitude of valuable connections with professional designers throughout the United States. Building on this relationship, Kabuni representatives attended multiple ASID events across the United States, including events in Los Angeles, Seattle, Minneapolis, and Savannah. In the next financial year, we will continue to cultivate the relationships we have made and build new relationships to grow our design community.

To optimize our community growth strategy in FY2017, we have conducted a meticulous survey of Kabuni designers, in order to better understand their needs. The information we have gathered has informed our FY2017 marketing strategy and Kabuni House programming (see "Strategy", below). We are poised to continue to engage the design community throughout the next financial year.





What We've Built

Our Kabuni House

This July, Kabuni launched the first Kabuni House in Vancouver, BC, Canada. The construction of the Kabuni House resulted in a total cost of approximately AUD\$330,000, and a total technology cost of approximately AUD\$215,000. This 300 square metre Kabuni House is a hub for the local design community, offering a co-working space for interior designers, makers, architects, realtors, and home stagers to work on projects, meet with clients, and network.

The Kabuni House provides members with access to advanced computer technologies and touch screens in order to showcase their design ideas while accessing Kabuni's catalogue of home decor products. This includes Apple iMac computers, multi-touch surfaces for presentations, and the Dream Room.

The Dream Room includes the HoloMAX™ 3D technology, developed by H Plus Technologies Ltd. It presents a unique three-dimensional and holographic retail experience for designers and clients. This experience offers designers a 360-degree view of furniture in an interactive, holographic room, and creates a faster, more cost-efficient alternative to 3D rendering. For clients, the Dream Room experience allows for visualization of their design solutions within a virtual roomscape, giving a more accurate representation of each piece's scale.

Members who are local artists or makers are given the added benefit of using the Kabuni House as a gallery space to display their works. The artwork or furnishings displayed in the gallery will represent a sample of those that are available for purchase by designers and clients on the Kabuni platform.

With all these features, the Kabuni House has the ability to generate an additional source of revenue for the business. For further details, see "Our Revenue", below.



What We've Built

Our People

Our vision for Kabuni includes a company built with the right people. Our intent is to grow Kabuni as a world-class company. In the year, we put a significant focus on hiring throughout the entire organisation. In order to ensure that we hire the best people for each position, we implemented a stringent corporate hiring and interviewing methodology that is used by major corporations and organizations around the world.

We now have a total of 26 employees in Vancouver and 11 software developers in India. We've made some recent changes and added experienced senior executives to our team that will help guide us as we grow. For further details, see "Our Board of Directors & Senior Management", below.

The Year Ahead

In FY2016, we laid the foundations upon which we will grow our business in the future. As we embark on the next financial year, we have put in place solid strategies to enable Kabuni to succeed.





Our Strategy

We aim to deliver to interior designers, makers and artists the world's most comprehensive, yet easy-to-use, cloud-based platform to manage and grow their business.

In the next financial year, we plan to continue our focus on interior designers, makers and artists by developing purpose-built digital tools to help strengthen and grow their businesses. As indicated above, we recently conducted a survey of Kabuni designers, which provided essential information to help further develop our growth strategy. Among other things, the survey has revealed that approximately 72% of the users registered as designers on the Kabuni platform are interior designers serving the residential market. The survey also helped us to identify several key areas of focus in growing our home design community and developing our platform.

Designers and makers experience two major obstacles in growing their businesses. The first challenge is promoting their business and finding new clients. The second is sourcing unique products for their design projects. Our strategy in developing the Kabuni platform effectively addresses both challenges. Recent updates to our platform aim to help designers get new clients even more easily, as clients are now automatically connected with active Kabuni designers on signing-up. Furthermore, designers have the ability to share their Inspiration Boards via their social media channels, increasing the reach of each board and its associated products.

Our strategy in developing the Kabuni product catalogue also aims to address our designers' challenge in sourcing unique products. Our maker and artist community members play a significant part in this, by making their beautiful and unique products available on the Kabuni marketplace. Accordingly, in the next financial year we intend to continue to grow our catalogue of unique products from local makers and artists. In order to complement our unique product offering, we are exploring innovative solutions which would involve aggregating products from the catalogues of existing and well-established e-commerce companies in the

home furnishings space. Using such a novel approach would allow Kabuni to significantly increase the selection of products that are available for Kabuni users with a minimal investment of time and resources.

Fundamentally, Kabuni's key differentiator is that it solves one of the crucial problems of e-commerce, that is, the paralysis that is often experienced by consumers when faced with an almost unlimited number of product choices online. Kabuni addresses this paralysis by connecting each customer with an interior designer, who can 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 Kabuni House will continue to play a critical role in our strategy in FY2017, as it evolves to become the social hub for designers, artists, makers, consumers, home stagers, realtors, and architects. This physical space exemplifies an ideal world where creatives can interact in a relaxed atmosphere socially and professionally. Provided that the Vancouver Kabuni House proves successful in furthering Kabuni's business model, it will serve as a model for future Kabuni Houses that we may consider opening in other cities. By allowing us to continuously be in close contact with our users, the Kabuni House will allow us to generate new ideas for services and solutions to offer our users and to further develop our platform. With these new ideas, Kabuni will have the potential to reach beyond its current user-base, target new users, and enter new markets. The Kabuni House will also function as a gallery space, displaying a sample of the works of local makers and artists that are available for purchase on the Kabuni platform. Since the works on display are available for online purchase, customers from across Canada and the United States will have the ability to view and purchase these unique products.



Our Revenue

We anticipate that e-commerce transactions will serve as a primary source of revenue for Kabuni during the next financial year. In April, we tested the Company's technology and e-commerce functionality, with sales focused primarily on friends and family of the Kabuni staff. During the month, we completed over 40 sales at an average price per transaction of CDN\$240. This test allowed us to carefully assess the functionality and experience of our platform. In particular, the test highlighted that several important improvements to the platform were required in order to improve the user experience and help scale revenues from e-commerce transactions.

With the launch of Version 2.0 of our mobile application in August 2016, we have made certain key technological upgrades aimed specifically at improving the user experience and facilitating sales (see "Our Technology", below). In addition, in the same month, we released an update to the functionality of our platform that links Inspiration Boards shared on social media directly to the Kabuni marketplace.

People who view and click on an Inspiration Board that a designer has shared on social media will now be taken directly to the Kabuni marketplace, where they will have the ability to make a purchase. This update is expected to facilitate sales through Kabuni's marketplace, by broadening the reach of Kabuni's platform to designers' social media connections, currently estimated at over 2 million connections in total.¹ Going forward, we will continue to carefully monitor user behaviour to inform our application development process with a view to driving sales and revenue.

We also anticipate that the Kabuni House (see "Our Kabuni House", above) will provide an additional source of revenue in FY2017, in the form of membership fees for members to use it as a co-working space. In doing so, we hope to build on the momentum generated by other successful co-working business models, such as WeWork. As a promotional tool, membership to the Kabuni House was initially offered for free. During this period, Kabuni saw over 280 applications for membership. We are now exploring the opportunity to generate subscription fee income by charging for membership and leveraging the Kabuni House as a co-working space. Additionally, we plan on developing additional ways of generating revenue from the Kabuni House, such as by charging for networking events, classes and workshops, and offering the space out for rental for social and business gatherings.

Though the paying membership program remains in its infancy, it presents a significant potential earning opportunity for Kabuni, and provides Kabuni with the ability to offset the Kabuni House's operating costs and make it a profit centre. As a hub which brings together designers, customers, and others from the local design community, the Kabuni House is also expected to help drive online sales in the Kabuni marketplace.

¹ - Calculated using an average estimated number of 1,500 social media connections per designer, for the 1,470 designers registered on the Kabuni platform. 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.



Our Growth

Ambassador Program

In February of this year, we announced the formal launch our Ambassador Program. Our initial roster of ambassadors included influencers who have been recognized as leaders within their field, and who share Kabuni's own corporate values of sustainability, community development and promoting great design. These ambassadors continue to be loyal supporters of Kabuni, promoting the brand through their social media channels, and personal networks. Our ambassadors have provided useful guidance in enhancing the Kabuni House and platform experience, and have championed Kabuni within their local community. For example, in July, our ambassador Bette Bennett lead a group of 20 interior design students from Washington state on tour at our Kabuni House.

In the next financial year, we will continue to harness our network of ambassadors in order to introduce the Kabuni platform to designers across Canada and the United States. More specifically, we plan on growing our ambassador program and increasing the number of Kabuni ambassadors, and the cities in which they are located, while organizing events via those ambassadors that are designed to engage designers and makers in those cities.

Social Media

Social media (such as Facebook, Twitter, LinkedIn, Pinterest and Tumblr) is expected to play a key role in helping to grow our user-base. Our strategy is to capitalize on our designers' social media connections in order to achieve an organic growth. As previously stated (see "Our Revenue", above), in August we released an update to the functionality of our platform that links Inspiration Boards shared on social media directly to the Kabuni marketplace. This update broadens the reach of Kabuni's platform to designers' social media connections, currently estimated at over 2 million connections in total.²

This number is expected to continue to grow in the future, as new designers join the platform and as they increase the scope of their own social media reach. This organic approach, combined with a careful use of paid social media advertising, is anticipated to provide us with a solid and steady user growth in the next financial year.

² - See note 1, above.



Our Growth

Search Engine Optimization (SEO)

Search engine optimization (SEO), which increases the visibility of our web pages in unpaid search engine results, will also continue to form an important part of our internet marketing strategy going forward. We have designed our platform in such a manner that user-generated content (in the form of Inspiration Boards) is capable of being indexed by search engines. This is expected to create a self-perpetuating cycle, as content that is generated by our users helps to increase our organic search engine results and attract more users.

Catalogue products and designer profiles will also be indexed in search engines, giving us an advantage in long tail SEO. Unlike standard SEO, long tail SEO search terms are specific search terms that are generally expected to have a higher conversion ratio. To illustrate, when consumers search for the word “sofa” on a search engine, they are provided with hundreds of thousands of results. In this case “sofa” is a “head” term, or standard SEO term. Standard SEO terms are often generic, and yield the most responses. This often leaves the consumer with too many options to look through, and leads to the paralysis of choice we have referenced previously in this report. However, when a consumer is looking for something specific, and searches for “black Scandinavian small-space sofa”, far fewer responses will be returned, and because of the specific nature of the search, the consumer is far less likely to be overwhelmed, and more likely to make a purchase from one of the results.

Partnerships

By building solid relationships with the right partners, we believe that we will gain the ability to grow the Kabuni business quickly and cost-effectively. By way of example, during the year, our premier partnership with ASID afforded us unparalleled exposure and yielded a multitude of valuable connections with professional designers throughout the United States. Building on this relationship, Kabuni representatives attended ASID’s annual chapter leadership conference in Minneapolis in July 2016, bringing together chapter boards and national leaders from the entire society to learn from and meet one another. We had the opportunity to make a winning presentation at the conference and host a special focus group of designers, further solidifying awareness of Kabuni within the society.

In the next financial year, we will continue to explore favourable partnership opportunities, with a view to growing our community of designers and other users, and establishing Kabuni as the go-to platform for interior designers and makers to feature their work, and connect with clients.

Acquisitions

Our research indicates that the interior design industry is highly fragmented, with a large portion of interior designers working as independent business owners. We believe that Kabuni is well-positioned to take advantage of the market opportunity in this industry, by bringing together interior designers, makers, artists and consumers to form one cohesive community on our leading home design platform.

Additionally, in order to help us gain a leading position in the industry, we may look for and consider potential acquisitions of businesses that are complementary and add value to our business, such as design retail and media brands, and creators of new technologies. Favourable acquisition targets would be identified based on their ability to help us adopt new users more quickly, provide our users with the best tools, stimulate the growth of our revenues, and increase our overall profitability.



Our Technology

The aim of our software development strategy is to create a scalable platform that provides a consistent user experience across all devices, including all mobile devices and desktop computers. This strategy supports Kabuni's overall omni-channel approach, which seeks to provide our users with a seamless shopping experience, whether they are shopping online or at the Kabuni House.

In the year, we built and launched the Kabuni marketplace platform as two separate applications: one for Apple iOS devices, and one as a web browser-based application.

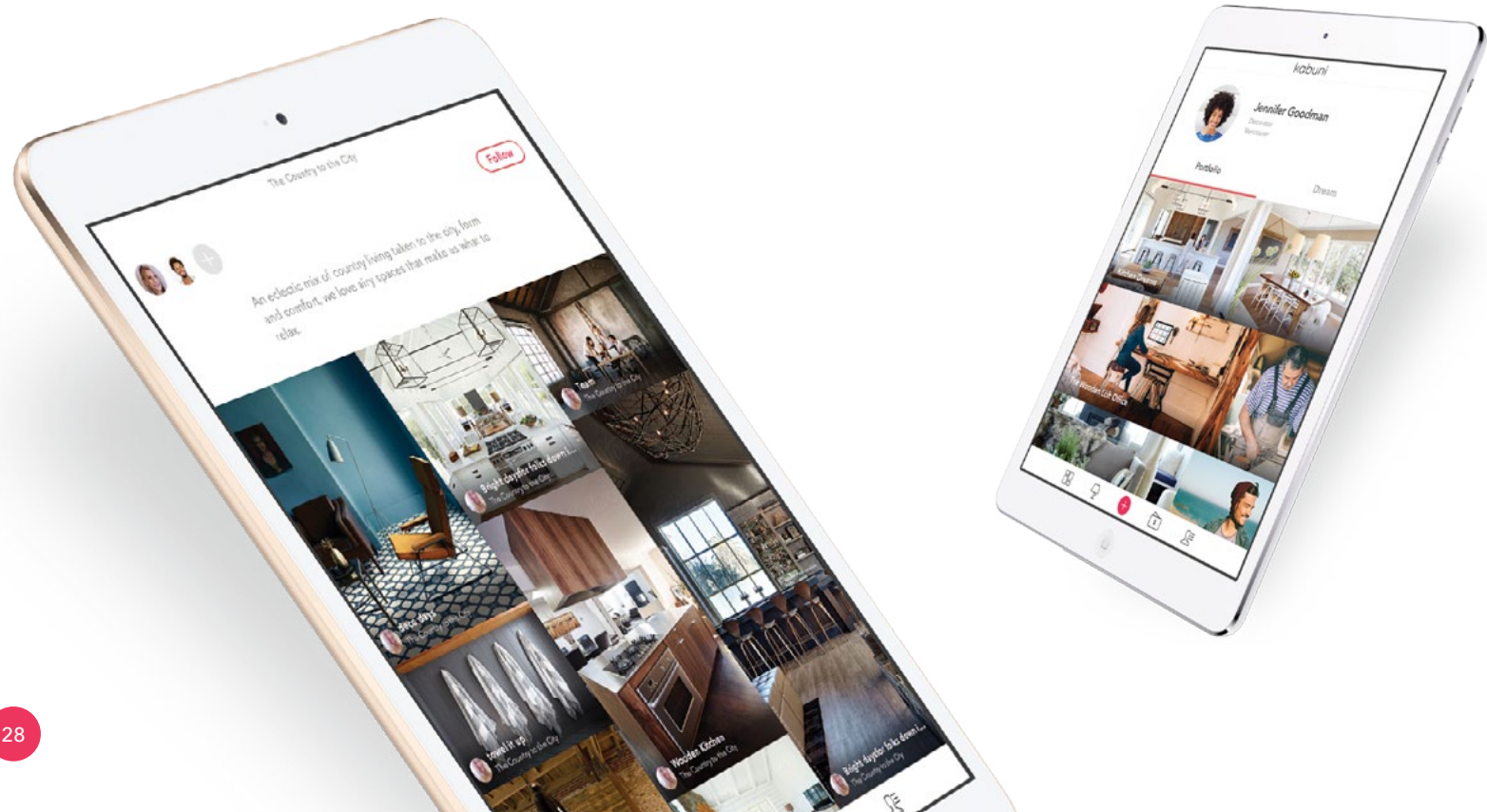




iOS Application

Based on our research, which indicated that our community of designers was primarily mobile friendly and tech-savvy, we initially prioritized the development of our native iOS application for Apple mobile devices. The first version of the iOS application was launched during the first half of the year, and was promptly followed by subsequent releases adding to the app's full complement of basic features. In the third quarter, we released version 1.6 of the application, which represented a major milestone in the application's development by introducing e-commerce capability to the application.

Since then, we have also made significant upgrades to the platform's speed and overall performance, including faster loading and browsing of both Kabuni's product catalogue and all user-generated content.



In August 2016, we released Version 2.0 of the mobile application, which builds on previous improvements and adds the following key features, aimed at simplifying user experience and facilitating e-commerce transactions. We've made the product catalogue universal, which means that now all users, both clients and designers, are able to browse Kabuni's complete catalogue of home decor products; a feature previously only available to designers. Opening the catalogue to clients is expected to help drive revenue by allowing all users to view and purchase products that match their own unique sense of style and taste. The features are also expected to make it easier for designers and clients to collaborate together.

We've also implemented a new client onboarding experience, which significantly reduces the number of steps required to connect a client to a designer from 8 steps to 3 steps. When 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 platform. Once matched, the designer can contact the client to offer design advice and collaborate with the client on design ideas and projects. Designers are incentivised to engage with a client that is matched with them, as they continue to have the ability to earn income by receiving a share of Kabuni's gross profit earned on purchases made by this client.

Kabuni's mobile platform now has a comprehensive search function, which considerably improves users' ability to browse Kabuni's product catalogue, and search for products, Inspiration Boards, and interior designers. As a result, users will be able to easily and quickly find products that suit their individual needs. The Company will continue to expand the capabilities of this global search function, in order to further enhance user experience.

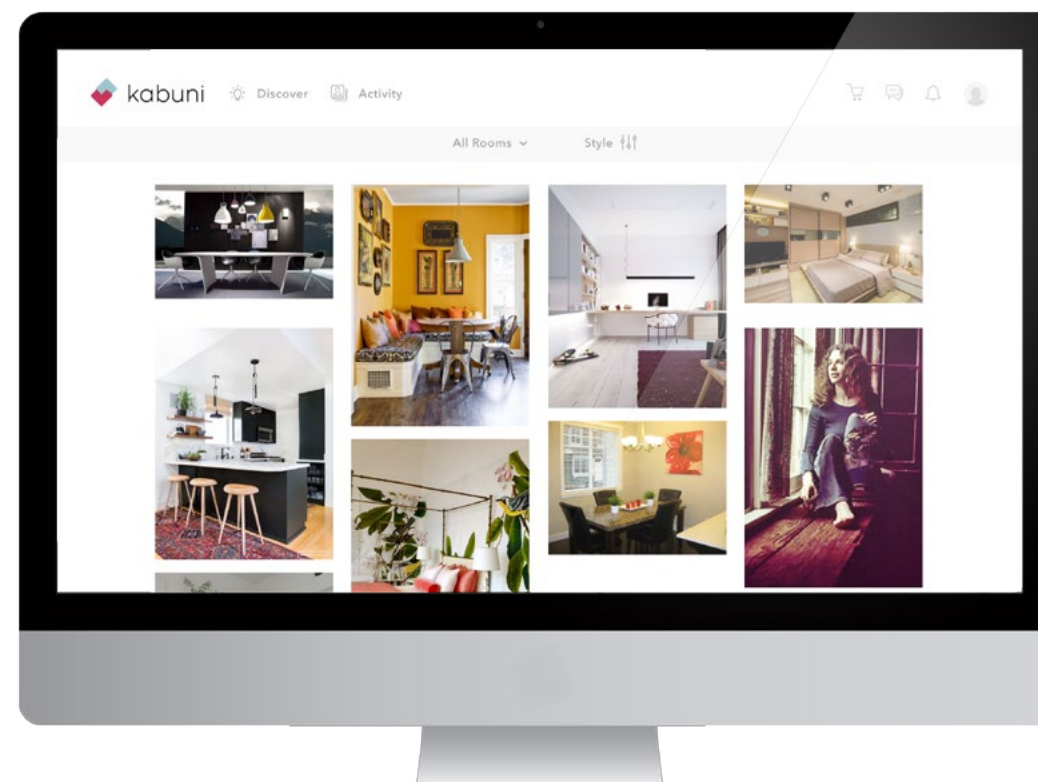
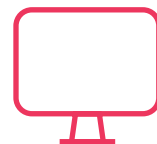


Web Application

In order to make the Kabuni platform more widely available, we have also developed a web application that is accessible by users on any device, including desktop computers, and other mobile devices, such as Windows and Android devices. The web application aims to provide all users with the same tools offered by our iOS application.

We released the first version of our web application during the fourth quarter of FY2016, providing users with many of the same tools offered by our iOS application.

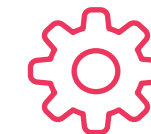
Shortly thereafter, we introduced full purchasing functionality to the web application, thereby significantly increasing the number of potential clients who may purchase products and drive e-commerce transactions. We expect that the web application will include the complete set of features of the iOS application early in the first quarter of FY2017.



Backend System

Our iOS and web applications are the interfaces through which our users interact with a sophisticated database and an e-commerce system, which form the backend of our platform ("Backend System"). We built our Backend System from the ground up, based on a popular open-source e-commerce solution called "Spree Commerce", which is itself based on the "Ruby on Rails" programming language.

In addition, we have developed our Backend System with expansion and interactivity in mind, creating a suite of RESTful APIs (Application Specific Interfaces), which provide a standardized way for external applications to communicate with our system.





Our Development Team

The development of our Backend System and iOS application were key company initiatives for FY2016. Approximately 75% of the total technology development budget (about CDN\$1.1M) was spent on these activities. Due to the need for expediency in releasing our mobile application and the shortage of available, and local mobile development talent, we hired third party contractors to assist with our software development efforts. These third-party contracts amounted to approximately 54% of the total technology development budget (about CDN\$800,000).

Having completed the initial release of our platform, in the second half of FY2016, we terminated all third party contracts and brought our software development activities in-house. Having all software development capacity in-house provides us with significant benefits. For one, it allows us to better control technology development costs. In addition, this allows us to fully implement an agile development framework, responding quickly and effectively to market demands and better positioning Kabuni for success.

During the year, we also opened a software development office in Bangalore, India. Having 11 full-time software developers in Bangalore has provided Kabuni with considerable benefits, allowing Kabuni to develop and test software at a more rapid pace due to the expanded hours of operations realized throughout the day. Furthermore, each developer in India represents a cost savings of approximately CDN\$42,000 against the cost of hiring a comparable developer in Canada. This presence in India gives Kabuni access to a considerable pool of technologically adept talent, which will allow the Company to quickly address its software development needs as required by the increasing scale of its business.

Key Board Appointment

On 1 August 2016, Mr. Ajai Sehgal joined our board as a non-executive director. Mr Sehgal is the current Chief Technical Officer and Chief Information Officer of Hootsuite, leading Software Engineering, IT, Security, and Operations. Hootsuite is the world's most widely used platform for managing social media and is headquartered in Vancouver, Canada.

Mr. Sehgal also has vast experience in agile development methodologies and working with offshore teams. With his depth of experience, Mr. Sehgal will be in a position to provide invaluable guidance to Kabuni's future development activities.



Our Financial Results

During the 12-month period ending 30 June 2016 (the “financial period”), the Group continued to develop its products and to promote itself within the interior design industry. Initial sales of products and services promoted by the Group occurred in the fourth quarter of the financial period, as a test of the Group’s technology and e-commerce functionality, with sales focused primarily on friends and family of the Kabuni staff. These sales were very modest and totalled AUD\$12,842.

During the financial period, the Group invested heavily in marketing initiatives, like the US\$100,000 partnership with the American Society for Interior Designers. Further, the Group attended and presented at various interior design related trade shows and industry events in order to develop strong relationships with interior design industry participants. Management believes that this investment will assist the Group in the long-term and help prepare it for a growing number of future sales of both promoted products found on the platform and promoted services found at our Vancouver Kabuni House during the next financial year.

Cash as of 30 June 2016 fell to AUD\$1,958,734, from AUD\$8,417,552 as at 31 August 2015³, as a result of both ongoing corporate activity and additional capital investment in support of product development. Of note, since 31 August 2015, no additional funds were generated from financings. . The Group will require a financing during the fourth calendar quarter of the year to provide sufficient working capital to maintain its operations for the upcoming year. The Group will require a financing during the fourth calendar quarter of the year to provide sufficient working capital to maintain its operations for the upcoming year.

The Group ended the financial period with working capital of AUD\$1,735,275 compared with AUD\$7,770,966 as of 31 August 2015. The working capital variance between 31 August 2015 and 30 June 2016 is due to product development and marketing costs, and investments in capital assets and intellectual property.

3 - Please note that 31 August 2015, which is the end of the month in which the Company's reverse-takeover acquisition of Kabuni Technologies Inc. occurred, has been used as a comparative date for certain information herein, in order to provide a more meaningful comparison.



Our Financial Results

The Group's net loss and comprehensive loss totalled AUD\$15,847,025 for the 12-month financial period, with basic and diluted loss per share of \$0.14. This compares with a net loss of AUD\$2,445,431 with basic and diluted loss per share of \$0.05 for the twelve months ended 30 June 2015. The increase of AUD\$13,401,594 in net loss was principally because of the one-time and non-cash listing fee of AUD\$8,885,899 and the following operating expenses:

a) General and Administration

For the financial period, general and administration expenses increased by AUD\$316,646 as the Group expanded its operations by, among other things, hiring additional staff, engaging third-party developers, increasing promotional and marketing initiatives, and complying with certain requirements of a public company.

b) Rent

For the financial period, rent increased by AUD\$272,009 as the Group added the rental space for the Vancouver Kabuni House and added an office in Bangalore India to accommodate full-time software developers, management and administrative employees engaged to meet the needs of the expanding business operations.

c) Salaries, Bonuses and Benefits

For the financial period, salaries, bonus and benefits increased by AUD\$1,962,656 as the Group hired employees to run its operations, develop its e-commerce platform, support research and development, and advance the plans to commercialize of the Group's e-commerce platform

d) Share-based Payments

For the financial period, share-based payments increased by AUD\$371,597 as a result of the Group instituting an Employee Option Acquisition Plan in order to attract and retain individuals necessary for the development and commercialization of the Group's e-commerce platform.

e) Travel

For the financial period, travel expenses increased by AUD\$155,559 for marketing and business development purposes. The increase is as a result of the Group becoming publicly traded with international operations and efforts to promote the ongoing development of the Group's products.

f) Software development

For the financial period, software development costs increased by AUD\$1,075,149 due to additional software development activities in Canada and India. This figure also includes the engagement of outside contract software developers required to develop our software platform and supplement the software development skills of existing full-time software development staff and management. As previously indicated (see "Technology", above), the Group has now terminated all third-party contracts for software development and brought all software development in-house.

g) Advertising and Promotion

For the financial period, advertising and promotion costs increased by AUD\$558,250 due to promotion of the Group and its software. Expenditures are inclusive of sponsorships such as American Society of Interior Designers, as well as, social media and traditional advertising efforts employed by Kabuni to promote the software platform. During the financial period, the Group also incurred several one-time expenditures associated with the grand opening of the Vancouver Kabuni House (approximately CDN\$40,000), and additional video production services from a US-based creative agency (approximately US\$40,000) during the same period.

h) Professional & Consulting Services

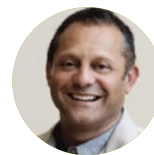
For the financial period, professional & consulting services costs decreased by AUD\$242,281 due to the reduction in the use of legal, accounting and professional consulting services during the period. The Group plans to continue to use professional and consulting services during the upcoming fiscal period, commensurate with operating as both a public company and a growing international business.

Our Board of Directors & Senior Management

Directors



Mr. Tony King
Chairman



Mr. Neil Patel
Managing Director and Chief Executive Officer



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

Senior Executives



Mr. Neil Patel
Chief Executive Officer



Ms. Lisa Dea⁴
Chief Financial Officer



Mr. Parminder Singh Virk
Chief Technology Officer



Ms. Raquel Hirsch
Chief Revenue Officer



Mr. Marc-Alexandre Poirier
Chief Legal Officer

⁴ - Ms. Lisa Dea has been appointed as the Company's Chief Financial Officer effective 6 September 2016.



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) 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.



MATERIAL BUSINESS RISKS

In accordance with s. 299A(1) of the *Corporations Act 2001* (Cth), and ASIC Regulatory Guide 247 Effective Disclosure in an Operating and Financial Review (RG 247) issued in March 2013, this section describes the key material business risks that could adversely affect the Company's financial performance.

Limited Operating History and Financial Resources

- Kabuni is a start-up company, has a limited operating history with no history of material revenue generation and there is no assurance that future operations will result in revenues or profits.
- The Company will require access to substantial additional capital to fund its business strategies (including those described in the report of the Chief Executive Officer starting at page 4 of this Annual Report) and may be unable to raise such capital. If the Company is unable to obtain debt or equity to fund expansion, there can be no assurance that the Company will have sufficient capital resources to meet its stated objectives in order to carry on business, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. In addition, any additional equity financing may be dilutive to the Company's existing shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy.

Operational

- The Company believes that maintaining and promoting its brand is critical to expanding its user base. The successful commercialisation of Kabuni's business and operating brands depends on the strength of the Company's reputation in the marketplace, which will be built on the trust of consumers. The failure to maintain that trust may damage Kabuni's business and harm the ability to maintain or expand the base of platform users and participating product and service suppliers.
- The Company depends on highly skilled personnel to grow and operate its business, and if the Company is unable to hire, retain and motivate its personnel, the Company may not be able to grow effectively.
- The Company is highly dependent on third-party supplier relationships to fulfil product orders, such as suppliers of home furnishings and shipping service providers. Arrangements with third-party suppliers carry a risk that the third parties do not adequately or fully comply with their respective contractual rights and obligations. Increasing and maintaining relationships with these suppliers will be critical to the success of Kabuni's business.
- The Company relies on search engines and social networking sites to attract a significant portion of its users. If the Company is not able to generate traffic to its website through search engines and social networking sites, the Company's ability to attract new users may be impaired.
- Spam by users could diminish user experience on Kabuni's platform, which could damage the Company's reputation and deter current and potential users from using the Company's products and services.
- The Company encourages employees to develop and help launch new and innovative features. The Company focuses on improving the user experience for its platform and on developing new and improved functionality for the users of the platform. The Company prioritizes product innovation and user experience over short-term operating results, which could adversely affect the Company's potential revenues and operating results.
- Several of the Company's key products and services utilize a social media model akin to those seen in Facebook, Twitter and LinkedIn (user profiles, news feeds and the like). This social media model has proven very popular, as the success of those and other services illustrates. However, there is no guarantee that this model will remain popular.
- If the prices the Company charges for its services are unacceptable to its users, its operating results will be harmed.

Technology

- If the Company fails to effectively manage its technical operations infrastructure, its users may experience service outages and delays in the further deployment of its services, which may adversely affect its business.
- The Company's ability to build a user base for its services and the Company's future operating success are heavily dependent on designers' continued use of the Company's Internet-based services. To the extent that interior designers and interior design industry participants do not consider Kabuni's technology platform to be a useful or viable commercial medium, the Company may be unable to develop a revenue-generating user base. In addition, even if the Company can establish a user base, there can be no guarantee that users will be willing to purchase home furniture and furnishings through the platform, which would also limit Kabuni's revenue generating abilities.
- The Company's ability to attract new users and retain existing users will depend in large part on whether the Company can continue to improve and enhance the functionality, performance, reliability, design, security and scalability of its technology platform. The Company may experience difficulties with software development that could delay or prevent the development, introduction, or implementation of new solutions and enhancements. Software development involves a significant amount of time for research and development, and it can take months to update, code and test new and upgraded solutions and integrate them into the technology platform. The continual improvement and enhancement of the technology platform requires significant investment, and the Company may not have the resources to make such an investment. To the extent that the Company is unable to improve and enhance the functionality, performance, reliability, design, security and scalability of its technology platform in a manner that responds to interior design professionals and interior design industry participants' evolving needs, this may have a material adverse effect on the Company's business, results of operations and financial condition.
- Like many Internet-based companies, the Company provides frequent incremental releases of software updates and functional enhancements. Defects or disruptions in the rollout of the Company's new products and product



enhancements could diminish demand for the Company's service, adversely affect the Company's reputation or subject the Company to substantial liability.

- The Company currently serves users from third-party cloud storage providers based both within and outside of the US. Interruptions or delays in service from third-party cloud storage providers for Kabuni's technology platform, or the loss or corruption of cloud-based data, would impair the delivery of the Company's service and harm its business.
- Mobile devices are increasingly being used to conduct commerce, and if Kabuni's technology platform does not operate effectively when accessed through those devices, designers and their clients may not be satisfied with the Company's services, which could harm business.
- The Company employs third-party licensed software for use in or with its services, and the inability to maintain these licenses or errors in the software the Company licenses could result in increased costs, or reduced service levels, which would adversely affect the Company's business.
- Hackers could render Kabuni's platform unavailable and lead to an interruption in services
- E-commerce fraud, if not adequately controlled, could have a negative impact in Kabuni's business

Intellectual Property

- The Company has filed for trademark protection for the "KABUNI" brand name in the US, Canada, Europe, Australia and New Zealand. Except as aforesaid, the Company does not currently have any patent or trademark protection of its intellectual property and it is not yet known whether it will be in fact possible to obtain any patent or trademark protection of Kabuni intellectual property and registration of associated trademarks in the future.
- The Company uses a combination of open source and third party licensed software to develop its own software and network platform, and relies on its ability to protect its intellectual property rights adequately. The Company relies on the copyright it has in its software code and its intellectual property being kept confidential within the organisation to protect its trade secrets. The Company cannot ensure that it will be able to prevent infringement of its intellectual property rights or misappropriation of its proprietary information. Any infringement or misappropriation could harm any competitive advantage the Company currently derives or may derive from its proprietary rights. Third parties may assert infringement claims against the Company. Any such claims and any resulting litigation could subject the Company to significant liability for damages.

Industry and Competition

- The online home design industry is highly competitive and is subject to increasing domestic and global competition which is fast-paced and fast-changing. While the Company will undertake all reasonable due diligence in its business decisions and operations, it will have no influence or control over the activities or actions of its competitors, whose activities or actions may positively or negatively affect the operating and financial performance of Kabuni's projects and business.
- Kabuni's business and financial performance are affected by the health of, and changes to, the interior design industry, particularly in the US and Canada. Interior design industry patterns are affected by economic conditions, and tend to decline or grow more slowly during periods of slow growth or economic downturns. Declines in, or changes to, the interior design industry could have a material adverse effect on the Company's business, results of operations and financial condition.
- Seasonality may cause fluctuations in the Company's potential revenue, operating expenses and operating results.

Regulatory

- The establishment of the Company's brand on the Internet is dependent on the acquisition of domain names, which are regulated by Internet regulatory bodies. If the ability to use a domain name in Canada or any other country is lost, the Company could be forced to incur significant additional expense to market Kabuni's business, including the development of a new brand and the creation of new promotional materials, which could have a material adverse effect on the Company's business, results of operations and financial condition.
- Kabuni's operations may become subject to additional regulatory requirements, such as licensing and reporting obligations, which would increase the costs and resources associated with its regulatory compliance.
- Federal, state and foreign laws (such as Canada's anti-spam legislation (CASL) and the US CAN-SPAM Act) impose certain obligations on the senders of commercial emails, which could minimize the effectiveness of the Company's services, limit the Company's ability to market to prospective users and impose financial penalties on the Company for noncompliance.
- The Company is subject to certain risks associated with international operations.
- Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for the Company's services, and could have a negative impact on the Company's business.
- The Company is subject to Canadian, US and foreign data privacy and protection laws and regulations as well as contractual privacy obligations, and failure to comply could result in fines, damages and harm to the Company's reputation and business.
- If the security of users' confidential information stored in the Company's systems is breached or otherwise subjected to unauthorized access, the Company's reputation may be severely harmed and the Company may be exposed to liability.
- The Company will incur increased costs and regulatory burden and devote substantial management time as a result of being a public company. The Company, as an ASX-listed company that is also a reporting issuer in Canada, is subject to the rules and regulations of the Canadian Securities Administrators in addition to the requirements of the ASX.



Financial

- The Company is subject to foreign currency fluctuations which may materially affect its financial position and operating results.
- The Company's insurance coverage may not be adequate to cover substantial losses or liabilities.
- The Company cannot accurately predict expansion rates and the impact these rates may have on its future revenue and operating results.
- The Company's quarterly results may fluctuate significantly and may not fully reflect the underlying performance of its business.

The Directors present their report for Kabuni Limited ("Kabuni" or the "Company") and its controlled entities (the "Group") for the year ended 30 June 2016.

CORPORATE INFORMATION

The Company is a company limited by shares, which was incorporated under the Australian Corporations Act 2001 (the "Corporations Act") on 11 May 2012, as "Magnolia Resources Limited". On 25 August 2015, the Company changed its name to "Whole New Home Ltd." and on 13 November 2015, the Company changed its name to "Kabuni Ltd." The Company was listed on the Australian Securities Exchange ("ASX") on 30 October 2012, and its ordinary shares ("Shares") trade on the ASX under the symbol KBU. The Company's registered office is at Level 1, 35 Richardson Street, West Perth, Western Australia 6005, Australia. The head office of Kabuni Technologies Inc. (formerly PDT Technologies Ltd.) ("Kabuni Technologies"), the Company's principal operating subsidiary, is located at 111 - 375 Water Street Vancouver, British Columbia V6B 5C6.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Group's principal activity during the financial year was to operate an Internet-based Software-as-a-service ("SaaS") and e-commerce platform (the "Platform") for the online home design industry.

The Company was originally established as a natural resource company with the purpose of acquiring, exploring and developing mineral deposits in Australia and overseas. The Company's principal activities previously focused on mineral exploration on its Oldham Range Project located in central Western Australia, approximately 320 kilometres northeast from Wiluna. In light of difficult market conditions in the mining and exploration sector, the Company began evaluating investment opportunities outside the resources industry and eventually transitioned into the online home design industry.

On 25 August 2015, the Company completed the acquisition (the "Acquisition") of Kabuni Technologies, the principal operating entity of the Company's current business. Concurrently with the Acquisition, the Company completed (a) a public offer of 35,000,000 Shares at an issue price of A\$0.20 each for aggregate proceeds of A\$7,000,000, and (b) a public offer of 12,000,000 listed options at an issue price of A\$0.005 per Listed Option for aggregate proceeds of A\$60,000.

The Acquisition was a reverse take-over ("RTO") for accounting purposes with (a) the Company being the legal acquirer and the reverse takeover acquiree for accounting purposes, and (b) Kabuni Technologies being the legal acquiree and the RTO acquirer for accounting purposes. Accordingly, the historical financial data presented in this Annual Report for the years ended prior to the Acquisition or the year during which the Acquisition occurred is that of Kabuni Technologies. The historical financial data for periods completed after the Acquisition is that of the Company. Unless stated otherwise, all comparative information provided is that of Kabuni Technologies.

Since the Acquisition involved a change in the nature and scale of the Company's activities, the ASX required that the Company re-comply with its listing requirements. Accordingly, the Shares and the listed options were admitted to quotation and reinstated for trading on the ASX on 3 September 2015.

Following the Acquisition, on 25 September 2015, the Company announced that it had rebranded the Kabuni business, which was previously operating under the name "Whole New Home", and on 13 November 2015, the Company changed its name to "Kabuni Ltd." The goal of the rebranding of the Company's business was to create a stronger, more distinctive brand that better reflected the Company's strategic vision. In connection with the rebranding, the Company's Canadian operating subsidiary was renamed from "PDT Technologies Inc." to "Kabuni Technologies Inc."

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 financial year.

REVIEW OF OPERATIONS AND RESULTS

A review of the operations of the Group during the financial period and the results of those operations is set out in the Report of the Chief Executive Officer ("CEO"), starting at page 4 of this Annual Report (the "CEO's Report"). A review of the key material business risks that could adversely affect the Company's financial performance are set out in the Material Business Risks section starting at page 42 of this Annual Report.

DIVIDENDS

No dividend was paid or declared by the Company during the year and up to the date of this report.

MATTERS ARISING AFTER THE END OF THE FINANCIAL PERIOD

Except as set out in this Annual Report, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year 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.

On 18 August 2016, the Company issued 1,306,667 unlisted options to acquire Shares, to certain employees and consultants. The issue was made pursuant to the Company's Employee Option Plan approved by shareholders at the Company's Annual General Meeting ("AGM") held on 12 November 2015. The purpose of the issue is to attract, motivate and retain employees and consultants and to encourage participation through Kabuni Share ownership. No Director of the Group participated in the issue.

The details of the options are as follows:

Number	Exercise Price \$	Expiry Date	Listing Status
150,000	\$0.13	6-Nov-18	Unlisted
300,000	\$0.13	31-Oct-18	Unlisted
650,000	\$0.13	6-Sep-19	Unlisted
100,000	\$0.18	12-May-19	Unlisted
106,667	\$0.18	31-Mar-19	Unlisted
1,306,667			

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

A discussion of likely developments in the Group's operations in future financial years and the expected results of those operations is set out in the CEO's Report.

DIRECTORS

The names, qualifications and experience of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Mr. Tony King Chairman

Mr. King is a Chartered Accountant with over 15 years' experience in finance, accounting and corporate matters. He has extensive experience in business development and transaction execution. Over a number of years, Mr. King has developed key relationships and extensive networks with fund managers, stockbrokers and financial institutions.

Mr. King's career has included several years of investment banking and financing experience, including periods based in London and the eastern states of Australia. Mr. King is the Managing Director of Max Capital Pty Ltd.

Mr. Neil Patel (appointed 25 August 2015) Managing Director

Mr. Patel founded Kabuni Technologies in 2013 and has served as its Chief Executive Officer since 2013. Mr. Patel is an experienced entrepreneur with a track record of creating innovative technology solutions for the property sector. Prior to joining Kabuni Technologies, he was the founder and Chief Executive Officer for 5730962 Manitoba Ltd (o/a Webidiotz), an online video-creation and marketing company, from September 2008 until December 2012.

Between November 2005 and July 2008 Mr. Patel was Chief Executive Officer of One Move Ltd. in the United Kingdom, an innovative app-based company that partnered with Research in Motion in 2006. Mr. Patel also acted as a director of One Move's publicly-traded parent company, OneMove Technologies Inc. (TSX-V: OM), from February 2006 until May 2008.

Mr. Nik Ajagu (appointed 25 August 2015) Non-Executive Director

Mr. Ajagu has worked for Facebook Inc. since December 2007, where he holds the position of Global Head of Partnerships, Facebook Advertising Technology. At Facebook, Mr. Ajagu spun out and led the company's Media Solutions teams in North and South America, and led various operations and monetisation teams responsible for designing and implementing the systems, tools, products, and processes that grew Facebook Inc. into a multibillion-dollar advertising business.

In January 2014, he co-founded Code & Canvas, a San Francisco-based centre for art and innovation, and in September 2014 co-founded Barrel and Ink, a creative platform for winemakers and graphic artists. Mr. Ajagu is an active guest lecturer and his organisational leadership and design models have been highlighted in case studies by academic institutions, including Harvard Business School. Mr. Ajagu holds a Bachelor of Arts degree from Princeton University.

Mr. Nathan Sellyn (appointed 25 August 2015) Non-Executive Director

Mr. Sellyn is currently a partner at Assembly Stakeholder Relations, a boutique investor relations firm that he cofounded in 2011. Between August 2004 and April 2011 Mr. Sellyn worked for Great Canadian Gaming Corporation where he held various roles including Director of Corporate Development and Investor Relations. Mr. Sellyn is also a co-founder and serves as Chief Creative Officer since 2011 of Brothersport Games, a sports-gaming application development studio. Mr. Sellyn earned a Bachelor of Arts degree from Princeton University.

Mr. Matthew Hehman (appointed 16 September 2015, resigned 18 July 2016) Non-Executive Director

Between November 2005 and April 2012, Mr. Hehman worked for Facebook Inc. first as a Senior Advertising Campaign Manager before becoming an Account Executive in early 2008. Since September 2014, Mr. Hehman has acted as an advisor to Bountye Inc., an Australian based commerce marketplace technology company. He has served as a director with the Sing Me a Story Foundation since May 2011. Mr. Hehman obtained a Bachelor of Arts with a major in Economics from Stanford University.

Mr. Colm O'Brien (appointed 18 July 2016)
Non-Executive Director

Mr. O'Brien has over 20 year's 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.

Mr. O'Brien is currently a Director of Carrington Partners, a management consultancy firm focused on providing practical strategic and executive support, including business growth, cost review and turnarounds, transformational change, acquisition/partnership structures and funding introductions. Mr. O'Brien also acts as non-executive director of Pacific Star Network Limited (ASX: PNW), an ASX listed media company with market leading niche assets in broadcasting and publishing, including SEN Radio, Frankie Magazine, Smith Journal and Surfing Life Australia.

Mr. Ajai Sehgal (appointed 1 August 2016)
Non-Executive Director

Mr Sehgal is the current Chief Technology Officer/Chief Information Officer of Hootsuite, leading Software Engineering, IT, Security, and Operations. Hootsuite is the world's most widely used platform for managing social media and is headquartered in Vancouver, Canada.

Prior to Hootsuite, Mr Sehgal spent 16 years with the Canadian Armed Forces before joining Microsoft Corporation in Redmond, Washington 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, Mr. Sehgal specializes in the global scaling of SaaS technology and is leading Hootsuite technology through the next step in its evolution.

Mr. Cameron Pearce
Non-Executive Director (resigned 16 September 2015)

Mr. Pearce has extensive professional experience in both the Australian and United Kingdom finance industries. In recent times he has provided corporate, strategic, financial and advisory assistance to private and public companies in both Australia and the United Kingdom. Mr. Pearce is a member of the Institute of Chartered Accountants in Australia and has been in commerce over 15 years, holding senior financial and management positions in both publically listed and private enterprises in Australia, Europe, Asia and Africa. Mr. Pearce has considerable corporate and international expertise and over the past decade, has focused on mining and exploration activities.

Mr. Travis Schwertfeger
Non-Executive Director (resigned 25 August 2015)

Mr. Schwertfeger is a professional geologist with over 15 years of gold exploration experience in Australia, North and South America, and West Africa. In previous roles as VP of Exploration for Golden Predator Corp., and over 7 years' experience with Newmont Mining Corp., Mr. Schwertfeger has gained experience in both valuation of mineral projects, and management of exploration programs.

He graduated from Colorado School of Mines in 1998 with a B.Sc. in Geological Engineering, and received his M.Sc. in Ore Deposit Geology and Evaluation from the University of Western Australia in 2011. As a member in good standing with the Australian Institute of Geoscientists, Mr. Schwertfeger has appropriate experience to act as competent person with respect to reporting of resources and technical aspects related to the business of the Company.

COMPANY SECRETARY
Mr. Aaron Bertolatti

Mr. Bertolatti is a qualified Chartered Accountant and Company Secretary with over 9 years' experience in the mining industry and accounting profession. Mr. Bertolatti has both local and international experience and provides assistance to a number of resource companies with financial accounting and stock exchange compliance. Mr. Bertolatti has significant experience in the administration of ASX listed companies, corporate governance and corporate finance.

INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the Directors in the securities of the Company are:

Director	Ordinary Shares	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares	Class D Performance Shares
Tony King	4,625,040	-	-	-	-
Neil Patel	19,950,000	6,151,250	6,151,250	6,151,250	6,151,250
Colm O'Brien	-	-	-	-	-
Nik Ajagu	333,333	333,333	333,334	-	-
Nathan Sellyn	333,333	333,333	333,334	-	-
Ajai Sehgal	-	-	-	-	-

SHARE OPTIONS

As at 30 June 2016 there were 18,130,000 unissued Shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date	Listing Status
12,000,000	\$0.30	25-Aug-18	Listed (ASX: KBUO)
2,500,000	\$0.20	30-Jun-17	Unlisted
3,630,000	\$0.18	31-Mar-19	Unlisted
18,130,000			

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

560,001 unlisted employee options, exercisable at \$0.18 lapsed during the year as the vesting condition was not met.

7,750,000 unlisted options, exercisable at \$0.20 per option were converted to Shares on 2 July 2015.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act. The indemnification specifically excludes wilful acts of negligence.

The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group.

DIRECTORS' MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Tony King	11	11
Neil Patel	10	10
Nik Ajagu	10	8
Nathan Sellyn	10	9
Colm O'Brien	-	-
Ajai Sehgal	-	-
Matthew Hehman	9	7
Cameron Pearce	2	2
Travis Schwertfeger	1	1

During the financial year, the Directors met regularly to discuss all matters associated with investment strategy, review of opportunities, and other Company matters on an informal basis. Circular resolutions were passed as necessary to execute formal Board decisions.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Kabuni is in compliance to the extent practicable with those guidelines, given the early stage and nature of its operations. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company.

The Company has established a set of corporate governance policies and procedures and these can be found on the Company's investor website: investor.kabuni.com.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act requires the Company's auditors to provide the Directors of Kabuni with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 85 of this Annual Report.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the period by the auditor are outlined in note 21 to the financial statements included in this Annual Report. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

AUDITED REMUNERATION REPORT

This report, which forms part of this Directors' Report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of the Company for the financial year ended 30 June 2016. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act.

The remuneration report details the remuneration arrangements for KMP who comprise the Directors and the Senior Executives. The "Senior Executives" are defined as the CEO and those executives having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly.

Details of Key Management Personnel

The following individuals were the KMP of Kabuni for the financial year ended 30 June 2016.

Directors

Tony King	Chairman
Neil Patel	CEO and Managing Director (appointed 25 August 2015)
Nik Ajagu	Non-Executive Director (appointed 25 August 2015)
Nathan Sellyn	Non-Executive Director (appointed 25 August 2015)
Matthew Hehman	Non-Executive Director (appointed 16 September 2015, resigned 18 July 2016)
Cameron Pearce	Non-Executive Director (resigned 16 September 2015)
Travis Schwertfeger	Non-Executive Director (resigned 25 August 2015)

Senior Executives

Marc-Alexandre Poirier	Chief Legal Officer (appointed 9 September 2015)
Tim Fernback	Interim Chief Financial Officer (appointed 7 March 2016)
Linda Lee	Chief Financial Officer (appointed 20 October 2015, resigned 11 March 2016 and left the Company on 31 May, 2016)
Parminder Singh Virk	Chief Technology Officer of Kabuni Technologies (appointed March 4, 2016)

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for Directors and Senior Executives. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a yearly basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The expected outcome of this remuneration structure is to retain and motivate the Directors and Senior Executives.

As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter and Remuneration Policy. Currently, the full Board performs the function of the Remuneration Committee. Given that the Company remains at an early stage of development, the Board's overall approach to compensation remains subject to change and will continue to evolve as the Company grows and develops its business.

Remuneration of Directors

The Constitution provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by a general meeting of shareholders. The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. Non-executive Directors do not receive performance-based pay.

All non-executive Directors are currently paid an annual stipend of A\$15,000 to A\$50,000. There are currently no separate attendance fees or fees payable for chairing any committee. The maximum aggregate amount which has been approved to be paid to non-executive Directors is currently set at A\$150,000 per annum.

In addition to the annual fees referred to above, with the approval of the shareholders of the Company given at the meetings held on 20 July 2015 and 12 November 2015, certain non-executive Directors have been granted, as incentive securities (a) 333,333 fully-paid Shares, (b) 333,333 Class A Performance Shares, and (c) 333,334 Class B Performance Shares. For further details, see "Shareholdings of Key Management Personnel", below.

Executive Directors are not entitled to receive any additional compensation, including employee options, in their capacity as Directors.

Chair's Fees

The Chair's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chair is currently entitled to an annual fee of \$75,000 plus superannuation.

Additional Fees

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties

Retirement Allowances for Directors

Superannuation contributions required under the Australian Superannuation Guarantee Legislation continue to be made and are deducted from the Directors' overall fee entitlements where applicable.

Remuneration of Senior Executives

Compensation Objectives

Pursuant to the Remuneration Policy, the Company's compensation policies and practices are designed to:

- (a) align executive remuneration with shareholder interests;
- (b) retain, motivate and reward appropriately qualified executive talent for the benefit of the Company;
- (c) to achieve a level of remuneration that reflects the competitive market in which the Company operates;
- (d) to ensure that individual remuneration is linked to performance criteria if appropriate; and
- (e) to ensure that executives are rewarded for both financial and non-financial performance.

The Board aims to satisfy these objectives through the adoption of a compensation program for executive officers that combines base remuneration, which is market related, with performance-based remuneration which is determined on an annual basis. All market comparisons reflect an informal assessment and are based on the Board's knowledge and experience in executive compensation matters. No remuneration consultant was retained by the Company in determining the remuneration of any of the KMP.

Overall remuneration decisions are subject to the discretion of the Board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to the performance and relevant comparative information.

Compensation Components

In accordance with the remuneration policy, the compensation currently consists primarily of three elements: base salary, cash bonus and long-term equity incentives. Each element of compensation is described in more detail below.

Base Salary

A primary element of the Company's compensation program is base salary. The Company's view is that a competitive base salary is a necessary element for attracting and retaining qualified executive officers. The amount payable to an executive officer is determined based on the scope of his or her responsibilities and prior experience, while taking into account an informal evaluation of competitive market compensation for similar positions and overall market demand for such executives at the time of hire.

Base salaries are reviewed annually and increased for merit reasons, based on the executive officer's success in meeting or exceeding Company and individual objectives. Additionally, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope or breadth of the executive officer's role or responsibilities, as well as for market competitiveness.

Cash Bonus Plan

As at the date hereof, the Board has not approved any formal cash bonus plan. The Board may consider implementing such a plan in the future. *Ad hoc* cash bonuses may be paid from time to time if deemed appropriate by the Board, based on the attainment of particular objectives.

Long-Term Equity Incentives

Equity-based awards are a variable element of compensation that allow executive officers to be rewarded for their sustained contributions to the Company. Equity awards reward continued employment by an executive officer, with an associated benefit to Kabuni of attraction of employees, continuity and retention. Executives may participate in share, performance rights and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed

appropriate. However, the Board considers it appropriate to retain flexibility to issue shares, performance rights and options to executives outside of approved schemes in exceptional circumstances.

At the Company's AGM held on 12 November 2015, the shareholders of the Company approved an Employee Option Plan (the "Option Plan"), pursuant to which the Company may issue options ("Employee Options") to employees, consultants and officers of the Company ("Participants") and issue Shares to those Participants, if they choose to exercise their Employee Options. In the case of a Director, no Employee Options may be issued to the Director without express shareholder approval of the number and terms of the Employee Options.

The Board believes that Employee Options will provide management with a strong link to long-term corporate performance and the creation of shareholder value. The Board does not award Employee Options according to a prescribed formula or target but instead takes into account the individual's position, current base salary, informal assessment at comparable market salaries, ability to affect profits and the individual's historic and recent performance and the value of the awards in relation to other elements of the executive's total compensation. The Board takes previous grants of Employee Options into consideration when considering new grants of Employee Options.

Performance Shares

At a general meeting of the Company held on 20 July 2015, the shareholders of the Company approved the creation of a new class of shares called "Performance Shares", on the terms and conditions set out below. An aggregate of 10,032,622 Class A Performance Shares, 10,032,625 Class B Performance Shares, 9,032,623 Class C Performance Shares, and 9,032,623 Class D Performance Shares are issued and outstanding (together referred to as the "Performance Shares"), for a total of 38,130,493 Performance Shares. The Performance Shares are not transferrable or assignable.

As consideration for the Acquisition, the Company issued a total of 37,463,826 Performance Shares to the previous shareholders of Kabuni Technologies, newly appointed Directors of the Company, certain corporate advisors involved with the facilitation and negotiation of the Acquisition and as incentives to certain employees of Kabuni Technologies. An additional 666,667 Performance Shares were issued on 19 November 2015 to a Director of the Company as incentive securities in connection with his appointment. Accordingly, a number of the KMP hold Performance Shares. For details regarding the number of Performance Shares held by the KMP, see "*Performance Shares Holdings of Key Management Personnel*", below. The Performance Shares issued to Directors are classified by ASX as restricted securities and are required to be held in escrow for up to 24 months from the date of reinstatement.

The terms and conditions of the Performance Shares, including their performance conditions, were determined as part of the negotiation of the terms and conditions of the Acquisition. The following is a summary of the more significant rights, privileges and restrictions attaching to all Performance Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders of the Company. Full details of the rights attaching to Performance Shares are set out in the Company's Notice of General Meeting for the meeting held on 20 July 2015.

Conversion Rights

- | | |
|--------------|---|
| Milestone A: | Each Class A Performance Share will convert into one Share upon: |
| (a) | a minimum of 1,000 registered home designers each achieve the Canadian dollar equivalent of at least A\$200 revenue, each month for three consecutive months, on or before August 30, 2016; or |
| (b) | a minimum of 1,000 registered home designers each achieve the Canadian dollar equivalent of at least A\$200 Revenue, each month for three consecutive months, and the Milestone D below is also achieved, |
| Milestone B: | Each Class B Performance Share will convert into one Share upon: |
| (a) | a minimum of 1,000 registered home designers each achieve the Canadian dollar equivalent of at least A\$750 revenue, each month for three consecutive months, on or before December 31, 2016; or |
| (b) | a minimum of 1,000 registered home designers each achieve the Canadian dollar equivalent of at least A\$750 revenue, each month for three consecutive months, and Milestone D below is also achieved, |
| Milestone C: | Each Class C Performance Share will convert into one Share upon: |
| (a) | the Company achieving the Canadian dollar equivalent of at least A\$20 million in revenue in any 12-month period and has a minimum of 20,000 registered home designers, on or before December 31, 2017; or |
| (b) | the Company achieving the Canadian dollar equivalent of at least A\$20 million in revenue in any 12-month period and a minimum of 20,000 registered home designers, and Milestone D below is also achieved, |
| Milestone D: | Each Class D Performance Share will convert into one Share upon: |
| (a) | the Company achieving the Canadian dollar equivalent of at least A\$50 million in revenue in any 12-month period; and |
| (b) | a minimum of 35,000 registered home designers. |

Upon the occurrence of a change of control event in circumstances where any of Milestone A, Milestone B, Milestone C or Milestone D (together the "Milestones") has not been met, that number of Performance Shares on issue that, after conversion, is up to a maximum number that is equal to 10% of the issued Share capital (as at the date of the change of control event will automatically convert into Shares on a pro rata basis to all holders).

If any Milestone is not achieved by 31 December 2018, then all Performance Shares in the class of Performance Shares attaching to that Milestone, held by each holder, will automatically consolidate into one Performance Share and will then convert into one Share.

If the conversion of Performance Shares (or part thereof) would result in any person being in contravention of section 606(1) of the Corporations Act then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1).

General meetings and voting

A holder of Performance Shares has the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders of the Company, and a right to attend a meeting of shareholders of the Company. Other than as required by law, a Performance Share does not entitle the holder to vote on any resolutions proposed at a meeting of shareholders of the Company.

Dividends and Participation Rights and Rights on Winding Up

A Performance Share does not entitle the holder to any dividends. There are no participating rights or entitlements inherent in the Performance Shares and holders will not be entitled to participate in new issues (such as bonus issues) or pro-rata issues of capital to the Company's shareholders. Each Performance Share entitles the holder to participate in the surplus profits or assets of the Company upon winding up, but on the basis that each holder's Performance Shares will consolidate into one Performance Share and will then convert into one Share.

Variation of Rights

The terms of the Performance Shares may be amended by the Company as necessary, but only to the extent required, to comply with ASX Listing Rules or any specific directions of ASX regarding the terms.

Remuneration Outcomes

As noted earlier in this Annual Report (see "*Nature of Operations and Principal Activities*", above), as the Acquisition was a RTO with Kabuni Technologies being the legal acquiree and the RTO acquirer for accounting purposes, the historical financial data presented in this Annual Report for the years ended prior to the Acquisition or the year during which the Acquisition occurred is that of Kabuni Technologies. However, all remuneration disclosures in this Annual Report have been made for the legal parent entity, Kabuni Limited.

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each of the KMP of the Group for the year ended 30 June 2016 are as follows:

2016	Short term			Share Based Payments \$	Non-Monetary Benefits	Post-employment		Total \$	Option / Performance share related %
	Base Salary \$	Directors Fees \$	Consulting and other Fees \$			Super \$	Prescribed Benefits \$		
Directors									
Tony King	76,250	-	-	-	3,737	14,088	-	94,075	
Neil Patel ¹	191,517	-	-	-	9,387	-	-	200,904	-
Nik Ajagu ¹	-	12,500	-	-	613	-	-	13,113	-
Nathan Sellyn ¹	-	12,742	-	-	625	-	-	13,367	-
Matthew Hehman ²	-	11,849	-	198,333	581	-	-	210,763	94.1
Cameron Pearce ³	-	7,500	-	-	368	713	-	8,581	-
Travis Schwertfeger ³	-	4,500	-	-	221	428	-	5,149	-
Senior Executives									
Marc-Alexandre Poirier, Chief Legal Officer ⁴	168,164	-	-	31,006	8,236	-	-	207,406	14.9
Tim Fernback, Interim Chief Financial Officer ⁴	-	-	47,570	-	2,331	-	-	49,901	-
Linda Lee, Chief Financial Officer ⁵	112,194	-	45,533 ⁶	-	7,730	-	-	165,457	-
Parminder Singh Virk, Chief Technology Officer ⁷	126,336	-	-	16,330	6,191	-	-	148,857	11.0
	674,461	49,091	93,103	245,669	40,020⁸	15,229	-	1,117,573	

¹ Mr. Patel, Mr. Ajagu and Mr. Sellyn were appointed on 25 August 2015.

² Mr. Hehman was appointed on 16 September 2015, resigned 18 July 2016.

³ Mr. Schwertfeger and Mr. Pearce resigned on 25 August 2015 and 16 September 2015 respectively.

⁴ Mr. Poirier and Mr. Fernback were appointed on 9 September 2015 and 7 March 2016 respectively. Prior to his formal appointment and since the date of the Acquisition, Mr. Poirier was acting Chief Legal Officer of Kabuni Technologies.

⁵ Ms. Lee was appointed on 20 October 2015 and resigned 11 March 2016.

⁶ Ms. Lee received a termination benefit of \$45,533 upon resigning as Chief Financial Officer of the Group.

⁷ Mr. Virk was appointed on appointed 4 March 2016.

⁸ Relates to the Directors and officers insurance premium of \$40,020 paid to insure the Directors and officers of the Group.

There were no other KMP of the Group during the financial year ended 30 June 2016.

Details of the nature and amount of each element of the remuneration of each of the KMP of the Group for the year ended 30 June 2015 are as follows:

2015	Short term			Share Based Payments \$	Non-Monetary Benefits	Post-employment		Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$			Super \$	Prescribed Benefits \$		
Directors									
Tony King	110,000	-	-	-	3,806	21,400	-	135,206	-
Cameron Pearce	-	30,000	-	-	1,038	2,850	-	33,888	-
Travis Schwertfeger	-	30,000	-	-	1,038	2,850	-	33,888	-
Senior Executives									
Aaron Bertolatti, Company Secretary	-	-	27,000	-	934	-	-	27,934	-
	110,000	60,000	27,000	-	6,816¹	27,100	-	230,916	-

¹ Relates to the Directors and officers' insurance premium of \$6,816 paid to insure the Directors and officers of the Group.

There were no other KMP of the Company during the financial year ended 30 June 2015.

Shareholdings of Key Management Personnel

The number of Shares held during the financial year by each Director and Senior Executives, including their personally related parties, is set out below.

2016	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year or date of resignation
Directors					
Tony King	4,625,040	-	-	-	4,625,000
Neil Patel ¹	-	-	-	19,950,000 ⁷	19,950,000
Nik Ajagu ¹	-	-	-	333,333 ⁷	333,333
Nathan Sellyn ¹	-	-	-	333,333 ⁷	333,333
Matthew Hehman ²	-	333,333 ⁸	-	-	333,333
Cameron Pearce ³	250,000	-	-	-	250,000
Travis Schwertfeger ³	10,000	-	-	-	10,000
Senior Executives					
Marc-Alexandre Poirier, Chief Legal Officer ⁴	-	-	-	-	-
Tim Fernback, Interim Chief Financial Officer ⁴	-	-	-	-	-
Linda Lee, Chief Financial Officer ⁵	-	-	-	-	-
Parminder Singh Virk, Chief Technology Officer ⁶	-	-	-	-	-

¹ Mr. Patel, Mr. Ajagu and Mr. Sellyn were appointed on 25 August 2015.

² Mr. Hehman was appointed on 16 September 2015, resigned 18 July 2016.

³ Mr. Schwertfeger and Mr. Pearce resigned on 25 August 2015 and 16 September 2015 respectively.

⁴ Mr. Poirier and Mr. Fernback were appointed on 9 September 2015 and 7 March 2016 respectively. Prior to his formal appointment and since the date of the Acquisition, Mr. Poirier was acting Chief Legal Officer of Kabuni Technologies.

⁵ Ms. Lee was appointed on 20 October 2015 and resigned 11 March 2016.

⁶ Mr. Virk was appointed on appointed 4 March 2016.

⁷ In consideration for the Acquisition, on 25 August 2015, the Company issued Shares to the shareholders of Kabuni Technologies and certain persons designated by them, including 19,950,000 Shares to Mr. Patel, 333,333 Shares to Mr. Ajagu, and 333,333 Shares to Mr. Sellyn.

⁸ In connection with his appointment as Director, 333,333 Shares were issued to Matthew Hehman.

All equity transactions with KMP other than Shares granted as incentives or arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Performance Shares Holdings of Key Management Personnel

The table below discloses the number of Performance Shares granted and vested during the 2016 financial year. No Performance Shares lapsed during the year. No Performance Shares were issued during the 2015 financial year. For a summary of the terms and conditions attaching to the Performance Shares, see "Performance Shares", above.

2016	Balance at the start of the year	Granted during the year as compensation	Other changes during the year	Balance at the end of the year	Number vested during the year
Directors					
Tony King	-	-	-	-	-
Neil Patel ¹	-	-	24,605,000 ⁷	24,605,000	-
Nik Ajagu ¹	-	-	666,667 ⁸	666,667	-
Nathan Sellyn ¹	-	-	666,667 ⁸	666,667	-
Matthew Hehman ²	-	666,667 ⁹	-	666,667	-
Cameron Pearce ³	-	-	-	-	-
Travis Schwertfeger ³	-	-	-	-	-
Senior Executives					
Marc-Alexandre Poirier, Chief Legal Officer ⁴	-	-	434,964 ⁷	434,964	-
Tim Fernback, Interim Chief Financial Officer ⁴	-	-	-	-	-
Linda Lee, Chief Financial Officer ⁵	-	-	-	-	-
Parminder Singh Virk, Chief Technology Officer ⁶	-	-	289,976 ⁷	289,976	-

¹ Mr. Patel, Mr. Ajagu and Mr. Sellyn were appointed on 25 August 2015.

² Mr. Hehman was appointed on 16 September 2015, resigned 18 July 2016.

³ Mr. Schwertfeger and Mr. Pearce resigned on 25 August 2015 and 16 September 2015 respectively.

⁴ Mr. Poirier and Mr. Fernback were appointed on 9 September 2015 and 7 March 2016 respectively. Prior to his formal appointment and since the date of the Acquisition, Mr. Poirier was acting Chief Legal Officer of Kabuni Technologies.

⁵ Ms. Lee was appointed on 20 October 2015 and resigned 11 March 2016.

⁶ Mr. Virk was appointed on appointed 4 March 2016.

⁷ In connection with the completion of the Acquisition, on 25 August 2015, certain employees of Kabuni were granted Performance Shares. Among others, Mr. Patel received 24,605,000 Performance Shares (comprising 6,151,250 Class A, B, C and D Performance Shares), Mr. Poirier received 434,964 Performance Shares (comprising 108,741 Class A, B, C and D Performance Shares) and Mr. Virk received 289,976 Performance Shares (comprising 72,494 Class A, B, C and D Performance Shares)

⁸ In connection with the completion of the Acquisition, on 25 August 2015, 666,667 Performance Shares (333,333 Class A Performance Shares and 333,334 Class B Performance Shares) were issued to both Nik Ajagu and Nathan Sellyn (each).

⁹ In connection with his appointment as Director, 666,667 Performance Shares (333,333 Class A Performance Shares and 333,334 Class B Performance Shares) were issued to Matthew Hehman.

Option Holdings of Key Management Personnel

The numbers of options over Shares in the Company held during the financial year by each of the KMP, including their personally related parties, are set out below:

2016	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Directors							
Tony King	-	-	-	-	-	-	-
Neil Patel ¹	-	-	-	-	-	-	-
Nik Ajagu ¹	-	-	-	-	-	-	-
Nathan Sellyn ¹	-	-	-	-	-	-	-
Matthew Hehman ²	-	-	-	-	-	-	-
Cameron Pearce ³	-	-	-	-	-	-	-
Travis Schwertfeger ³	-	-	-	-	-	-	-
Senior Executives							
Marc-Alexandre Poirier, Chief Legal Officer ⁴	-	1,000,000	-	-	1,000,000	-	1,000,000 ⁷
Tim Fernback, Interim Chief Financial Officer ⁴	-	-	-	-	-	-	-
Linda Lee, Chief Financial Officer ⁵	-	-	-	-	-	-	-
Parminder Singh Virk, Chief Technology Officer ⁶	-	526,667	-	-	526,667	-	526,667 ⁷

¹ Mr. Patel, Mr. Ajagu and Mr. Sellyn were appointed on 25 August 2015.

² Mr. Hehman was appointed on 16 September 2015, resigned 18 July 2016.

³ Mr. Schwertfeger and Mr. Pearce resigned on 25 August 2015 and 16 September 2015 respectively.

⁴ Mr. Poirier and Mr. Fernback were appointed on 9 September 2015 and 7 March 2016 respectively. Prior to his formal appointment and since the date of the Acquisition, Mr. Poirier was acting Chief Legal Officer of Kabuni Technologies.

⁵ Ms. Lee was appointed on 20 October 2015 and resigned 11 March 2016.

⁶ Mr. Virk was appointed on 4 March 2016.

⁷ The Employee Options granted to Mr. Poirier and Mr. Virk vest on 3 September 2016 and are exercisable at \$0.18 per option, on or before 31 March 2019.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Options Affecting Remuneration

Options over Shares are granted at the Directors discretion. When exercisable, each option is convertible into one Share. Options granted carry no dividend or voting rights. At the Company's Annual General Meeting held on 12 November 2015, the shareholders of the Company approved the Option Plan. For further details on the Option Plan, see "Remuneration of Senior Executives – Long-term incentives", above.

There were no Share options granted to Directors during the 2016 financial year.

The terms and conditions of options affecting the remuneration of Senior Executives in the current or future reporting years are as follows:

2016	Grant Date	Grant Number	Expiry date/last exercise date	Fair Value per option at grant date	Exercise price per option	Value of options at grant date ¹	Number of options vested	Un-exercisable
Senior Executives								
Marc-Alexandre Poirier, Chief Legal Officer	17/03/16	1,000,000	31/03/19	\$0.0502	\$0.18	\$50,200	-	1,000,000 ²
Parminder Singh Virk, Chief Technology Officer	17/03/16	526,667	31/03/19	\$0.0502	\$0.18	\$26,439	-	526,667 ²

¹ The value at grant date has been calculated in accordance with AASB 2 *Share based payments*.

² The options vest on 3 September 2016.

No Share options were granted to Directors and Senior Executives during the 2015 financial year.

Executive Contracts

Remuneration arrangements for executives are set out in formal employment agreements or consulting services agreements with those executives, as the case may be. The following outlines certain details of the contracts with the KMP that remain in effect as at the date of this Annual Report:

Name:	Neil Patel
Title:	Managing Director and CEO
Type of agreement:	Employment agreement
Commencement date:	31 July 2015.
Term of agreement:	Initial fixed term of 3 years, which continues thereafter on an indefinite basis.
Details:	Annual base salary of CA\$185,000 per annum. The agreement may be terminated at any time by making a lump sum payment equal to (a) six months of base salary, plus (b) a sum equal to 10% of this amount for benefits. If there is a "Change of Control", Mr. Patel may terminate his employment at his option and receive a lump sum payment equal to (a) 12 months of base salary, plus (b) a sum equal to 15% of this amount for benefits. "Change of Control" includes (i) the acquisition by another person of 40% or more of the Company's outstanding voting securities, (ii) a sale of all or substantially all of the assets of the Company, (iii) the merger of the Company with other entity, or (iv) the liquidation, dissolution or winding-up of the Company. The receipt of the aforesaid payments is conditional upon the prior execution of a release and indemnity by Mr. Patel in favour of Kabuni Technologies.
Name:	Marc-Alexandre Poirier
Title:	Chief Legal Officer
Type of agreement:	Employment agreement
Commencement date:	14 June 2015.
Term of agreement:	Initial fixed term of 12 months, which continues thereafter on an indefinite basis.
Details:	Annual base salary of CA\$160,000 per annum. The agreement may be terminated at any time by giving three months' notice.
Name:	Tim Fernback
Title:	Interim Chief Financial Officer
Type of agreement:	Consulting services agreement with a company controlled by Mr. Fernback
Agreement commenced:	9 March, 2016
Term of agreement:	Indefinite term
Details:	Fees of CA\$2,800 per week. The agreement may be terminated at any time by giving 6 weeks' notice. Notice of termination was given by Kabuni on 17 August, 2016, in connection with the announcement on the same date of the appointment of Ms. Lisa Dea as Chief Financial Officer.

Service Agreements

Chairman

The Chairman, Mr. Tony King entered into a new service agreement with the Company in the form of a letter of appointment on 25 August 2015. Pursuant to the agreement Mr. King is to be paid a Director's fee of \$75,000 per annum plus superannuation. Prior to this, Mr. King was employed under an open term consulting services agreement whereby he received an annual fee of \$120,000 plus superannuation.

Non-Executive Directors

On appointment to the Board, all non-executive Directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director.

The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed \$150,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

Loans to Directors and Executives

There were no loans to Directors or Senior Executives during the financial year ended 30 June 2016.

Voting and comments made at the Company's 2015 Annual General Meeting

The Company received 100% of "yes" vote on its remuneration report for the 2015 financial year at its AGM held on 12 November 2015. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF AUDITED REMUNERATION REPORT



Signed on behalf of the board in accordance with a resolution of the Directors.

Mr. Neil Patel
Managing Director and Chief Executive Officer

Perth, Western Australia
31 August 2016

**KABUNI LTD****Consolidated Statement of Profit or Loss and Other Comprehensive Income***as at 30 June 2016*

		Consolidated 2016	Company 2015
	Note	\$	\$
Revenue		12,842	5,680
Cost of Sales		(5,786)	(4,383)
Gross Profit		7,056	1,297
Interest received		117,117	-
Operating expenses			
Advertising and promotion		(558,250)	-
Depreciation	8	(37,822)	(1,837)
Donations		-	768
General and administration		(363,099)	(46,453)
Interest expense		-	(21,117)
Insurance		(18,103)	-
Professional and consulting services		(1,027,217)	(1,269,498)
Rent		(328,526)	(56,517)
Salaries, bonus and benefits		(2,693,237)	(730,581)
Share-based payments	13,14,15	(465,198)	(93,601)
Software development		(1,075,149)	-
Travel expenses		(284,131)	(128,572)
Total operating expenses		(6,850,732)	(2,347,408)
Accretion expense on convertible debt		(29,321)	(101,441)
Finance costs		(10,649)	(79,568)
Foreign exchange loss / (gain)		(27,530)	18,793
Unrealised exchange gain		31,254	-
Realised exchange gain		6,631	-
Gain on derivative liability		-	119,695
Gain settlement of accounts payable		-	5,269
Loss on conversion / settlement of convertible debt and payables		(171,866)	-
Loss of equipment		(5,917)	-
Incorporation costs		(21,511)	-
Transaction costs		-	(39,766)
Recovery costs		-	49,838
Write-off of intangible assets	9	(93,071)	-
Listing expense	2	(8,885,899)	-
Loss before income tax expense		(15,934,438)	(2,373,291)
Income tax expense		-	-
Net loss for the year		(15,934,438)	(2,373,291)
Other comprehensive income			
Exchange differences on translation of foreign operations		87,413	(72,140)
Total comprehensive result for the year		(15,847,025)	(2,445,431)
Basic and diluted loss per share		\$ (0.14)	\$ (0.05)

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

**KABUNI LTD****Consolidated Statement of Financial Position***as at 30 June 2016*

		Consolidated 2016	Company 2015
	Note	\$	\$
Current assets			
Cash and cash equivalents	5	1,958,734	552,257
Trade and other receivables	6	147,747	54,598
Prepaid expenses and deposits	7	142,936	111,247
Assets held for sale		5,000	-
		<u>2,254,417</u>	<u>718,102</u>
Non-Current Assets			
Property and equipment	8	809,469	32,437
Total Non-Current Assets		<u>809,469</u>	<u>32,437</u>
Total Assets		<u>3,063,886</u>	<u>750,539</u>
Current liabilities			
Trade and other payables	10	434,159	1,280,057
Convertible loan payable	11	-	923,241
Derivative liability	11	-	364,709
Loans payable	12	84,983	759,473
Total Current Liabilities		<u>519,142</u>	<u>3,327,480</u>
Total liabilities		<u>519,142</u>	<u>3,327,480</u>
Net Assets		<u>2,544,744</u>	<u>(2,576,941)</u>
Equity			
Issued capital	13	17,338,533	502,255
Reserves	14	4,160,664	(59,181)
Accumulated losses	16	(18,954,453)	(3,020,015)
Total Equity		<u>2,544,744</u>	<u>(2,576,941)</u>

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 year ended 30 June 2016

	Note	Issued Capital \$	Accumulated losses \$	Share-based Payments / Performance Share Reserve \$	Foreign exchange translation reserve \$	Total \$
Company						
As at 1 July 2014		219,733	(646,724)	-	12,959	(414,032)
Total comprehensive income for the period						
Loss for the period		-	(2,373,291)	-	-	(2,373,291)
Other Comprehensive Loss		-	-	-	(72,140)	(72,140)
Total comprehensive loss for the period		-	(2,373,291)	-	(72,140)	(2,445,431)
Transactions with owners in their capacity as owners						
Issuance of shares		170,434	-	-	-	170,434
Share-based payments		78,239	-	-	-	78,239
Shares subscription received		34,013	-	-	-	34,013
Shares repurchased	13c	(164)	-	-	-	(164)
Balance as of 30 June 2015		502,255	(3,020,015)	-	(59,181)	(2,576,941)
Consolidated						
Balance at 1 July 2015		502,255	(3,020,015)	-	(59,181)	(2,576,941)
Total comprehensive income for the period						
Loss for the period		-	(15,934,438)	-	-	(15,934,438)
Other Comprehensive Income / (Loss)		-	-	-	87,413	87,413
Total comprehensive loss for the period		-	(15,934,438)	-	87,413	(15,847,025)
Transactions with owners in their capacity as owners						
Issue of Kabuni Limited shares for the acquisition of Kabuni Technologies Inc.	2	7,200,200	-	-	-	7,200,200
Shares issued to advisors as finders' fee	2	811,509	-	-	-	811,509
Share-based payments	2	133,333	-	-	-	133,333
Shares issued on settlement of payables	13b	560,000	-	-	-	560,000
Shares issued on conversion of loan	13b	1,420,000	-	-	-	1,420,000
Performance shares issued	14a	-	-	3,879,716	-	3,879,716
Shares issued immediately prior to the acquisition of Kabuni Technologies Inc.	13b	7,000,000	-	-	-	7,000,000
Issuance of shares for services	13b	19,500	-	-	-	19,500
Share-based payments	13b	65,000	-	-	-	65,000
Shares issued by Kabuni Technologies Inc.	13b	141,253	-	-	-	141,253
Performance shares issued	14	-	-	133,333	-	133,333
Options issued to employees and suppliers	14b	-	-	119,383	-	119,383
Share issue costs	13b	(514,517)	-	-	-	(514,517)
Balance as at 30 June 2016		17,338,533	(18,954,453)	4,132,432	28,232	2,544,744

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 year ended 30 June 2016*

		Consolidated 2016 \$	Company 2015 \$
Cash flows from operating activities			
Payments to suppliers and employees		(6,954,486)	(1,495,916)
Receipts from sales and related debtors		12,842	-
Interest paid		(80,000)	-
Interest received		117,117	-
Net cash used in operating activities	5	(6,904,527)	(1,495,916)
Cash flows from investing activities			
Acquisition of intangible asset		(88,915)	-
Acquisition of property and equipment		(814,428)	(31,053)
Cash acquired on acquisition of Subsidiary		2,815,998	-
Net cash provided by / (used in) investing activities		1,912,655	(31,053)
Cash flows from financing activities			
Repayment of loans payable		(600,000)	(275,301)
Proceeds from loans payable		-	849,886
Proceeds from issuance of shares		7,510,000	175,044
Proceeds from convertible loan		84,382	1,334,284
Share issuance costs		(417,839)	-
Net cash provided by financing activities		6,576,543	2,083,913
Net increase in cash and cash equivalents		1,584,671	556,944
Cash and cash equivalents, beginning of the year		552,257	(4,687)
Effects of exchange rate changes on cash and cash equivalents		(178,194)	-
Cash and cash equivalents, end of the year		1,958,734	552,257

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

**1. Nature and Continuance of Operations**

Kabuni Ltd. ("Kabuni" or "the Company"; formerly Magnolia Resources Limited) was incorporated on May 11, 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 realization of assets and discharge of liabilities in the normal course of business. For the year ended June 30, 2016, the Company and its consolidated entities have a net working capital of \$1,735,275 and accumulated deficit of \$18,954,453. The Company's ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations. The Company will require a financing during the fourth calendar quarter of the year to provide sufficient working capital to maintain its operations for the upcoming year.

The Company is currently planning to raise capital by offering a private placement in early September. Management's plan is to raise funds or incur debt and reduce operations to eliminate non-revenue generating positions which make up 80% of staff. The Company is planning to reduce expenses and have management /shareholders fund the operations through private placement or rights offering.

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 condensed interim consolidated financial statements.

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

2. Reverse Takeover Transaction

On August 25, 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 June 30, 2016, which related to the difference between the fair value of the shares 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 June 30, 2016, which related to the difference between the fair value of the shares issued by Magnolia and the debt settled.

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 common 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 condensed interim 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)
	<u>3,138,859</u>
Purchase price of equity:	
36,001,000 common shares at \$0.20 per share	7,200,200
Finders Fees'	
Advisor shares (4,257,547 common shares)	811,509
Additional shares to a director (666,666 common shares)	133,333
Performance shares	3,879,716
	<u>12,024,758</u>
Cost of public listing	<u>8,885,899</u>

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 common shares was determined based on the share value in the concurrent public offer which was \$0.20 (Note 13).

During the year ended June 30, 2016, a listing fee of \$8,885,899 has been charged to the statement of profit or loss and other comprehensive loss as a listing expense to reflect the difference between the fair value of the amount paid (being the number of common 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.

3. Basis of Presentation

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB 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. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial report is presented in Australian dollars. These consolidated financial statements were authorized for issue by the Board of Directors on 31 August 2016.

(b) Basis of measurement and use of estimates and judgements

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value, and are presented in Australian dollars ("AUD"). The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the year. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The valuation of share-based payments and performance share issuances in the statements of loss and comprehensive loss;
- determination of the purchase price of the Company (Note 2);
- the recognition and recoverability of deferred tax assets;
- the assumptions used to measure the fair value of the debt and equity components of convertible debentures; and
- the assumptions used to value the derivative liability arising on the convertible debentures.

4. Significant Accounting Policies

The consolidated financial statements are prepared on the historical cost convention. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by the Company and its entities.

(a) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Kabuni Ltd) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 22.

Subsidiaries are fully consolidated from the date on which control is acquired.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(b) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional and presentation currency of Kabuni Limited is Australian dollars. The functional currency of the Canadian subsidiary is the Canadian dollar.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at balance date exchange rates are recognised in profit or loss.

iii. Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

**(d) Leases**

Leases of property, plant and equipment where the Group as lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature. The Group currently has no leases.

(e) Plant and equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of the assets' cost less residual value is computed using the straight-line method over the estimated useful lives of the assets.

Office furniture	5 years
Leasehold improvement	Term of the lease

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's judgement; therefore the resulting depreciation is subject to estimation uncertainty.

Items of equipment are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. Any gain or loss arising from disposal or retirement is determined as

(f) Plant and equipment

The difference between the consideration received and the carrying amount of the asset and is recognized in profit or loss.

(g) Financial Instruments*i. Initial recognition and measurement*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized in profit or loss when incurred.

ii. Classification and subsequent measurement

The Company classifies its financial instruments into one of the following categories at initial recognition based on the nature and purpose of the instrument:

Assets

- fair value through profit or loss
- held-to-maturity
- loans and receivables
- available for sale

Liabilities

- fair value through profit or loss
- other liabilities

Fair value through profit or loss

Financial assets and liabilities are classified as fair value through profit or loss when the financial asset or liability is held for trading or is designated as fair value through profit or loss upon initial recognition.



A financial asset or liability is classified as held for trading if:

- it has been acquired or incurred principally for the purpose of selling or repurchasing in the near future;
- it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and liabilities classified as fair value through profit or loss, which includes cash and cash equivalents, bank indebtedness and derivative liability are stated at fair value with any gains or losses arising on re-measurement recognized in profit or loss.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified in any of the other asset categories. The Company has no assets classified as available for sale.

Available for sale financial assets are stated at fair value. Changes in the fair value of monetary available for sale assets resulting from foreign exchange gains and losses, interest income calculated using the effective interest method and dividends are all recognized in profit or loss; all other changes in fair value are recognized in other comprehensive income. When an available for sale asset is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Held-to-maturity, loans and receivables, and other liabilities

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the intent and ability to hold to maturity; the Company currently has no held-to-maturity assets. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and includes receivables. Other financial liabilities include accounts payable and accrued liabilities, and loans payable.

Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest method less any impairment. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant year using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees, transaction costs and other premiums or discounts that form an integral part of the effective interest rate) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

iii. Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership to another entity. Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of comprehensive loss.

(h) Impairment

i. Non-financial assets

The Company's equipment and intangible assets, if any, are reviewed for indicators of potential impairment at the end of each reporting year. Such indicators may include an adverse change in business climate, technology, or regulations that impact the industry. The determination of whether such indicators exist requires significant judgment.

If indication of impairment exists, the asset's recoverable amount is estimated to determine the extent of an impairment loss, if any. For an asset that does not generate largely independent cash inflows or for which it is not possible to estimate the recoverable amount, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of an asset or CGU is the greater of fair value less costs to sell and value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable transactions, present value or other valuation techniques or a combination thereof, necessitating management to make subjective judgments and assumptions. When calculating an assets value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset, or CGU, exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the year. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, if any, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. The Company has no goodwill balance for any of the reporting years presented.



An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. The reversal of an impairment loss is recognized immediately in profit or loss.

ii. Financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting year. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected. The determination of whether such indicators exist requires significant judgment.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it has become probable that the borrower will enter bankruptcy or financial reorganization;
- the disappearance of an active market for the security; and
- significant or prolonged decline in the fair value of an available for sale equity instrument below its cost.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is directly reduced by the impairment loss with the exception of trade receivables. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale assets are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses in equity, to profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent year, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized. Impairment losses recognized in profit or loss on available for sale equity instruments cannot be reversed.

(i) Revenue recognition

Revenue from rendering goods and services is measured at the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is earned primarily from subscriptions from the websites members. Revenues for membership are paid in advance and will be deferred and recognized as revenue over the subscription period.

(j) Research and development costs

Research and development costs consist of costs incurred to develop the Company's website and mobile application to promote, advertise and earn revenue with respect to the Company's business operations. All costs are expensed as incurred unless they meet the specific criteria under IFRS for capitalization. No costs have been capitalized to date.

(k) Intangible assets

Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually. Indefinite life intangible assets are measured at cost less any accumulated impairment losses.

These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described in the impairment of non-financial assets policy.

(l) Earnings (loss) per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings (loss) per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued.

(m) Income taxes

Income tax expense comprises current and deferred tax.



Current income tax is the amount expected to be recovered from or paid to the taxation authorities based on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable from previous years.

Deferred tax assets and liabilities are recognized for tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the year that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(n) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Executive Director, in consultation with the Board of Directors. The Group's primary segment is one business, being the development of an e-commerce platform in the home design space. Refer to Note 17 for details.

The financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(p) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Employee Benefits

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*ii. Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(r) Share-based payments

Share-based compensation benefits are provided to employees of Kabuni at the Directors' discretion

The fair value of options and performance shares granted by Kabuni is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value of options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

The fair value of the performance shares is determined based on the spot price on the grant date adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

(s) New standards not yet adopted

The following new standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements. The Company is currently evaluating the potential impacts of these new standards and does not anticipate any material changes to the consolidated financial statements upon adoption of this new and revised accounting pronouncement.

AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);



- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(t) New standards adopted

The Group has considered the implications of new and amended Accounting Standards that became applicable for reporting periods commencing after 1 July 2015 but determined that their application to the financial statements is either not relevant or not material.

5. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	Consolidated 30 June 2016	Company 30 June 2015
	\$	\$
Cash	1,591,619	523,461
Cash equivalents	367,115	28,796
	1,958,734	552,257

Cash equivalent comprise short term investments with original maturities not exceeding 3 months.

Reconciliation of loss for the year to net cash flows from operating activities

Cash flows from (used in) operating activities

Loss for the year	(15,934,438)	(2,373,291)
Adjustments for:		
Depreciation	37,822	1,837
Accretion on convertible debt and transaction costs	29,321	141,207
Finance fees and costs	10,649	79,568
Gain on derivative liability	-	(119,695)
Loss (Gain) on settlement of accounts payable	171,866	(5,269)
Interest expense	-	21,117
Share-based payments	465,198	93,601
Pre-incorporation profit adjustment	(79,117)	-
Loss of equipment	5,917	-
Write-off of intangible asset	93,071	-
Listing expense	8,885,899	-
Movements in working capital		
Receivables	(93,149)	(25,386)
Prepaid expenses and deposit	(31,689)	(91,221)
Accounts payable and accrued liabilities	(845,898)	738,714
Foreign exchange differences	380,021	42,902
Net cash outflows used in operating activities	(6,904,527)	(1,495,916)

**6. Trade and Other Receivables**

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

	Consolidated 30 June 2016	Company 30 June 30 2015
	\$	\$
Taxes receivable from governments	103,693	54,598
Other receivables	44,054	-
	147,747	54,598

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

7. Prepaid Expenses and Deposits

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

	Consolidated 30 June 2016	Company 30 June 30 2015
	\$	\$
Prepaid expenses	55,493	111,247
Deposits	87,443	-
	142,936	111,247

8. Property and Equipment

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

Cost	Equipment - Office	Furniture - Office	Equipment - Design Studio	Furniture - Design Studio	* Leasehold Improvements Design Studio	Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2014	3,608	-	-	-	-	3,608
Additions	29,664	-	-	-	-	29,664
Cumulative translation adjustment	1,773	-	-	-	-	1,773
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
Accumulated depreciation						
Balance at 30 June 2014	722	-	-	-	-	722
Additions	1,837	-	-	-	-	1,837
Cumulative translation adjustment	49	-	-	-	-	49
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
Carrying amount						
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



* The Design Studio (Kabuni House) was completed shortly before year-end. The related property and equipment has not been depreciated during the year as these had not been brought into use as of 30 June 2016.

9. Intangible Assets

During the year ended June 30, 2016, Kabuni Technologies entered into an agreement with Artsally Media Inc. to purchase the following assets:

- a domain name,
- registered and unregistered trademarks, logos and brand marks,
- all information in relation to artwork uploaded on website,
- vendors' rights, title and interest in the contracts,
- vendors' rights, title and interest in social media accounts affiliated with the brand, and
- artist information.

These assets were purchased at cash consideration of \$88,915 (CAD\$90,000). The purchase agreement was signed on 21 September 2015, and consideration was paid in full on 31 October 2015. The purchase was completed on 21 September 2015. Management had not assessed the finite life and there was no term or expiry date established for any of the assets acquired.

During the year ended 30 June 2016, the Company wrote off the amount of intangible assets and recorded \$93,071 impairment loss.

10. Trade and Other Payables

	Consolidated 30 June 2016	Company 30 June 2015
	\$	\$
Trade payables	125,026	1,026,630
Accruals	307,851	-
Payroll Payables	-	253,427
Other payables	1,282	-
	434,159	1,280,057

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.

11. Convertible Loan Payable

Convertible note (First Notes)	-	923,241
Derivative liability (Second Notes)	-	364,709
	-	1,287,950

A. First Notes

In March 2015, Kabuni Tech. entered into convertible debt agreements to issue convertible notes ("First Notes") through two tranches of AUD\$200,000 and AUD\$420,000 maturing on March 16, 2016. The First Notes bear no interest and were convertible at the option of the holder at a price that is the lesser of:

- i. \$0.10 per share;
- ii. 50% of the issuance price of share under a capital raising of a minimum of \$1,500,000; or
- iii. a price equating to a 65% discount to the issuance price of stock issued in the public markets if Kabuni Tech. is part of transaction to go public.

As of June 30, 2015, the carrying value of these notes was as follows:

	\$
Amount at date of issue	857,293
Transaction costs allocated	(52,394)
Amortization of transaction costs	10,363
Accretion expense	102,055
Foreign exchange translation adjustment	5,924
	923,241

In August 2015, Kabuni Tech. completed the transaction with Kabuni Limited and gained a public listing, and accordingly the conversion price was set at a 65% discount to the offering price once the transaction completed.



Under a capital raising agreement entered into with a third party the Company is required to pay a 6% commission as a finders' fee on the total face value of the debt.

B. Second Notes

In May 2015, the Company entered into a second series of convertible notes ("Second Notes") for a total of AUD\$800,000 maturing on May 22, 2016. The Second Notes bear no interest and are convertible at the option of the holder at a price that is the lesser of:

- i. \$0.10 per share;
- ii. 60% of the issuance price of share under a capital raising of a minimum of \$1,500,000; or
- iii. a price equating to a 40% discount to the issuance price of stock issued in the public markets if the Company is part of transaction to go public.

As of June 30, 2015, the carrying value of these notes was as follows:

	\$
Opening	485,087
Gain on liability	(125,224)
Foreign exchange translation adjustment	4,846
	364,709

In August 2015, Kabuni Tech. completed the transaction with Kabuni Limited and gained a public listing, and accordingly the conversion price was set at a 40% discount to the offering price once the transaction completed. Under a capital raising agreement entered into with a third party the Company is required to pay a 6% commission as a finders' fee on the total face value of the debt.

Convertible Loan Settlement

On completion of the Acquisition, Kabuni Limited issued 15,523,810 ordinary fully paid shares to holders of the Notes for full settlement. In connection with the settlement Kabuni Tech. recognized a loss on settlement of convertible debt of \$47,668 on the Statement of Profit or Loss and Other Comprehensive Income which related to the difference between the fair value of the shares issued by Kabuni Limited and the debt settled (Note 2).

12. Loans Payable

	Consolidated 30 June 2016 \$	Company 30 June 2015 \$
Loan B	84,983	86,051
Loan C	-	673,422
	84,983	759,473

A) During the year ended June 30, 2015, the Company received \$250,000 (the "Principal Balance") in loan financing from a third party (the "Lender"). The loan accrued interest of 1% per month and matured on March 18, 2015 which was subsequently amended to May 20, 2015. The loan was secured by a pledge of shares of the Company held by certain directors and officers of the Company. In addition, the loan had the following terms:

- i. Right of conversion – the Lender has the right to convert all or any portion of the Principal Balance and accrued and unpaid interest outstanding into common shares at a conversion rate of \$0.10 per share; and
- ii. Bonus shares – in consideration of the loan, the Company is to issue the Lender 900,000 Bonus shares and 50,000 bonus warrants.

At June 30, 2015, the Company had repaid the full Principal Balance and accrued interest up to the repayment date of \$14,538. The amount assigned to the conversion option feature was determined to be immaterial. During the year ended June 30, 2016, the parties entered into an amending agreement and the Company settled the bonus share obligation by issuing 950,000 common shares of the Company at a price of \$0.00001 per share.

B) The Company received a series of short-term loans from a company owned by a director and officer of the Company. These loans accrue interest at 8% per annum, compounded annually. As at June 30, 2016, the Company had loans outstanding, including accrued interest of \$84,983 (CAD\$82,179) (2015: \$86,051 (CAD\$82,179)). The loan was originally due on June 30, 2014, but subsequently was extended to June 30, 2015. The Company had provided a general security agreement over its assets to the lender.

On June 30, 2015, the Company entered into an amending agreement whereas the loan was extended an additional year and matured on June 30, 2016. As per the agreement, the loan will no longer bear interest and the



lender has been released and discharged of all security that was previously held over the Company's assets. Subsequent to the year ended June 30, 2016, the Company is in discussions with the lender with a view to extending the maturity date of the loan to June 30, 2017 (Note 223c)).

- C) During the year ended June 30, 2015, Kabuni Tech. entered into a loan facility agreement (the "Facility") with third party lenders (the "Lenders"). Under the Facility, the Lenders have agreed to provide AUD\$800,000 which can be drawn-down in tranches as agreed upon by the parties. The loan is unsecured, non-interest bearing and matures in full on the earlier of the completion of the RTO transaction with the Company and November 30, 2015. In connection with the Facility Kabuni Tech. was required to pay financing fees of \$80,000 (CAD76,456) to the Lenders at any point prior to the maturity date. As at June 30, 2015, Kabuni Tech. had drawn-down \$600,000 (CAD566,661).

In August, 2015, on completion of the Transaction (Note 2), the Company repaid the outstanding balance and financing fees.

13. Issued Capital

(a) Authorised

The Company has an unlimited number of authorized commons shares with no par value.

(b) Issued

	Consolidated 30 June 2016 \$	Company 30 June 2015 \$
130,309,175 fully paid ordinary shares (2015: 34,317,980 shares)	17,338,533	502,255

	Consolidated 30 June 2016		Company 30 June 2015	
	No.	\$	No.	\$
Balance at beginning of the balance year	34,317,980	502,255	47,887,500	219,733
Issuance of shares	-	-	2,230,480	170,434
Shares issued by Kabuni Technologies Inc.	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 ²	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	15,523,810	1,420,000	-	-
Shares issued on settlement of payables	2,800,001	560,000	-	-
Shares issued to advisors	4,057,547	811,509	-	-
Issuance of shares for services ¹	150,000	19,500	-	-
Shares issued to directors	666,666	133,333	-	-
Shares issued to director	333,333	65,000	-	78,239
Share subscription received	-	-	-	34,013
Share repurchased	-	-	(15,800,000)	(164)
Capital raising costs	-	(514,517)	-	-
Balance at end of the end of the year	130,309,175	17,338,533	34,317,980	502,255

¹ On March 1, 2016, the Company issued 150,000 common shares to an advisor in consideration for services provided to the Company for \$19,500.

² On August 25, 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 common shares at \$0.20 for gross proceeds of \$7,000,000. 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 14(b)).
- The Company issued 2,800,001 common 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 common 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.

During the year ended June 30, 2016, Kabuni Tech. issued 1,258,838 common shares at prices between CAD\$0.00001 and CAD\$0.15 for total proceeds of \$141,253. The Company recorded share-based payments expense of \$154,333 (CAD146,741) to account for the difference between fair value of the issued and the consideration received.

(c) Shares repurchased

On May 25, 2015, under the agreement related to the acquisition by the Company of Kabuni Tech., Kabuni Tech. was required to repurchase 15,800,000 common shares at CAD\$0.00001 per share for gross proceeds of \$164 (CAD\$158) from certain shareholders. The shares were returned to treasury.

(d) Escrow shares

As at June 30, 2016, the Company had 46,301,031 common shares classified by the ASX as restricted securities which are being held in escrow. The common shares will be released from escrow on the following dates: 2,666,666 on July 2, 2016, 18,093,486 on August 25, 2016, and 25,540,879 on September 3, 2017.

14. Reserves

	Consolidated 30 June 2016	Company 30 June 2015
Foreign currency translation reserve ¹	28,232	(59,181)
Share based payments and Performance shares reserve ²	4,132,432	-
	4,160,664	(59,181)

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

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

Performance Shares	Shares Outstanding	\$
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	-
	38,130,493	4,013,049

	Consolidated 30 June 2016	Company 30 June 2015
	\$	\$
Balance at the beginning of the year	-	-
Performance shares issued – RTO transaction (note 2)	3,879,716	-
Performance shares issued - directors	133,333	-
Balance at the end of the year	4,013,049	-

During the year ended June 30, 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.

During the year ended June 30, 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.



The Company has reserved for issuance four classes of performance shares, which are to be converted to ordinary shares upon the successful completion of the following milestones:

- a. Class A Performance Shares which will convert into one fully paid ordinary share upon:
 - i. a minimum of 1,000 Registered Home Designers each achieve the CAD equivalent of at least \$200 Revenue, each month for 3 consecutive months, on or before 30 August 2016; or
 - ii. a minimum of 1,000 Registered Home Designers each achieve the CAD equivalent of at least \$200 Revenue, each month for 3 consecutive months, and the Milestone D is also achieved, (Milestone A);
- b. Class B Performance Shares which will convert into one Share upon:
 - i. a minimum of 1,000 Registered Home Designers each achieve the CAD equivalent of at least \$750 Revenue, each month for 3 consecutive months, on or before 31 December 2016; or
 - ii. a minimum of 1,000 Registered Home Designers each achieve the CAD equivalent of at least \$750 Revenue, each month for 3 consecutive months, and Milestone D is also achieved, and (Milestone B);
- c. Class C Performance Shares which will convert into one Share upon:
 - i. the Company achieving the CAD equivalent of at least \$20 million in revenue in any 12 month period and has a minimum of 20,000 registered home designers, on or before December 1, 2017; or
 - ii. the Company achieving the CAD equivalent of at least \$20 million in revenue in any 12 month period and has a minimum of 20,000 registered home designers, and Milestone D is also achieved, (Milestone C); and
- d. Class D Performance Shares which will convert into one Share upon:
 - i. the Company achieving the CAD equivalent of at least \$50 million in revenue in any 12 month period; and
 - ii. a minimum of 35,000 Registered Home Designers on or before December 31, 2018, (Milestone D).

The performance share reserve is used to record the value of the performance shares issued to the Company directors, employees and advisors based on management's assessment of the likelihood of the performance shares being converted to ordinary shares.

In connection with the RTO, management has assessed the likelihood of the Class A and B performance shares being converted into common shares to be unlikely, however management is currently revisiting the performance of certain members to determine if any events in the near future would justify these performance shares, and accordingly the Company has estimated the fair value of such performance shares based on the market price of the Company's common shares at the date of the RTO. The performance shares are owned outright by their holders and do not vest/lapse depending on continued employment.

The Company has assessed the likelihood of the Class C and D performance shares being converted into common shares to be uncertain.

(b) Share based payments reserve

Type	Number	\$
Listed *	12,000,000	-
Unlisted	6,130,000	119,383
	18,130,000	119,383

	Consolidated 30 June 2016 \$	Company 30 June 2015 \$
Balance at the beginning of the year	-	-
Employee share based payments	112,532	-
Supplier share based payments	6,851	-
Balance at the end of the year	119,383	-

* As part of the Concurrent Financing, the Company issued 12,000,000 options, at an issue price of \$0.005 per option, for 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.

**15. Share-based payments****Recognised share-based payment transactions**

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

Share-based payment expense

	Consolidated 30 June 2016 \$	Company 30 June 2015 \$
Employee share based payments	112,532	-
Performance shares issued - directors	133,333	-
Common shares issued - directors	65,000	-
Common shares issued below fair value	154,333	93,601
Balance at the end of the year	465,198	93,601

i) Employee share based payments

The Company has established an employee share option plan (ESOP). The objective of the ESOP was to assist in the recruitment, reward, retention and motivation of employees of Kabuni Limited. The fair value at grant date of options granted during the reporting year 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 during the year ended 30 June 2016:

Grant Date	Expiry date	Exercise price per option	Balance at start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at end of the year	Expense recognised during the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	\$	Number
17/03/16	31/03/19	\$0.18	-	4,190,001	-	(560,001)	3,630,000	112,532	- ¹
				4,190,001		(560,001)	3,630,000	112,532	-

On March 17, 2016, 4,190,001 stock 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 Company. 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.

The model inputs for options granted during the year ended 30 June 2016 included:

- options were granted for no consideration;
- expected life of options was 3.04 years;
- share price at grant date of \$0.15
- expected volatility of 55.7%;
- expected dividend yield of nil; and
- a risk free interest rate of 1.945%.

There were no options granted to employees during the year ended 30 June 2015.

ii) Share-based payment to suppliers

On February 19, 2016, 2,500,000 stock options exercisable at \$0.20 on or before 30 June 2017 were granted to a consultant for corporate advisory services rendered during the financial year 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 year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Expense recognised during the year \$	Exercisable at end of the year Number
19/02/16	30/06/17	\$0.15	-	2,500,000	-	-	2,500,000	6,851	- ¹
				2,500,000			2,500,000	6,851	-

¹ The options will vest when the share price (based on a 20 Day VWAP) of the Company, as quoted by the ASX, reaches a level of A\$0.225.

The model inputs for options granted during the year ended 30 June 2016 included:

- options were granted for no consideration;
- expected life of options was 1.36 years;
- share price at grant date of \$0.15;
- expected volatility of 49.7%;
- 50% discount for probability of achieving target price;
- expected dividend yield of nil; and
- a risk free interest rate ranging of 1.81%.

There were no options granted to suppliers during the year ended 30 June 2015.

iii) Issue of common shares to Directors

During the year ended June 30, 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.

During the year ended June 30, 2016, the Company issued 333,333 common shares to a director of the Company for nil consideration. The Company recorded share based payments of \$65,000 to reflect the fair value of the shares on the issuance.

iv) Issue of common share below fair value

During the year ended June 30, 2016, Kabuni Tech. issued 1,258,838 common shares at prices between CAD\$0.00001 and CAD\$0.15 for total proceeds of \$141,253. The Company recorded share-based payments expense of \$154,333 (CAD146,741) to account for the difference between fair value of the issued and the consideration received.

16. Accumulated losses

	Consolidated 30 June 2016 \$	Company 30 June 2015 \$
Movements in accumulated losses were as follows:		
Opening balance	(3,020,015)	(646,724)
Loss for the year	(15,934,438)	(2,373,291)
Closing balance	(18,954,453)	(3,020,015)

17. Segment Information

The Company 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 Company's primary segment is one business, being the development of an e-commerce platform in the home design space. During the year ended June 30, 2016, the Company operated in the following geographic segments: Australia, USA and Canada.

The U.S.A and Indian subsidiaries were dormant during the year.

**(a) Revenue and interest and other income by geographical region**

	Consolidated 30 June 2016	Company 30 June 2015
	\$	\$
Australia	-	-
Canada	12,842	5,680
Total revenue	12,842	5,680

(b) Loss by geographical region

Australia	(9,405,297)	-
Canada	(6,529,141)	(2,373,291)
Total loss	(15,934,438)	(2,373,291)

(c) Total assets by geographical region

Australia	637,474	-
Canada	2,426,412	750,539
Total assets	3,063,886	750,539

18. Loss per Share

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

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

	Consolidated 30 June 2016	Company 30 June 2015
	\$	\$
Loss used in calculating basic and dilutive EPS	(15,934,438)	(2,373,291)

	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share:	115,728,879	46,388,684
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	115,728,879	46,388,684

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements. As the Company is loss making, there is no diluted EPS calculated.

19. Financial Instruments and Risk

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, and loans payable approximate their carrying values due to their short-term nature. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs. The Company is exposed to varying degrees to a variety of financial instrument related risks:

(a) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at June 30, 2016, the Company is exposed to foreign currency risk through its subsidiary, Kabuni Tech., which is denominated in CAD. A 10% appreciation (depreciation) of the CAD against the AUD, with all other



variables held constant, would result in approximately an \$835,747 decrease (increase) in the Company's loss and comprehensive loss for the period.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at June 30, 2016, the Company is not exposed to any significant credit risk.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in the financial statements is interest expense on loans payable and interest income on term deposits. The Company has debt instruments at fixed rates and is therefore not exposed to risk in the event of interest rate fluctuations. As at June 30, 2016, the Company is not exposed to any significant interest rate risk. At 30 June 2016, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Interest Rate	Floating	Fixed	Non Bearing	Total
RBC GIC	0.80%	310,238	-	-	310,238
RBC GIC	0.50%	56,877	-	-	56,877
ANZ-etrade	1.85%	301,473	-	-	301,473
Westpac cash reserve	1.05%	101,706	-	-	101,706
Westpac cheque a/c	0.65%	191,345	-	-	191,345
Westpac share application	0.01%	-	-	-	-
Other cash	-	-	-	997,095	997,095
Loans payable	8.00%	(84,983)	-	-	(84,983)
Total Cash		876,656	-	997,095	1,873,751

0.50%		0.25%	
Profit	Equity	Profit	Equity
3,068	3,068	1,534	1,534

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

20. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of the components of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

21. Remuneration of Auditors

	Consolidated 30 June 2016 \$	Company 30 June 2015 \$
Audit and review of the financial statements (parent company auditors)	43,632	11,528
Subsidiary company auditors (not related to parent company auditor)	100,103	46,569
Total	143,735	58,097

The auditor of the Group is Stantons International Audit and Consulting Pty Ltd and the subsidiary auditor is Davison and Company LLP.

**22. Subsidiaries**

Details of the Company's subsidiaries at the end of the reporting period are as follows:

	Country of incorporation	Percentage owned*	
		June 30, 2016	June 30, 2015
Kabuni Technologies Inc.	Canada	100%	-
Stirling Minerals Limited	Australia	100%	100%
Kabuni Technologies (India) Private Limited	India	100%	-
Kabuni USA, Inc.	USA	100%	-

23. Related Parties**(a) Compensation of key management personnel**

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 30 June 2016 \$	Company 30 June 2015 \$
Short term employee benefits	816,655	197,000
Non-monetary benefits	40,020	6,816
Other employee expense (superannuation)	15,229	27,100
Share based payments	245,669	-
Total	1,117,573	230,916

(b) Related parties

At 30 June, 2016, there was \$14,345 contractor fees owing to a director and to a former officer of the company included in trade and other payables. At 30 June 2015, there was \$206,397 owing to directors and officers of the company included in trade and other payables.

At 30 June 2016, there was \$12,500 directors' fees owing (2015 - \$nil) included in trade and other payables.

At 30 June 2016, there was \$4,261 receivable owed by an entity controlled by a former CFO. At 30 June 2015 there was \$10,063 receivable owed by a director of the company.

(c) Loans to/from related parties

There were no loans made to directors of Kabuni and other key management personnel of the Group, including their personally related parties during the year. At June 30, 2016, the Company has a loan outstanding, including accrued interest of \$84,983 (June 30, 2015 - \$86,051) owing to a company controlled by an officer and director of the Company. The loan bears interest at 8% per annum, and was due on June 30, 2016 (Note 12B). Subsequent to the year ended June 30, 2016, the Company is in discussions with the lender with a view to extending the maturity date of the loan to June 30, 2017.

**24. Income Tax****(a) Income tax expense**

	Consolidated 30 June 2016	Company 30 June 2015
	\$	\$
Major component of tax expense for the year:		
Current tax	-	-
Deferred tax	-	-
	-	-

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.

	Consolidated 30 June 2016	Company 30 June 2015
	\$	\$
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:		
Loss from continuing operations before income tax expense	(15,934,438)	(2,373,291)
Tax at the Australian rate of 30%	(4,780,332)	(711,987)
Income tax rate differential / change in statutory rate	187,854	90,209
Tax effect of amounts not deductible in calculating taxable income	84,383	26,810
Other deductible items	2,665,770	-
Income tax benefit not brought to account	1,842,325	594,968
Income tax expense	-	-

(c) Unrecognised deferred tax assets arising on timing difference and losses

Losses – Revenue
Other

No deferred tax assets have been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The benefit for tax losses will only be obtained if:

- the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- no changes in tax legislation in Australia adversely affect the Company in realising the benefit from the deductions for the losses.

At 30 June 2016, there is no recognised or unrecognised deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiary as the Group has no liability for additional taxation should such amounts be remitted

25. Commitments**a) Lease Agreement**

In June 2015, Kabuni Tech. entered into a binding lease agreement for the Kabuni Design Studio. Commencing July 1, 2015 the Company pays monthly rent at a rate of \$10,570 (CAD\$10,221). The rental agreement is for a period of three years with the option to extend for an additional three-year period. The total rent commitment at 30 June 2016, excluding operating costs, is as follows:

	CA\$	AU\$
0-1 years	122,652	126,838
2-5 years	122,652	126,838
	245,304	253,675

b) Termination Payments

The Company has commitments in relation to termination payments pursuant to employment contracts. Refer to the Remuneration Report as part of the Directors' Report.

**26. Contingent Assets and Liabilities**

There are no known contingent assets or liabilities as at 30 June 2016 (2015: nil).

27. Subsequent Events

Except as set out in this Annual Report, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year 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.

Subsequent to the year ended June 30, 2016, the Company is in discussions with the lender of the loan payable discussed in Note 12, with a view to extending the maturity date of the loan to June 30, 2017

On 18 August 2016, the Company issued 1,306,667 unlisted options to acquire Shares, to certain of its employees and consultants. The issue was made pursuant to the Company's Employee Option Plan approved by shareholders at the Company's Annual General Meeting ("AGM") held on 12 November 2015.

The purpose of the issue is to attract, motivate and retain employees and consultants and to encourage participation through Kabuni Share ownership. No Director of the Group participated in the issue. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date	Listing Status
150,000	\$0.13	6-Nov-18	Unlisted
300,000	\$0.13	31-Oct-18	Unlisted
650,000	\$0.13	6-Sep-19	Unlisted
100,000	\$0.18	12-May-19	Unlisted
106,667	\$0.18	31-Mar-19	Unlisted
1,306,667			

28. Dividends

No dividend was paid or declared by the Company in the year ended 30 June 2016 or the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2016.

29. Parent Entity Information

The following details information related to the parent entity, Kabuni Limited, at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 3.

	30 June 2016 \$	30 June 2015 \$
Current assets	631,538	3,295,056
Total assets	2,651,149	3,295,056
Current liabilities	(43,265)	(137,035)
Total liabilities	(43,265)	(137,035)
Net assets	2,607,884	3,158,021
Issued capital	22,040,386	5,345,361
Reserves	588,472	275,755
Accumulated losses	(20,020,974)	(2,463,095)
	2,607,884	3,158,021
Loss of the parent entity	(17,557,879)	(1,785,622)
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	(17,557,879)	(1,785,622)

There are no known commitments, contingent assets or liabilities as at 30 June 2016 in the parent entity (2015: nil).

Guarantees

The Company has not entered into any guarantees in relation to the debts of its subsidiary.



Directors' Declaration

In accordance with a resolution of the Directors of Kabuni Limited, I state that:

1. In the opinion of the Directors:

- a) the financial statements and notes of Kabuni Limited for the year ended 30 June 2016 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's consolidated financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 3 (a).
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

On behalf of the Board

Mr. Neil Patel
Managing Director and Chief Executive Officer

Perth, Western Australia
31 August 2016

31 August 2016

The Directors
Kabuni Limited
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 audit of the financial statements of Kabuni Limited for the year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

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



Martin Michalik
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KABUNI LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Kabuni Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year-end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 3(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of Kabuni Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 3(a).

Inherent Uncertainty Regarding Going Concern

Without qualification to the audit opinion 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 30 June 2016, the company had net assets of \$2,544,744, cash and cash equivalents of \$1,958,734 and net working capital surplus of \$1,735,275. The company had incurred a loss for the year ended 30 June 2016 of \$15,934,438.

The ability of the company to continue as a going concern and meet its administration and other commitments is dependent upon the company 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 company may not be able to meet its liabilities as they fall due, or realise its assets at their stated values.

Report on the Remuneration Report

We have audited the remuneration report included in pages 49 to 56 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the remuneration report of Kabuni Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

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
31 August 2016

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 15 August 2016.

ORDINARY FULLY PAID SHARES

Distribution of Share Holders

	Number of Holders	Number of Shares
1 - 1,000	49	2,662
1,001 - 5,000	20	74,919
5,001 - 10,000	86	817,805
10,001 - 100,000	358	17,479,194
100,001 - and over	202	111,934,595
TOTAL	715	130,309,175

There were 75 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

The names of the twenty largest holders of quoted shares are listed below:

Name	Number of shares	%
PATEL NEIL	19,950,000	15.31%
J & J BANDY NOM PL <J & J BANDY S/F A/C>	6,600,000	5.06%
SEVENTY THREE PL <KING S/F NO 3 A/C>	4,271,000	3.28%
MILES-MACKAY PETER	3,010,000	2.31%
STRATA NOM PL <C & C BONTEMPO S/F>	2,500,000	1.92%
HSBC CUSTODY NOM AUST LTD	1,828,571	1.40%
JOHNSON ERIC BRIAN	1,683,333	1.29%
BATTERSBY DARREN	1,500,000	1.15%
ACNS CAP MARKETS PL <ACNS UNIT A/C>	1,460,516	1.12%
HAWLEY ALTHEA	1,375,000	1.06%
DIVERSE CAP PTE LTD	1,352,516	1.04%
RAMRATTAN MAHENDRA	1,350,000	1.04%
PEARCE STEVEN JOHN	1,302,828	1.00%
GREEN MOUNTAINS INV LTD	1,250,000	0.96%
BHOWANI SANDYA	1,210,000	0.93%
ALITIME NOM PL <HONEYHAM FAM A/C>	1,113,999	0.85%
FREEMAN ROAD PL <AVENUE A/C>	1,100,000	0.84%
STOW COURT PL <RM & JP BOLTON S/F>	1,033,333	0.79%
RICHSHAM NOM PL	1,011,905	0.78%
JOHNSTON NICK	1,000,000	0.77%
	55,903,001	42.90%

Substantial Shareholders

Name	Number of shares	%
PATEL NEIL	19,950,000	15.31%
J & J BANDY NOM PL <J & J BANDY S/F A/C>	6,600,000	5.06%
	26,550,000	20.37%

LISTED OPTIONS

Distribution of Option Holders

	Number of Holders	Number of Shares
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	16	127,512
10,001 - 100,000	35	1,613,332
100,001 - and over	21	10,259,156
TOTAL	72	12,000,000

Top Twenty Listed Optionholders

The names of the twenty largest holders of quoted options are listed below:

Name	Number of options	%
PEARCE STEVEN JOHN	1,800,000	15.00%
BARLOW COLIN A + C A/C <BARLOWS REWARD S/F>	1,300,000	10.83%
LONHRO WA PL <LONHRO A/C>	1,200,000	10.00%
BARLOW CHRISTINE	720,000	6.00%
HAWLEY BRETT ALEXANDER	600,000	5.00%
CPG INVEST PL <CHRISTIAN GANIM FA>	500,000	4.17%
NINETY THREE PL <ONE MILE S/F A/C>	500,000	4.17%
SEEFELD INV PL <SEEFELD A/C>	500,000	4.17%
J & J BANDY NOM PL <J & J BANDY S/F A/>	500,000	4.17%
BOLTON CAMERON ROSS	415,000	3.46%
MESSER ROY DAVID	293,813	2.45%
HUA HIN CAP PL <CR BOLTON S/F A/C>	277,500	2.31%
YEUNG JACKIE	250,000	2.08%
HAWLEY BRETT ALEXANDER	230,005	1.92%
DOMRAN INV PL	210,000	1.75%
HAWLEY ALTHEA	200,000	1.67%
LAWTON SHARMILA ANN	197,838	1.65%
STOW COURT PL <RM & JP BOLTON S/F>	150,000	1.25%
FIVE STAR TRADING PL <PEARCE S/F A/C>	150,000	1.25%
SHADWICK NOM PL <MICHAEL EDWARDS A/c>	140,000	1.17%
	10,134,156	84.47%

Substantial Optionholders

Name	Number of options	%
PEARCE STEVEN JOHN	1,800,000	15.00%
BARLOW COLIN A + C A/C <BARLOWS REWARD S/F>	1,300,000	10.83%
LONHRO WA PL <LONHRO A/C>	1,200,000	10.00%
BARLOW CHRISTINE	720,000	6.00%
HAWLEY BRETT ALEXANDER	600,000	5.00%
	5,620,000	46.83

PERFORMANCE SHARES

Distribution of Performance Shares Holders

	Number of Holders	Number of Performance Shares
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 - and over	25	38,130,493
TOTAL	25	38,130,493

Top Twenty Listed Performance Shares Holders

The names of the twenty largest holders of Performance Shares are listed below:

Name	Number of Performance Shares	%
MR NEIL PATEL	24,605,000	64.53%
FINANCE MATTERS CONSULTING	1,850,000	4.85%
MR ERIC BRIAN JOHNSON	1,850,000	4.85%
ACNS CAPITAL MARKETS PTY LTD	840,244	2.20%
DIVERSE CAPITAL PTE LTD	840,244	2.20%
ARTS ALLY INC	740,000	1.94%
FROATS CONSULTING INC	740,000	1.94%
MR PETER MILES-MCKAY	693,750	1.82%
MR NATHAN SELLYN	666,667	1.75%
MR NIKOLAS AJAGU	666,667	1.75%
MR MATTHEW HEHMAN	666,667	1.75%
MIDDLE EARTH NOMINEES PTY LTD	560,164	1.47%
MR MARC-ALEXANDRE POIRIER	434,964	1.14%
MR PIRAINO BERNASCONI EZEQUIEL	289,976	0.76%
MS JACQUELINE BANZ	289,976	0.76%
MS MICHELLE MARTIN	289,976	0.76%
MR SEAN PEEVER	289,976	0.76%
MS EMILY RATCHFORD	289,976	0.76%
MS PAMELA AMIL REDDY	289,976	0.76%
MR PARMINDER SINGH VIRK	289,976	0.76%
	37,184,199	97.52

Substantial Performance Shares Holders

Name	Number of Performance Shares	%
MR NEIL PATEL	24,605,000	64.53%
	24,605,000	64.53%

UNQUOTED EQUITY SECURITIES

Shares

The following fully paid ordinary shares are subject to escrow restrictions and are not quoted on ASX:

Class	Number	Holders with more than 20%
Fully paid ordinary shares escrowed for 24 months from the date of listing (3 September 2017).	25,540,879	-

Performance Shares

The following unlisted Performance Shares are subject to escrow restrictions:

Class	Number	Holders with more than 20%
Class A - escrowed for 24 months from the date of listing (3 September 2017).	7,781,432	-
Class B - escrowed for 24 months from the date of listing (3 September 2017).	7,781,435	-
Class C - escrowed for 24 months from the date of listing (3 September 2017).	6,781,433	-
Class D - escrowed for 24 months from the date of listing (3 September 2017).	6,781,433	-

ON-MARKET BUY BACK

There is no current on-market buy back.

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. Options have no voting rights.

USE OF PROCEEDS

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 30 June 2016.

Kabuni Limited provides the following information to ASX under ASX Listing Rule 4.3A. The report is based on accounts which have been audited. The audit report is included within the Annual Report lodged with the ASX on 31 August 2016.

DETAILS OF THE REPORTING PERIOD

Current period: 1 July 2015 to 30 June 2016 ("FY16")

Previous corresponding period: 1 July 2014 to 30 June 2015 ("FY15")

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit	Increase/ Decrease	Change %	\$000
Revenue from ordinary activities	Increase	126.1%	\$13
Loss from ordinary activities after tax attributable to members	Increase	571.4%	\$15,934
Net loss for the period attributable to members	Increase	571.4%	\$15,934

DIVIDEND INFORMATION

No dividends have been declared or paid during the current financial year (2015: nil).

At 30 June 2016, there was no dividend reinvestment plan in operation for Kabuni.

EXPLANATION OF RESULTS

Please refer to the Directors' and CEO Reports contained within the Annual Report for further review and analysis of Kabuni's operations and financial performance for the year ended 30 June 2016.

NET TANGIBLE ASSETS

30 June 2015	Net tangible asset backing	\$0.02 per share
30 June 2016	Net tangible asset backing	\$(0.08) per share

On 25 August 2015, the Company, formerly named Magnolia Resources Limited, completed its acquisition of 100% of Kabuni Technologies Inc., formerly named PDT Technologies Inc. (Kabuni Tech.). 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 acquisition has been accounted for with reference to the guidance for reverse acquisitions set out in AASB 3 "Business Combinations".

The comparative information above is that of Kabuni Tech. The shares at 30 June 2015 were unlisted. The number of shares has been converted to the equivalent number of Kabuni Limited shares issued in consideration for them. On 3 September 2015, the Company was re-admitted to quotation on the Australian Securities Exchange under the code KBU.

OTHER

There are no associates or joint ventures held by the Company. 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).

ADDITIONAL INFORMATION

All other additional Appendix 4E disclosure requirements can be found within the Annual Report lodged with the ASX on 31 August 2016. The financial statements have been audited by Stantons International and an unqualified audit opinion has been issued.