



19 October 2016

Dear Shareholder

### NON-RENOUNCEABLE RIGHTS ISSUE

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

The net funds raised are intended to be used to:

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

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

You are not required to do anything in response to this letter.

Documents relating to the Offer were lodged with ASIC and ASX on 17 October 2016 and are being mailed to Eligible Shareholders (as defined below in the section headed "Eligibility criteria").

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

#### Information about the Offer

1. The Offer is being made to eligible shareholders on the basis of the number of fully paid ordinary shares in the Company (**Shares**) held at 5.00pm (Perth time) on [day], [date] (**Record Date**). Under the Offer, eligible shareholders will be able to subscribe for one (1) New Share for every one (1) Share held on the Record Date at an issue price of \$0.027 (2.7 cents) per New Share, with one (1) Free Attaching Option exercisable at \$0.05 (5 cents) for every two (2) New Shares issued.
2. The Offer opens on Tuesday, 25 October 2016 and is expected to close at 5.00pm (Perth time) on Friday, 11 November 2016.
3. The Offer is non-renounceable which means that entitlements to participate in the Offer can be sold.
4. A person is eligible to participate in the Offer if they are a registered holder of Shares on the Record Date and they:
  - (a) have a registered address listed on the Company's share register in Australia or New Zealand;



- (b) are not in the United States and are not a US person or acting for the account of benefit of a person in the United States or a US person; and
  - (c) are eligible under all applicable securities laws to receive an offer under the Offer, without the use of a prospectus, disclosure document or other lodgement, filing, registration or qualification.
5. The Offer is not extended to Kabuni shareholders who do not meet this criteria.
6. To the extent that a person holds Shares on behalf of another person resident outside Australia or New Zealand, it is that person's responsibility to ensure that any acceptance complies with all applicable foreign laws.
7. Up to 160,209,175 New Shares and 80,104,588 Free Attaching Options may be issued under the Offer (based on the current capital structure of the Company and assuming that no existing options, warrants or convertible notes are exercised or converted before the Record Date). New Shares issued under the Offer will rank equally with the Company's existing fully paid ordinary shares.
8. The Offer is partially underwritten by Alto Capital and CPS Capital Group Pty Ltd, and the Company's second largest shareholder, J & J Bandy Nominees Pty Ltd as trustee for the J & J Bandy Superannuation Trust has committed to accepting all of its Entitlement.
9. Eligible shareholders who take up their Rights in full may also apply for additional New Shares and Free Attaching Options under any shortfall (**Shortfall Offer**).

#### Timetable for the Offer

| Event   | Date                                    |
|---|---|
| Announcement of Offers  | Monday, 17 October 2016                 |
| Prospectus lodged with ASIC and ASX (Appendix 3B lodged with ASX)                                   | Monday, 17 October 2016                 |
| Notice of Rights Offer sent to Shareholders   | Wednesday, 19 October 2016              |
| Ex-date (date from which Shares begin trading without the Right to participate in the Rights Offer) | Friday, 21 October 2016                 |
| Record Date (to identify Shareholders entitled to participate in the Rights Offer)                  | 5.00pm (WST)<br>Monday, 24 October 2016 |
| Prospectus and Entitlement and Acceptance Forms sent to Eligible Shareholders                       | Tuesday, 25 October 2016                |
| Rights Offer opens (Opening Date)   | Tuesday, 25 October 2016                |
| Last day to extend the Closing Date   | Tuesday, 8 November 2016                |
| Rights Offer closes (Closing Date)  | Friday, 11 November 2016                |
| New Securities quoted on a deferred settlement basis  | Monday, 14 November 2016                |
| Notice to ASX of Shortfall  | Wednesday, 16 November 2016             |
| New Securities issued   | Friday, 18 November 2016                |
| Quotation of New Securities on ASX commences  | Monday, 21 November 2016                |

The above dates are indicative only and may be subject to change. The Directors may vary these dates subject to any applicable requirements of the Corporations Act or the Listing Rules. The Directors may extend the Closing Date by giving at least three Business Days notice to ASX before the Closing Date.

You are not required to do anything in response to this letter. This letter is provided for your information only and does not constitute an offer of New Shares or Free Attaching Options under the Offer. An offer document will be sent to eligible shareholders on about 25 October 2016.

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

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'A Bertolatti', with a stylized flourish at the end.

**Mr Aaron Bertolatti**  
**Company Secretary**