

31 January 2017

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2016

Kabuni Ltd (“Kabuni,” or “the Company”) (ASX: KBU) is pleased to provide shareholders with an update on the Company’s activities for the three-month period ended 31 December 2016 (“the second quarter”).

Highlights

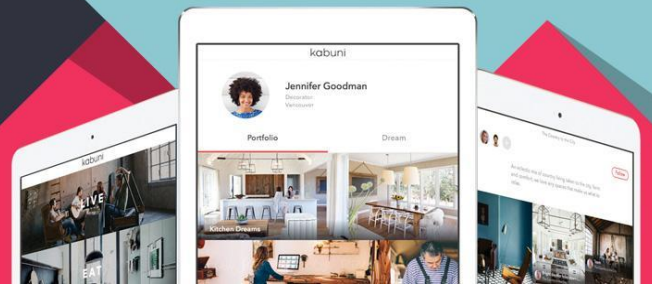
- **Increase in registered designers on the Kabuni platform**
- **Technological advancements across all mediums**
- **Development and implementation of strategy for 2017**
- **Appointment of Mr. Frans Tjallingii as Chief Operating Officer**
- **Successful capital raise of approximately \$3.0 million**
- **Subsequent to the quarter, acquisition of Design Campus, an online design education platform**

“Over the course of 2016, we learned a great deal about our industry, and made shifts to our growth strategy as a result of this knowledge” said Frans Tjallingii, the Company’s Chief Operating Officer, who will lead the execution of our strategic plan for 2017, supported by the financial resources secured through the successful capital raise completed at the conclusion of last year.

“During the second quarter, Kabuni made several notable enhancements to both its platform and business model. Designer registrations continue to grow, both online and at the Kabuni House in Vancouver, as does awareness of the Kabuni brand across the design industry. We anticipate that this awareness will be significantly increased by our recently announced acquisition of Design Campus, an online design education platform spearheaded by celebrity designer Lori Dennis.”

“Since joining the Kabuni team at the end of the year, I have already witnessed significant progress. Kabuni has improved its technology, its product-market fit testing, and the clarity of its strategy for 2017. I look forward to executing upon this strategy, building out the three pillars of our platform, and delivering sustainable value for our shareholders.”

The focal point of the Company's strategy is to grow the Kabuni House member base, with membership fees constituting the Company's main revenue driver. At the same time, the Company is seeking to develop the Kabuni House model in a way that allows for its effective scaling across North America.



Increase in Registered Designers

Kabuni's platform counted 1939 registered designers at the conclusion of the second quarter, an increase of 18% when compared to a count of 1620 registered designers at the conclusion of the prior quarter.

Technological Advancements

During the second quarter, Kabuni moved the substantial majority of its development team to an affiliate company in Bangalore, India. This location offers both a greater pool of talent and increased financial efficiency relative to the development team's previous concentration in Vancouver, Canada. The team continues to be managed from Vancouver.

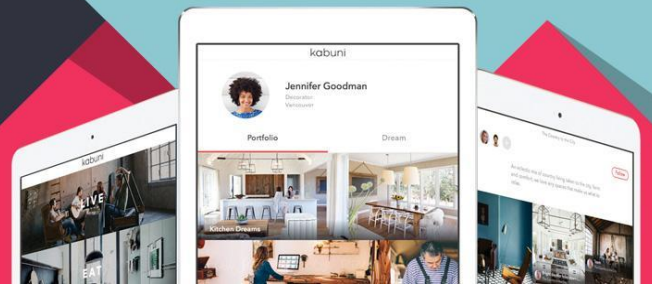
Also during the second quarter, Kabuni launched several new features to its online platform, including the following:

- *Opening the Company's product catalogue.* As a result of this change, all Kabuni users - including designers' clients - can now search the catalogue, add items to Inspiration Boards, and perform direct purchases.
- *Adding global search function.* This function enhances users' ability to search for and find the products they are looking for, allowing them to search through all relevant fields for their chosen keywords.
- *Designer spotlight.* With this feature, selected designers and their boards may be spotlighted in a customer's discovery screen.
- *Aligning web application.* Kabuni's web application was updated to be fully aligned with the Company's iOS application, facilitating purchases from either medium.
- *Technical upgrades.* Several technical features which facilitate the display and purchasing of products on the platform have been upgraded.

Throughout the second quarter, the Company continued to gather customer feedback to further iterate and improve its offering. Going forward, the Company expects that user feedback will drive further changes to the platform, with a view to increasing user engagement.

Progress at Kabuni House

Starting in December, the team at the Kabuni House was adjusted to create a stronger focus on sales and marketing. This increased focus was achieved by implementing sales-based incentives, revising the membership offering, rigorously pursuing leads, and holding events designed to attract potential



customers. As a result of these efforts, conversion rates are now beginning to increase.

Social events at Kabuni House continue to witness solid attendance. A notable example is the "December Spotlight Social", a recurring monthly event, where Kabuni showcases the month's 3 spotlight makers from the platform. Spotlight makers present their work to the attendees, gaining exposure to a new audience of potential customers. The December event featured artists from the Whistler, BC area, and was attended by over 140 individuals, including artists, designers and local consumers. Attendees provided positive feedback, noting with appreciation how the event gave them the ability to discover artists and makers they would not otherwise know, and network with professionals working in design related industries.

The acquisition of Design Campus, detailed below, is expected to help accelerate the implementation of the Company's Kabuni House strategy, by providing Kabuni with access to high-quality educational content that will be of interest to its members. Strategic Advisor Lori Dennis has already begun to play a leadership role for the Kabuni House team.

Appointment of Frans Tjallingii as Chief Operating Officer

On 14 November 2016, Kabuni announced the appointment of Frans Tjallingii as Chief Operating Officer.

Mr. Tjallingii possesses extensive commercial, business development, and high-level strategic experience. In the past, he has engaged in both market and investment analysis, and both established and restructured several companies.

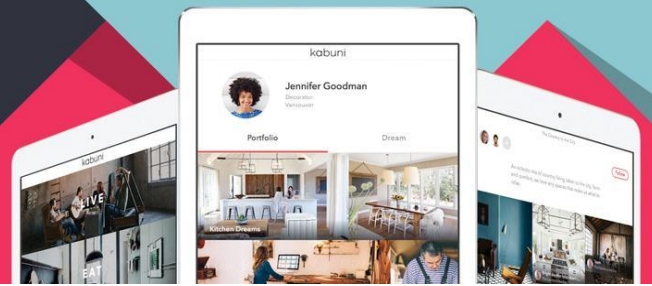
Mr. Tjallingii's experience has already provided considerable aid in the Company's efforts to both plan and execute its strategic goals, and he has begun a transition into an eventual role as Chief Executive Officer.

Capital Raising through Rights Issue and Placement

During the quarter, the Company raised approximately \$3,000,000 via a partially underwritten non-renounceable pro-rata rights issue and a placement to sophisticated and professional investors.

Acquisition of Design Campus

Subsequent to the conclusion of the second quarter, on 24 January 2017, the Company announced that it had signed a binding agreement to acquire Design Campus, an online education platform.



Design Campus was co-founded by Lori Dennis, a leading interior designer and star of HGTV's "The Real Designing Women." The Company also announced that Ms. Dennis will join Kabuni as a Strategic Advisor. This acquisition is expected to provide the Company with benefits across all three pillars of its strategic platform:

- *Community*: Provides valuable content to designers, increasing the frequency and quality of their engagement with Kabuni.
- *House*: Increase the value of a Kabuni House membership by introducing high-quality educational content both on and off-line.
- *Marketplace*: Increase traffic to Kabuni's e-commerce store, creating new sales opportunities.

The acquisition is scheduled to complete on 31 January 2017 (Vancouver time). Kabuni expects integration of Design Campus and its assets to be complete by June of 2017. Total costs for both the acquisition and integration of the business are expected to be approximately US\$100,000.

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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.