

1 August 2016
Company Announcements Office
ASX Limited

By E-Lodgement

FOURTH QUARTER ACTIVITIES AND CASHFLOW REPORT

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

HIGHLIGHTS

- 52% growth in designers signed up on the Kabuni platform since the beginning of the quarter, bringing the number of registered designers on the platform to over 1,300.
- Opened Kabuni's first Design Studio in Vancouver, Canada
- Launched the Kabuni web platform, bringing some of the functionalities of its iOS application to the web
- Initial sales in April served as a test of the Company's technology and e-commerce functionality, yielding invaluable data for the future development of key platform improvements.
- Key executive appointments reinforced existing management team.

CONTINUED DESIGNER GROWTH

In the fourth quarter, the Company added 459 designers to its online technology platform, which is primarily accessible via Kabuni's iOS and web applications. This represents an increase of 52% since the beginning of the quarter. This continues the growth trend experienced in the third quarter, which saw an increase of 55% in the number of designers registered on Kabuni's platform. There are now over 1,300 registered designers on the platform.

Kabuni's designers are primarily located in the United States and Canada, though the platform is open to designers worldwide, with many designers having signed up from the United Kingdom, Australia, and elsewhere. The following map presents a snapshot of the location of Kabuni's designers throughout the world (pink dots represent iOS users; green dots represent web users).

BOARD & MANAGEMENT

Mr Tony King
EXECUTIVE CHAIRMAN

Mr Neil Patel
MANAGING DIRECTOR

Mr Colm O'Brien
NON-EXECUTIVE DIRECTOR

Mr Nik Ajagu
NON-EXECUTIVE DIRECTOR

Mr Nathan Sellyn
NON-EXECUTIVE DIRECTOR

Mr Ajai Sehgal
NON-EXECUTIVE DIRECTOR

Mr Aaron Bertolatti
COMPANY SECRETARY

REGISTERED OFFICE

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West Perth WA 6872

CONTACT DETAILS

Tel: +61 8 9212 0105

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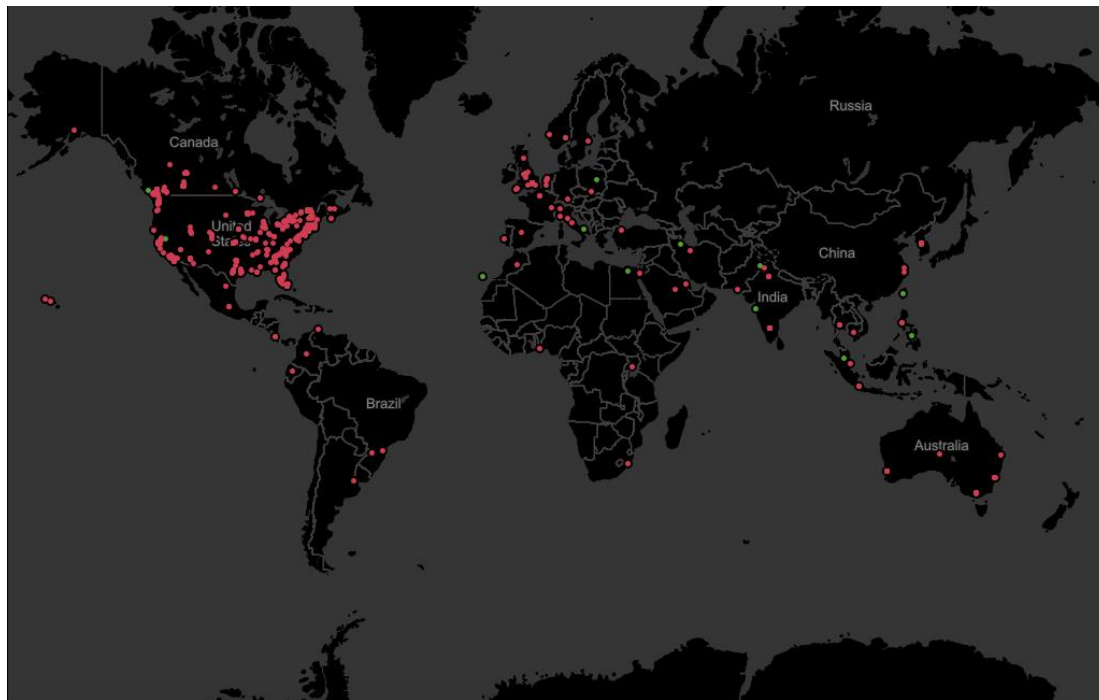
investor.kabuni.com

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Applecross
Pert WA 6153
Tel: 08 9315 2333

ASX CODE

KBU



User engagement on Kabuni's platform is also steadily increasing. During the fourth quarter, Kabuni users created over 1,000 Inspiration Boards, showcasing their design ideas. This compares to 440 inspiration boards that were created during the third quarter. Currently, the total number of Inspiration Boards is over 2,100. Of these boards, over 630 are "matched" with products from Kabuni's catalogue, which means that clients who view the board have the ability to purchase and order products from the board. The average retail value per board is approximately C\$15,000.

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

Management anticipates that the completion of the improvements to the Company's technology platform that are scheduled for August (*See Technology Platform, below*) will help to accelerate the growth rate for Kabuni's community of designers.

KABUNI DESIGN STUDIO

During the Fourth Quarter, Kabuni successfully launched its first Design Studio in Vancouver, Canada. The Company held its grand opening celebration on 9 June 2016, which was attended by interior designers, decorators, local makers of furniture and art, clients, and press.

The Design Studio completes Kabuni's omni-channel experience, complementing Kabuni's technology platform, driving e-commerce transactions and increasing brand awareness. The Studio has been covered by twelve media outlets and continues to be seen as a competitive advantage for the Company. Click [here](#) for a video of the Design Studio.

The Design Studio also offers an additional potential revenue stream for Kabuni, in the form of a recurring monthly fee for studio membership and access to its features. After having offered free membership for an initial period, in July, Kabuni started to explore the potential of generating subscription income by introducing a paying membership program.

Though the paying membership program remains in its infancy, it presents a compelling opportunity for Kabuni. More specifically, paying memberships provide Kabuni with the ability to generate revenue, offset the studio's operating costs and make it a profit centre. Currently, Kabuni's paid membership subscription model comprises of a C\$49/month limited access membership and a C\$299/month unlimited access premium membership. Among other benefits, studio members get access to the co-working space, cutting-edge technology and access to new clients through Kabuni's own event marketing program.

Already, the Company has seen requests for a Kabuni Design Studio to open in other locations, prompting the launch of a voting campaign to gain better insight into the demand hotspots. There are currently 77 cities across six countries voting for a Design Studio, and this demand is expected to grow as the Company increases its brand visibility through marketing efforts in the 2017 fiscal year. Provided that the Vancouver Design Studio proves successful in furthering Kabuni's business model, management will consider the information gathered from this voting process in determining the location for potential additional Design Studios.

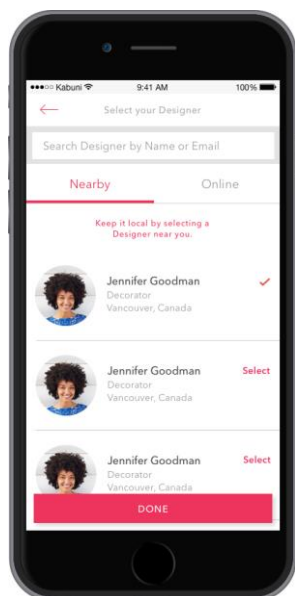
TECHNOLOGY PLATFORM

Kabuni released its web platform during the fourth quarter, bringing a portion of the functionalities of the Company's iOS application to the web. This release has made Kabuni's platform accessible to a significantly larger number of users, either via a standard browser, or any mobile browser including Windows and Android devices. By mid-August 2016, Kabuni plans on introducing e-commerce functionality to its web platform. As a result, the full-featured version of Kabuni's platform will be available across all devices, which will significantly increase the number of potential clients who may purchase products and drive e-commerce transactions.

The Company continues to make improvements to the iOS app, which services 60% of the total Kabuni design community. In response to information gathered from Kabuni's first sales in April (see *Marketplace – Sales*, below), the following three key features were prioritized as part of Kabuni's current technology roadmap.

- **FASTER DESIGNER CLIENT CONNECTION**

This feature will make it easier and faster for clients to connect with designers on the platform, by removing bottlenecks and allowing the connection to be made in three simple steps. In contrast, the designer/client connection currently requires the prior creation of an inspiration board and the sending and acceptance of a collaboration invitation, a process of over eight steps. Going forward, each client will, on sign-up, choose a designer to be associated with the client's account prior to having full access. This means every client will have a designer connected to their account, leading to quick and seamless engagement between client and designer.

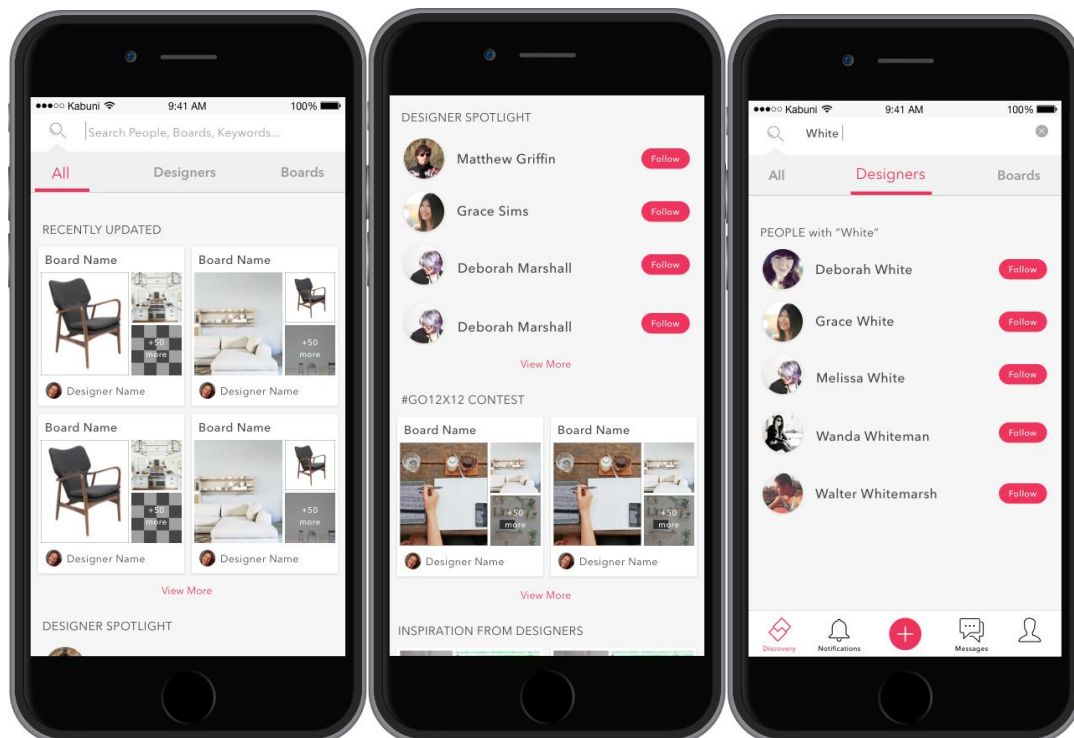


- **PRODUCT CATALOGUE**

This feature will allow clients to browse Kabuni's product catalogue and purchase products directly from the catalogue. Kabuni's designer-focused business model remains intact, as each client's associated designer will continue to earn income by receiving a share of Kabuni's gross profit earned on sales made directly from the catalogue.

- **GLOBAL SEARCH AND DISCOVERY**

This feature will introduce a global search function of people, products and boards in order to help clients find products or connect with designers more quickly and easily. Recent industry data shows that 35% of ecommerce product searches were started at marketplaces, compared with 31% at retailers' channels and 15% at search engines (Source: [UPS Whitepaper](#): The Pulse of the Online Shopper, 2016).



Kabuni expects that these new features will be rolled-out in August 2016.

India Software Development Office

During the fourth quarter, the Company continued to leverage its office in Bangalore, India in order to develop and improve its technology platform. Having 10 full-time software developers in Bangalore provides 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 saving of C\$44,800 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.

AMBASSADOR PROGRAM

Kabuni's Ambassadors proved to be of significant benefit to the business during the fourth quarter. In particular, Kabuni's two Vancouver-based Ambassadors, Tina Dhillon and Courtney Molyneaux, provided useful guidance in enhancing the Design Studio experience and championing Kabuni within the local design community. In addition, Courtney was among the first to lead an in-studio designer-hosted event, leading the way for local-community engagement.

Kabuni's Ambassadors from other cities around Canada and the United States continue to be loyal supporters of Kabuni, promoting the brand through their social media channels and personal networks. In July, Kabuni's Seattle Ambassador, Bette Bennett, arranged for a group of over 20 interior design students from Washington to visit Kabuni's Design Studio.

In this regard, Kabuni's premier partnership with the American Society of Interior Design (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 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. Kabuni's CEO, Neil Patel, had the opportunity to make a winning presentation at the conference, further solidifying awareness of Kabuni within the Society. The ASID connection will prove to be indispensable as Kabuni looks to grow the reach and numbers of its Ambassador programs in the coming year.

MARKETPLACE - SALES

Transactions in April were considered a test of the Company's technology and e-commerce functionality, this was focused primarily on friends and family of the Kabuni staff. During April, Kabuni completed over 40 sales at an average price per transaction of C\$240.

The initial sales campaign via friends and family was an important first step in allowing Kabuni to carefully assess the functionality and experience of its platform. In particular, the campaign has highlighted that several important improvements to the platform were required in order to improve user experience and help scale revenues from e-commerce transactions.

From the feedback on the changes required, three key technological upgrades were recommended, validated by our users, and prioritized into the platform's development roadmap. After careful consideration, Kabuni made the decision to pause its sales and marketing strategies in order to focus on making the improvements. This decision was made in order to ensure that the technology is optimal at the start of the onrush of additional users that is anticipated to be generated by these marketing strategies. The optimized user experience is expected to result in a higher retention and sales conversion rate.

Beyond the user experience issues shared above, the Company has also learned that designers and clients desire for Kabuni's product catalogue to include more unique, exclusive and locally-crafted products. As result, a key area of focus for the Company in the coming year will be to supplement the existing product catalogue with these kinds of unique products.

With the platform improving and becoming "any-device-friendly" via the web application, the Company engaged the services of Miss Raquel Hirsch, an accomplished marketing executive, to serve as Kabuni's Chief Revenue Officer. Raquel's mandate is to help scale Kabuni's revenue generation strategy by aligning and optimizing the entire omni-channel brand experience. A more detailed description of Raquel's experience is included below. On her appointment, Ms Hirsch stated "I am very excited to be working with Kabuni in its current phase of development. Kabuni is uniquely positioned to disrupt an industry that is very fractured and inefficient, and in the process, deliver real value to interior designers, makers and artisans, and consumers wanting to live in a better home." Miss Hirsch's appointment is effective August 8, 2016.

Kabuni is confident that the implementation of these new features to its platform, combined with its planned marketing initiatives, will help to drive user adoption and generate revenues from its Design Studio and e-commerce transactions via Kabuni's online marketplace.

BOARD AND EXECUTIVE APPOINTMENTS

Appointment of Colm O'Brien as Director

On 18 July 2016, the Company announced the appointment of Mr. Colm O'Brien to the Board of Directors following the resignation of Mr. Matthew Hehman. Mr. O'Brien has over 20 years executive level experience in financial services, management consulting, and media industries. He has led ASX listed company Aspermont Limited (ASX: ASP) as CEO and transformed that business from a local mining publication to a global, digitally led resources media business including world leading events.

Mr. O'Brien brings in-depth management consulting and banking experience to the Board, and his appointment ensures that the Kabuni growth strategy is fully supported and implemented.

Appointment of Mr Ajai Sehgal as Non-executive Director

Mr Ajai Sehgal has been appointed as a non-executive director of Kabuni. Mr Sehgal is the current CTO/CIO 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 where Mr Sehgal resides.

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. He will bring to Kabuni his invaluable experience as an executive in some of the world's leading technology companies.

Mr. Sehgal stated, "Any successful, disruptive startup must seek to solve a problem for customers in an innovative way that no one else is doing or has even thought of. By providing individual interior designers, customers and artisans a unique technology platform along with state of the art studio space in which to share concepts and show home decor and furnishings for purchase, Kabuni is fulfilling that destiny. I am excited to join that journey and help guide Kabuni's evolution."

As part of Mr Seghal's remuneration the Board will seek shareholder approval for the issue of 1,000,000 options exercisable at \$0.13 with a three year expiry from the date of issue.

Appointment of Raquel Hirsch as Chief Revenue Officer

In addition, the Company has appointed Miss Raquel Hirsch, an accomplished marketing executive, to serve as Kabuni's Chief Revenue Officer.

Miss Hirsch was the Co-founder and President at WiderFunnel Marketing Inc., the premier Conversion Optimization full-service agency, which sold in 2011. Since 2011, she has helped a few of the fastest growing companies in Canada, including Cymax and HootSuite, where she built the Global Website team from 3 to 24 people and delivered a global sales channel.

Raquel specializes in turnarounds and fast ramp-ups. She has deep experience in online and corporate marketing, consistently delivering innovative and measurable solutions to business problems. Her particular expertise is in enabling online demand-creation strategic and tactical plans, and in building successful cross-functional teams in companies in hyper-growth, bridging the divide between marketing and sales.

FINANCE

During the fourth quarter, the Company continued its development of key corporate technology assets, namely the development of the Kabuni's online technology platform and marketplace, the integration and expansion of the Company's software development office in India and the roll-out of the Company's Design Studio.

During the quarter, the Company spent A\$120,433 on advertising and promotion related expenses, the majority of which were targeted towards the launch of the Design Studio and the Company's overall branding efforts. This represented an increase from the A\$78,478 spent on advertising and promotion related expenses in the third quarter. Overall, the Company's total operating expenses increased to A\$1,989,783 in the fourth quarter compared to A\$1,694,714 in the third quarter, as the Company continues to grow. The Company increased in overall expenditure on salaries and benefits to A\$734,070 compared to A\$669,936 during the previous quarter. Increases in operating expenses and rent are largely attributed to the additional costs associated with the Design Studio, while salaries and benefits can be largely attributed to additional personnel hired for both additional software development, and the operations of the Studio. Of note, as the Company increases its presence in Bangalore India, the reliance and spend on outside technology software development providers will continue to decrease over time.

The Board has carefully reviewed all Company costs and expenses as part of the annual budgeting process. As a result of this process, the Company expects that its operating expenses will decline in the coming financial quarters.

For further information please contact:

Kabuni Ltd.

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ABOUT KABUNI

Kabuni is a North American-based SaaS and e-commerce platform in the home design space that enables independent designers and home design professionals to grow their business through an omni-channel retail experience. Kabuni's platform enables designers worldwide to collaborate with clients anywhere in the US and Canada and earn income from the sale of home décor products and furnishings from Kabuni's catalogue through curated Inspiration Boards. Kabuni leverages proceeds from the platform to benefit local charitable organizations dedicated to combating homelessness. Kabuni believes in Better Homes for Everyone. For more information, please visit: <http://www.kabuni.com/>

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

FORWARD LOOKING 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.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Kabuni Limited

ABN

28 158 307 549

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	11	12
1.2 Payments for (a) staff costs	(700)	(2,747)
(b) advertising and marketing	(127)	(558)
(c) research and development	(225)	(1,098)
(d) leased assets	-	-
(e) other working capital	(751)	(2,343)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	116
1.5 Interest and other costs of finance paid	-	(80)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(1,774)	(6,698)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,774)	(6,698)
Cash flows related to investing activities		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(255)	(800)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other: net cash on acquisition of subsidiary	-	9,544
Net investing cash flows	(255)	8,744
1.14 Total operating and investing cash flows	(2,029)	2,046
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	510
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	(600)
1.19 Dividends paid	-	-
1.20 Other – Capital raising costs	-	(428)
– Refund capital raising expenditure	-	11
Net financing cash flows	-	(507)
Net increase (decrease) in cash held	(2,029)	1,539
1.21 Cash at beginning of quarter/year to date	4,046	550
1.22 Exchange rate adjustments to item 1.20	(58)	(130)
1.23 Cash at end of quarter	1,959	1,959

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	60
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	<div style="border: 1px solid black; padding: 5px;"> 1.2 Payment of Directors fees and Remuneration \$60k </div>	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	1,290	1,928
4.2	Deposits at call	669	2,118
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		1,959	4,046

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	-
5.2	Place of incorporation or registration	-
5.3	Consideration for acquisition or disposal	-
5.4	Total net assets/ (liabilities)	-
5.5	Nature of business	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:
 (Executive Chairman)

Date: 1 August 2016

Print name: TONY KING

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.