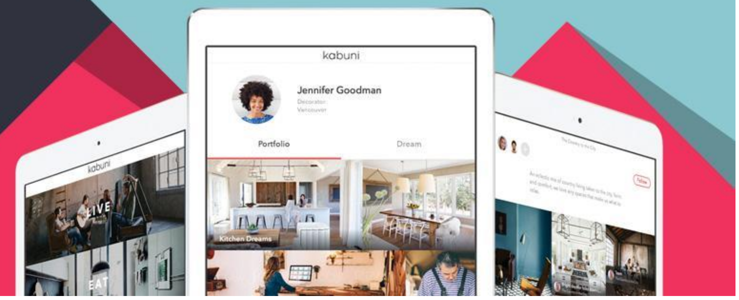
kabuni



7 October 2016
Company Announcements Office
ASX Limited

By E-Lodgement

Financial Statements and MD&A

Kabuni Ltd (ASX: **KBU**) ("Kabuni," or "the Company") has filed its financial results, annual information form and related management's discussion and analysis for the period ended 30 June 2016 with the British Columbia Securities Commission.

Additional information relating to the Company and its business is available under the Company's profile on SEDAR at www.sedar.com.

For and on behalf of the Board

Tony King
Executive Chairman

BOARD & MANAGEMENT

Mr Tony King
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
Level 1
35 Richardson Street
West Perth WA 6005

POSTAL ADDRESS
PO Box 1440
West Perth WA 6872

CONTACT DETAILS
Tel: +61 8 9212 0105

WEBSITE
investor.kabuni.com

SHARE REGISTRY
Security Transfer Registrars
770 Canning Highway
Applecross
Pert WA 6153
Tel: 08 9315 2333

ASX CODE
KBU

KABUNI LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE TEN MONTH PERIOD ENDED JUNE 30, 2016

Table of Contents

Introduction

This Management Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Kabuni Ltd (the "Company" or "Kabuni") and its subsidiaries (together "the Group") constitutes management's view of the factors that affected the Group's financial and operating performance for the ten month period ended June 30, 2016. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102F1 – Management's Discussion and Analysis. This discussion should be read in conjunction with the consolidated financial statements of the Group for the ten month period ended June 30, 2016 and twelve month period ended August 31, 2015, together with the notes thereto. Results are reported in Australian dollars, unless otherwise noted. In the opinion of the management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the ten month period ended June 30, 2016 are not necessary indicative of the results that may be expected for any future period. Information contained herein is presented as at September *, 2016 unless otherwise indicated.

The consolidated financial statements for the ten month period ended June 30, 2016 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Kabuni's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Group's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends," "anticipates," "believes," or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might", or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materiality from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding the Group's ability to meet its working capital needs at the current level for the next twelve-month period ended June 30, 2017; management's outlook regarding future trends, sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Kabuni's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Group undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Group does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward -looking statements, unless required by law.

Description of Business

Kabuni is a North American-based SaaS (software-as-a-service) 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.

Kabuni's shares commenced trading on the Australian Securities Exchange (the "ASX") under the trading ticker "MGB" on May 11, 2012. On conclusion of the RTO, the Company initially changed its name from Magnolia Resources Ltd to Whole New Home and then finally to Kabuni Ltd under the trading ticker "KBU".

The financial information includes the accounts of the Company and all of its subsidiaries. The subsidiaries include Kabuni Technologies Inc. in Canada; Kabuni USA, Inc. in the United States (incorporated in December 2015); Kabuni Technologies (India) Private Limited in the Republic of India (incorporated in May 2016) and Stirling Minerals Pty Ltd in Australia. The Company has a 100% equity interest in all subsidiaries.

Reverse Takeover Transaction ("RTO")

On August 24, 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:

1. 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.
2. 4,257,547 shares to corporate advisors of Kabuni Tech who introduced and facilitated the transaction.
3. 15,523,810 shares to holders of Kabuni Tech's convertible loan payable.
4. 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 Canadian ("CAD") $420,000. The Company recognized a loss on settlement of accounts payable of $118,999 during the year ended August 31, 2015, which related to the difference between the fair value of the share 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 August 31, 2015, which related to the difference between the fair value of the share 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 was a dormant public shell, the Company did not meet the definition of a business and the acquisition was 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 was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in the 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)
	$	3,138,859
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
	$	12,024,758
Cost of public listing	$	8,885,899

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.

During the year ended August 31, 2015, a non-cash listing expense of $8,885,899 resulted from the accounting of the RTO transaction 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 IFRS 2 Share-based Payment.

Overall Performance

Kabuni is the developer of a North American-based SaaS (Software-as-a-service) 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 is currently a pre-revenue development-stage business. Historically, funding of the Company's operations has been limited to the issuing of securities, raising of debt finance, and the use of previously publicly raised funds.

During the ten months ended June 30, 2016, the Group incurred a loss and comprehensive loss of $5,782,393 compared to a loss and comprehensive loss of $12,334,351 for the year ended August 31, 2015. Decreasing losses are attributable to the differences in duration for each fiscal period compared (ten months vs. twelve months) and the non-cash listing fee of $8,885,899 which has been charged to the statement of loss and comprehensive loss during the twelve months ended August 31, 2015 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 IFRS 2 Share-based Payment.

Cash as of June 30, 2016 fell to $1,958,734, from $8,417,552 at August 31, 2015 as a result of ongoing corporate activity and capital investment in support of product development, with no additional funds generated from financings. It is anticipated by management that the Group will need to raise money through the issue of securities or by incurring debt during the financial year ended June 30, 2017.

The Group ended the ten month period ended June 30, 2016 with working capital of $1,735,274 compared to $7,770,966 as of August 31, 2015. The working capital variance between August 31, 2015 and June 30, 2016 is due to increased product development and marketing costs, as well as, investments in capital assets and intellectual property.

Kabuni did not raise funds through the issuance of capital during the ten months ended June 30, 2016.

Going Concern Assumptions

The 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.

The Group's ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations. 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 Company is currently planning to raise capital by offering a private placement in early October. 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 Group not be able to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Group's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

The discussions in this MD&A have been written under the assumption that the Group will continue as a going concern.

Discussion of Operations

During the ten month period ended June 30, 2016 the Group continued to develop its products and to promote itself within the interior design industry. Although initial sales of products and services promoted by the Group occurred for the first time in the fiscal period ended June 30, 2016, these sales were very modest and totaled only $12,427. In addition, during the fiscal period the Group has spent on marketing initiatives like the US$100,000 partnership with the American Society for Interior Designers to prepare for a growing number of future sales of Group promoted products and services during the subsequent fiscal period ending June 30, 2017.

The Group has also increased investment in capital and intangible investments, primarily through $536,138 invested in the creation of a Vancouver Kabuni House (formerly Design Studio) and related furniture and equipment, and $93,071 invested to purchase domain names, trademarks, and other intellectual interests. However, management assessed that the intangible asset was impaired and hence was written off and an impairment loss of $93,071 was recorded as of June 30, 2016. Other capital assets include $145,352 spent on office equipment and fixtures for both the Kabuni Tech Canadian offices and the Group's software development operations in India.

Ten months ended June 30, 2016 compared with twelve months ended August 31, 2015

The following discussion of the Group's financial performance is based on the consolidated financial statements for the ten months ended June 30, 2016.

The Group's total loss and comprehensive loss totaled $5,719,813 for the ten months ended June 30, 2016, with basic and diluted loss per share of $0.04. This compares with a total loss and comprehensive loss of $12,397,584 with basic and diluted loss per share of $0.10 for the year ended August 31, 2015. The decrease of $6,677,771 in net loss was principally because of the non-cash listing fee of $8,885,899 during the year ended August 31, 2015 which was offset by the movement of the following:

- General and administration
  - For the ten months ended June 30, 2016, general and administration expenses increased by $310,134 as the Group expanded its operations by, among other things, hiring additional staff, engaging third-party developers, increasing promotional and marketing initiatives, and performing certain requirements of a public company.
- Rent
  - For the ten months ended June 30, 2016, rent increased by $210,580 as the Group increased the size of its offices to accommodate design studio, full-time developers, management and administrative employees hired/contracted to meet the needs of the expanding business operations.
- Salaries, bonuses and benefits
  - For the ten months ended June 30, 2016, salaries, bonus and benefits increased by $1,131,991 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.
- Share-based payments
  - For the ten months ended June 30, 2016, share-based payments increased by $64,672 as a result of the Group instituting a share-based payment plan in order to attract and retain individuals necessary for the development and commercialization of the Group's e-commerce platform.
- Travel
  - For the ten months ended June 30, 2016, travel expenses increased by $50,360 for marketing and business development. The increase is as a result of the Group becoming a publicly traded group with international operations and efforts to promote the ongoing development of the Group's products.
- Software development
  - For the ten months ended June 30, 2016, software development costs increased by $967,315 due to development in Canada and India.
- Advertising and promotion

  For the ten months ended June 30, 2016, advertising and promotion costs increased by $485,843 due to an increased 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 Tech. to promote the software platform and mobile e-commerce application. 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.

- Professional and consulting services
  - For the ten months ended June 30, 2016, professional and consulting services decreased by $683,976 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.

Uncertainties

The Group has no material revenues, and is currently developing the products with which it plans to generate revenues. The Group faces significant risks and uncertainties as a result of its incomplete and untested products, which include: the timing of future product releases and associated revenues; the demand for future products; the costs to effectively market and support future products; and competition from existing and new competitors. These risks could materially affect the Group's future revenues profits, and use of cash.

Summary of Quarterly Results

The following table sets out selected financial information for each of the eight most recent quarters (unaudited), the latest of which ended June 30, 2016.

Our quarterly operating results have historically fluctuated significantly and may continue to fluctuate significantly in the future. Key factors that account for the fluctuations in quarterly results include the development of the e-commerce platform and the increasing pace at which the Group's software development and administrative personnel are expanding. Henceforth, we believe that the past operating results and period-to-period comparison should not be relied upon as an indication of our future performance.

The significant increase in the quarterly loss for the period ended August 31, 2015 is the result of non-cash costs of $8,885,899 in relation to the accounting of the RTO transaction. Aside from the RTO transaction costs, losses have increased as a result of the Group increasing spending on development and marketing in anticipation of the launch of products in the quarter ended June 30, 2016.

(in Australian dollars)	June 30, 2016 (A$)	March 31, 2016 (A$)	December 31, 2015 (A$)	August 31, 2015 (A$)
Total revenue	11,241	-	1,186	5,221
Total loss and comprehensive loss	(1,812,262)	(1,715,359)	(2,192,192)	(10,618,250)
Loss per share	(0.01)	(0.01)	(0.02)	(0.08)
Total assets	3,063,887	4,965,209	6,601,407	8,867,818

(in Australian dollars)	May 31, 2015 (A$)	February 28, 2015 (A$)	November 30, 2014 (A$)	August 31, 2014 (A$)
Total revenue	797	-	-	-
Total loss and comprehensive loss	(1,160,503)	(334,625)	(220,973)	(256,224)
Loss per share	(0.02)	(0.01)	(0.00)	(0.01)
Total assets	359,463	44,333	66,593	22,815

The quarterly results in the tables above have been determined and prepared in accordance with IFRS accounting principles.

Liquidity and Capital Resources

Since inception, the Group has incurred operating losses. Operating revenue started in the last quarter of fiscal year ended June 30, 2016. The Group anticipates that it will continue to incur losses until the e-commerce platform reaches commercialization . Consequently, the Group will need additional capital to fund its operations, which the Group may obtain from additional debt and equity financing, operations revenue and other sources. To date, the Group has financed its operations primarily through the issuance of its common shares. See "*Discussion of Operations"* for elaborations on the cause of cost variations.

As at June 30, 2016, the Group's cash balance was recorded as $1,958,734 (August 31, 2015 – $8,417,552), and the Group had a working capital of $1,735,274 (August 31, 2015 – $7,770,966). The decrease in cash and working capital was a result of an increase in operating activities since the completion of the RTO in August 2015.

As of June 30, 2016, the Group had 130,309,175 common shares issued and outstanding.

The Group has no interest-bearing debt and its credit risk and interest rate risk is minimal. Accounts payable, accrued liabilities and loans payable are short-term and non-interest bearing.

The Group's liquidity is dependent on successfully raising additional debt or equity financing. The Group generates no material revenues and as such regular raising of debt finance or issue of securities are required to maintain liquidity.

The Group is exposed to foreign exchange 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 $188,617 decrease/(increase) in the Group's loss and comprehensive loss for the period.

The Group consolidated financial statements have been prepared on the going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2016, the Group had not generated significant revenues, has negative cash flows from operations, and has an accumulated deficit of $18,954,452. The Group's continued operations are depended on its ability to generate future cash flows, curtail administration and operational cash outflow as required, or obtain additional financing. Management is pursuing equity financing. Management is planning to obtain sufficient working capital from external equity financing to meet its liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Group . These factors, among others, may cast substantial doubt as to the Group's ability to continue as a going concern.

Below is a summary of the Group's cash flows (used in) / provided by operating activities, financing activities and investing activities for the periods indicated:

(in Australian dollars)	Ten month period ended June 30, 2016 (A$)	Twelve month period ended August 31, 2015 (A$)
Net cash flows used in operating activities	(5,829,970)	(2,938,315)
Net cash flows used in investing activities	(688,755)	(153,683)
Net cash flows (used in) / provided by financing activities	(804)	11,527,147
Impact of exchange rate changes on cash and cash equivalents	60,711	(15,067)
Change in cash and cash equivalents	(6,458,818)	8,420,082
Beginning cash (bank indebtedness)	8,417,552	(2,530)
Ending cash and cash equivalents	1,958,734	8,417,552

Net cash flows used in operating activities

Net cash outflows from operating activities increased by $2,891,655 to $5,829,970 for the ten month period ended June 30, 2016 compared to $2,938,315 for the twelve month period ended August 31, 2015. This increase was primarily due to increases in $310,134 general and administration expenses, $210,580 rent, $1,131,991 salaries, bonus and benefits, and $967,315 software development, and $485,843 advertising and promotion.

Net cash flows used in investing activities

Net cash outflows from investing activities increased by $535,072 for the ten month period ended June 30, 2016 compared to $153,683 for the twelve month period ended August 31, 2015. This increase was due to acquisition of property and equipment totaling to $681,490, of which $331,706 was spent for the Design Studio and leasehold improvements.

Net cash flows provided by (used in) financing activities

Net cash flows from financing activities during the ten month period ended June 30, 2016 consist of a share issuance cost of $804, as compared to a cash inflow of $11,527,147 for year ended August 31, 2015. This decrease was primarily due to the fact that no new capital raising efforts occurred during the period.

Contractual Obligations and Commitments

1. In June 2015, Kabuni Tech. entered into a binding lease agreement for the Kabuni Design Studio. Commencing July 1, 2015, Kabuni Tech 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 June 30, 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**

2. The Group has commitments in relation to termination payments pursuant to employment contracts.

Off-Balance Sheet Arrangements

As of the date of this filing, the Group does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial conditions of the Group, including, and without limitation, such considerations as liquidity and capital resources.

Related Party Transactions

(a) Compensation of key management personnel

The Company treats "key management personnel" as related parties. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. A summary of expenses by nature incurred with key management personnel is as follows:

	June 30, 2016 $	**August 31, 2015 $**
Professional and consulting fees	47,570	274,428
Short term employee benefits	624,113	56,113
Directors' fees	39,591	10,000
Performance shares	245,669	3,233,163
Total	**956,943**	**3,573,704**

(b) Related parties

At June 30, 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 31 August, 2015, there was $59,009 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 (31 August 2015 - $nil) included in trade and other payables.

At June 30, 2016, there was $4,261 receivable owed by an entity controlled by a former CFO. At 31 August 2015, there was $10,156 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 period. At June 30, 2016, the Company has a loan outstanding, including accrued interest of $84,983 (31 August 2015 - $86,851) 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 11). Subsequent to the period ended June 30, 2016, the maturity date of the loan was extended to June 30, 2017.

Proposed Transactions

As of the date of this filing, the Group does not have any proposed transactions that have, or are reasonably likely to have, a current or future effect on the results of operations or financial conditions of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Significant Accounting Estimates

The preparation of the 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 consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods 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 statement of profit or loss and other comprehensive income;
- determination of the purchase price of the Company; and
- the recognition and recoverability of deferred tax assets.

Recent Accounting Pronouncements

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

Financial Instruments and Risks

The Group is exposed to varying degrees to a variety of financial instrument related risks:

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 Group 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 $188,617 decrease (increase) in the Group's loss and comprehensive loss for the period.

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 Group's cash and cash equivalents and receivables are exposed to credit risk. The Group 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 Group is not exposed to any significant credit risk.

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 Canadian dollar cash. The Group 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 Group is not exposed to any significant interest rate risk.

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

Subsequent Event

Subsequent to the ten month period end, the Company has announced the appointment of Ms. Lisa Dea as Chief Financial Officer (CFO) commencing September 6, 2016, and the subsequent termination of the services agreement with TCF Ventures Corp, a company owned by Mr. Tim Fernback, the former interim CFO for the Company.

Subsequent to the ten month period ended June 30, 2016, the lender of the loan payable discussed in Note 11 of the consolidated financial statements, extended the maturity date of the loan to June 30, 2017.

On August 18, 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 November 12, 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			

Other than as set out above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial period 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.

Share Capital

As of the date of this MD&A, the Group had 130,309,175 issued and outstanding commons shares, 38,130,493 issued and outstanding performance shares, 12,000,000 issued and outstanding listed options, and 7,336,667 issued and outstanding unlisted options.

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

During the ten month period 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 issuance.

During the ten month period 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.

Performance shares outstanding for the Group at the date of this MD&A were as follows:

Performance Shares	Shares Outstanding
Class A	10,032,622
Class B	10,032,625
Class C	9,032,623
Class D	9,032,623
	38,130,493

Options outstanding for the Group at the date of this MD&A related to the following grants:

As part of a concurrent financing, on completion of the RTO, the Company issued 12,000,000 options, at an issue price of $0.005 per option, for a 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.

Stock options outstanding for the Group at the date of this M&DA related to the following grants:

1. On February 19, 2016, 2,500,000 stock options exercisable at $0.20 on or before June 30, 2017 were granted to advisors of the Company. 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.

2. 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. During the ten month period ended June 30, 2016, 560,001 stock options were forfeited.

3. On August 18, 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 November 12, 2015.

Management's Responsibility for Financial Statements

Information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these consolidated financial statements, estimates are sometimes necessary to make a determination of future value or certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Management's Report on Disclosure of Controls and Procedures

Management of the Group has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Group, as of the date of and for the periods presented. There have been no changes in the Group's disclosure controls and procedures during the ten-month period ended June 30, 2016.

KABUNI LTD.

ANNUAL INFORMATION FORM

For the financial year ended June 30, 2016

Level 1, 35 Richardson Street
West Perth WA 6005
Tel: +61 8 9212 0105

investor.kabuni.com

September 28, 2016

TABLE OF CONTENTS

EXPLANATORY NOTES

Date of Information

Unless otherwise specified, the information contained in this Annual Information Form (AIF) is presented as at June 30, 2016.

Subsidiaries

Unless otherwise noted or the context otherwise indicates, “Kabuni” and the “Company” refer to Kabuni Ltd. and its subsidiaries.

Defined Terms

Certain capitalized terms and phrases used in this AIF are defined in the “Glossary of Terms” beginning on page 54.

Third Party Information

This AIF includes market, industry and economic data which was obtained from various publicly available sources and other sources believed by the Company to be true. Although the Company believes it to be reliable, the Company has not independently verified any of the data from third party sources referred to in this AIF, or analyzed or verified the underlying reports relied upon or referred to by such sources, or ascertained the underlying economic and other assumptions relied upon by such sources. The Company believes that its market, industry and economic data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market, industry and economic data used throughout this AIF are not guaranteed and the Company does not make any representation as to the accuracy of such information.

Intellectual Property

This AIF includes trademarks, trade names and material which is subject to copyright, such as “Kabuni™” which are protected under applicable intellectual property laws and are the property of Kabuni. Solely for convenience, the Company’s trademarks, trade names and copyrighted material referred to in this AIF may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, the Company’s rights to these trademarks, trade names and copyrights. See “*Description of the Business — Intangible Properties*”. All other trademarks used in this AIF are the property of their respective owners.

Website

The Company maintains a website at http://investor.kabuni.com. The reference to the website in this AIF is intended to be an inactive textual reference only. The information contained on, or that can be accessed through, the Company’s website is not part of this AIF and is not incorporated by reference herein.

Currency Presentation

References in this AIF to "C$" are to Canadian dollars, references in this AIF to "A$" are to Australian dollars and references in this AIF to "US$" are to US dollars. The Company's financial statements are reported in Australian dollars.

The following table reflects the low, high average and closing rates of exchange in Canadian dollars for one Australian dollar during the periods noted, based on the Bank of Canada nominal noon spot rate of exchange.

	Year ended June 30, 2016	Year ended August 31, 2015
High..	1.0893	1.0210
Low..	0.9889	0.9388
Average..	1.0358	0.9679
Closing..	1.0341	0.9388

Investors should be aware that foreign exchange rate fluctuations are likely to occur and that the Company does not make any representation with respect to future currency values. Investors should consult their own advisors with respect to the potential risk of currency fluctuations.

Cautionary Statement Regarding Forward-Looking Statements

This AIF contains forward-looking statements or information (collectively, forward-looking statements) that relate to the management of the Company's current expectations and views of future events. The forward-looking statements are contained principally in the sections titled "*Description of the Business*" and "*Risk Factors*".

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- expectations regarding revenue, expenses and operations;
- anticipated cash needs and the need for additional financing;
- the ability to protect, maintain and enforce intellectual property rights;
- third-party claims of infringement or violation of, or other conflicts with, intellectual property rights;
- the timing and use of Company assets including working capital;
- plans for and the timing of expansions of the Company's solutions and services;
- the service mix and revenue allocation between services;
- pricing for services and products;
- industry growth rates;

- future growth plans;
- service adoption rates by users;
- the acceptance by customers and the marketplace of new technologies and solutions;
- the ability to attract new users and maintain and increase usage by existing users;
- the ability to attract and retain personnel;
- expectations with respect to advancement in technologies;
- the Company's competitive position and expectations regarding competition;
- potential not-for-profit and charity partners and associated expenditures;
- evolution in the Company's operating structure as well as the involvement of subsidiaries and related parties;
- regulatory developments and the regulatory environments in which the Company operates; and
- anticipated trends and challenges in the Kabuni Business (as defined herein) and the markets in which the Company operates.

Forward-looking statements are based on certain assumptions and analysis made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, prospective purchasers of the Company's securities should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors", which include, among others, risks related to:

- limited operations, no revenue generating history, and continuing losses;
- negative operating cash flow and ongoing cash flow requirements;
- the need to access substantial additional capital;
- the need to enhance and promote the Company's brand in order to expand its userbase;
- dependence on highly skilled personnel and competition to attract such highly skilled personnel;
- dependence on certain third-party supplier relationships to fulfill product orders;
- significant competition in the online home design industry;
- technical operations infrastructure failures and shortages;
- dependence on interior designers adopting and using Kabuni's services;
- users' propensity for purchasing services;
- user acceptance of product introductions and changes;
- defects or disruptions in new or improved services;
- dependence on third-party cloud storage providers;
- the compatibility and interoperability of mobile operating systems and web browsers;
- third-party licensed software;
- reliance on search engines and social networking sites;
- unsolicited "spam" communications on the Platform (as defined herein);
- management's prioritization of development at the expense of short-term operating results;
- creation and defence of intellectual property;
- social network platform changes;
- the acquisition and preservation of key domain names;

- future regulatory requirements;
- foreign currency fluctuations;
- the sufficiency of insurance coverage;
- the regulation of commercial emails;
- user expansion rates;
- business fluctuations;
- seasonality;
- interior design industry changes;
- the Company's international operations;
- user acceptance of the Company's pricing model;
- changes to the regulation or functioning of the internet;
- US and other data privacy protections laws and regulations;
- the maintenance and protection of users' confidential information;
- hackers and other surreptitious activities on the Platform;
- e-commerce fraud;
- Share price volatility;
- liquidity for the Shares;
- domestic and international taxation; and
- the costs and regulations associated with being a public company.

Although the forward-looking statements contained in this AIF are based upon what management believes are reasonable assumptions, these risks, uncertainties, assumptions and other factors could cause the Company's actual results, performance, achievements and experience to differ materially from its expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Kabuni Business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "*Risk Factors*".

Potential investors should read this AIF with the understanding that the Company's actual future results may be materially different from what it expects.

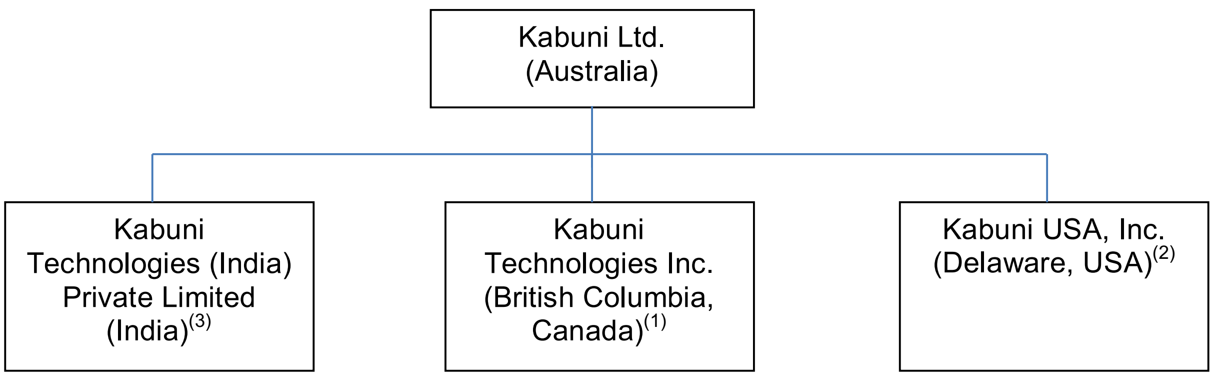
CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated under the Australian *Corporations Act 2001* on May 11, 2012, as “Magnolia Resources Limited”. On August 25, 2015, the Company changed its name to “Whole New Home Ltd.” and on November 13, 2015, the Company changed its name to “Kabuni Ltd.” The Company was listed on the ASX on October 30, 2012, and its Shares trade on the ASX under the symbol KBU. The Company’s registered office is at 35 Richardson Street, West Perth, Western Australia 6005, Australia. The head office of Kabuni Technologies, the Company’s principal operating subsidiary, is located at 111 - 375 Water Street Vancouver, British Columbia V6B 5C6.

Intercorporate Relationships

The following chart shows the current Kabuni ownership structure:



Notes:

(1) Kabuni Technologies Inc. (Kabuni Technologies) was incorporated under the *Business Corporations Act* (British Columbia), on August 23, 2013, under the name PDT Technologies Inc. On September 9, 2015, it changed its name to Kabuni Technologies Inc. Kabuni Technologies is wholly owned by Kabuni.

(2) Kabuni USA, Inc. (Kabuni USA) was incorporated under the laws of Delaware, USA, on December 22, 2015. Kabuni USA is wholly owned by Kabuni.

(3) Kabuni Technologies (India) Private Limited (Kabuni India) was incorporated under the *Companies Act*, 2013 (India) on May 12, 2016. The Company owns 99.9% of the outstanding shares of Kabuni India. Kabuni Technologies owns the remaining 0.01% of the outstanding shares of Kabuni India.

GENERAL DEVELOPMENT OF THE BUSINESS

The following is a summary of the general development of the Company's business over the last three completed financial years.

Financial Years Ended June 30, 2014 and June 30, 2015

Kabuni was originally established as a natural resource company with the purpose of acquiring, exploring and developing mineral deposits in Australia and overseas. From the date of its incorporation on May 11, 2012 to the date of completion of the Acquisition (see "*Acquisition of Kabuni Technologies*", below), the Company's sole material business activity was to conduct mineral exploration on the 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, by completing the Acquisition.

Financial Year Ended June 30, 2016

Acquisition of Kabuni Technologies

The following is a summary of the material transactions that occurred in connection with the acquisition (the Acquisition) of Kabuni Technologies (formerly PDT Technologies Ltd.), the principal operating entity of the Company's current business, which is an Internet-based Software-as-a-service (SaaS) and e-commerce platform (the Platform) for the online home design industry. Concurrently with the Acquisition, the Company completed the Public Offer (see "*Public Offer*", below).

Completion of Acquisition

The Company completed the Acquisition on August 24, 2015. The Company acquired 100% of the issued capital of Kabuni Technologies pursuant to a share sale agreement dated May 28, 2015, as amended on August 24, 2015, among the Company, as buyer, the Sellers, and the Sellers' Representative (the Share Sale Agreement).

The Sellers were the founders of Kabuni Technologies and together held approximately 72% of the issued shares of Kabuni Technologies. Pursuant to the Share Sale Agreement, the Company also entered into short-form sale agreements with all of the other shareholders of Kabuni Technologies (the Other Shareholders), and agreed to purchase all of their shares and the Sellers' shares in Kabuni Technologies on the basis of one Share for each share held in Kabuni Technologies.

As consideration for the Acquisition, the Company issued a total of 42,634,366 Shares and 37,463,826 performance shares in the capital of the Company (Performance Shares and together with the Shares, the Consideration Securities) to the Sellers, the Other Shareholders and certain persons who were designated by the Sellers to receive Consideration Securities, in satisfaction of certain obligations owed by Kabuni Technologies to those persons or as incentives to certain employees of Kabuni Technologies (the Consideration Share Subscribers). Of the Consideration Securities (a) 35,576,818 Shares were issued to the shareholders of Kabuni Technologies (the Sellers and the Other Shareholders) (b) 7,057,548 Shares were issued to the Consideration Share Subscribers and (c) 37,463,826 Performance Shares were issued to the Sellers, the Consideration Share Subscribers and certain Directors in connection with the Acquisition (see "*Performance Shares to Directors*", below). The Consideration Share Subscribers included certain corporate advisors involved with the facilitation and negotiation of the Acquisition, to whom 4,257,547 Shares and 2,520,732 Performance Shares were issued.

At a general meeting of the Company held on July 20, 2015 (AET), the shareholders of the Company approved (a) the change in nature and scale of the activities of the Company resulting from the Acquisition, (b) the issue of the Consideration Securities and the Convertible Note Shares, (c) the issue of the Shares and Listed Options pursuant to the Public Offer, (d) the change of the Company's name to "Whole New Home Limited", and (e) the appointment of Messrs Nimesh (Neil) Patel, Nathan Sellyn and Nik Ajagu to the Board of Directors (Board). The Company subsequently changed its name to "Kabuni Ltd." See "*Corporate Structure – Name, Address and Incorporation*".

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 September 3, 2015 (AET).

Each of the Sellers, the Other Shareholders and the Consideration Share Subscribers acknowledged that the Consideration Securities would be escrowed and subject to escrow agreements in accordance with the requirement of the ASX prior to completion of the Acquisition. See "*Securities Subject to Contractual Restrictions on Transfer*" for further details.

Convertible Notes

Between March 6, 2015 and July 2, 2015, Kabuni Technologies issued a series convertible notes to sophisticated and professional investors residing outside of Canada, for total proceeds of A$1,420,000 (the Convertible Notes). The funds raised from the Convertible Notes were used by Kabuni Technologies for general working capital purposes.

The Convertible Notes were originally convertible into common shares of Kabuni Technologies. On June 30, 2015, the Convertible Notes were amended in order to convert into Shares. In connection with the Acquisition, the Company satisfied the repayment terms of the Convertible Notes by issuing 15,523,810 Shares to the Convertible Note holders (the Convertible Note Shares). Repayment of A$620,000 of the Convertible Notes was satisfied by the issue of 8,857,143 Shares (conversion price of A$0.07 per Share) and repayment of A$800,000 of the Convertible Notes was satisfied by the issue of 6,666,667 Shares (conversion price of A$0.12 per Share).

Public Offer

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 (collectively, the Public Offer). The purpose of the Public Offer was to (a) meet the requirements of ASX to re-comply with the ASX's admission requirements, (b) to raise funds for the continued development of the Kabuni Business, (c) to meet the expenses of the Public Offer; and (d) provide administration expenditure and working capital for the Company.

Performance Shares to Directors

On August 25, 2015 (AET), the Company issued 666,666 Shares and 1,333,334 Performance Shares to Nathan Sellyn and Nik Ajagu, each of whom was appointed as a Director in connection with the Acquisition. The 1,333,334 Performance Shares are included in the 37,463,826 Performance Shares that were issued in consideration for the Acquisition (see "-*Acquisition of Kabuni Technologies*", above).

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. See "*Securities Subject to Contractual Restriction on Transfer*" for further details.

For a summary of the terms and conditions attaching to the Performance Shares, see "*Description of Capital Structure – Performance Shares*", below.

Development of Business Subsequent to the Acquisition

Rebranding of Kabuni Business

Following the Acquisition, on September 25, 2015 (AET), the Company announced that it had rebranded the Kabuni Business, which was previously operating under the name "Whole New Home", and on November 13, 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."

Filing of Prospectus in Canada

At the time of completion of the Acquisition, each of the Sellers and the Consideration Share Subscribers, and a majority of the Other Shareholders, were persons in Canada. In connection with the Acquisition, the holders of Shares of the Company who reside in Canada (other than Manitoba) became subject to an indefinite restriction on the resale of their Shares under National Instrument 45-102 – *Resale of Securities*. Accordingly, the Company filed a non-offering long form prospectus (the Prospectus) with the British Columbia Securities Commission in order to become a reporting issuer under applicable securities legislation in the province of British Columbia. The British Columbia Securities Commission issued its final receipt for the Prospectus on May 6, 2016. The Company is not currently seeking a listing of its Shares in Canada. As at the date of the Prospectus, approximately 28% of the Shares and 89% of the Performance Shares were held by persons in Canada.

Settlement Agreement with Sears

On June 29, 2016, the Company, through its wholly-owned subsidiary, Kabuni Technologies, entered into a settlement agreement with Sears Canada Inc. (Sears). On June 23, 2015, Kabuni Technologies received a letter from legal counsel to Sears Canada Inc. (Sears), alleging that it's use of the "Whole New Home" trademark infringes on certain registered trademarks owned by Sears and requiring Kabuni Technologies to, among other things, undertake to cease and desist from using the "Whole New Home" mark in connection with its business. In September, 2015, the Company announced the rebrand of its business to “Kabuni” and the name “Whole New Home” is no longer in use. In the settlement agreement, Kabuni Technologies has agreed to cease using the “Whole New Home” mark in association with the sale of home furnishings in Canada and the United States. In addition, Sears has agreed to fully and finally release Kabuni Technologies from all claims arising out of the past use by Kabuni Technologies of the “Whole New Home” mark.

Development of the Business of Kabuni Technologies Prior to the Acquisition

From the date of its incorporation on August 23, 2013 to the date of completion of the Acquisition, Kabuni Technologies’ principal activities were related to the development of the Kabuni Business and the Platform. In order to fund these development activities, Kabuni Technologies obtained loans from a related party and a third party, and raised capital through the issuance of common shares, as more particularly described below.

Financings

From the date of incorporation to the completion of the Acquisition, Kabuni Technologies completed a series of private placements of common shares in Canada, as further set out in the following table.

Date	Number of Common Shares Issued	Issue Price Per Share (C$)	Aggregate Proceeds (C$)
August 23, 2013[(1)]	46,000,000	0.00001	460
February 21, 2014[(2)]	1,727,500	0.08 - 0.13	156,500
February 21, 2014[(3)]	160,000	0.00001	2
August 30, 2014[(2)]	150,000	0.10	15,000
December 1, 2014[(2)]	917,000	0.10	91,700
January 16, 2015[(2)]	440,000	0.10 - 0.15	49,500
May 25, 2015[(2)]	123,480	0.15	18,522
May 25, 2015[(4)]	600,000	0.0001	60
July 3, 2014[(2)]	308,838	0.10-0.15	42,076
July 3, 2015[(5)]	950,000	0.00001	10

Notes:

(1) These shares were issued for nominal consideration on incorporation of Kabuni Technologies Inc., to the original shareholders of the company.
(2) These shares were issued pursuant to various private placements.
(3) These shares were issued for nominal consideration to one of the original shareholders of the company.
(4) These shares were issued for nominal consideration to an employee of Kabuni Technologies as a signing bonus.
(5) These are bonus shares that were issued to a lender in consideration for a release. See “- *Darroch Loan Agreement*”, below.
(6) No brokers were involved in any of the aforesaid private placements, nor were any commissions paid. The proceeds from the aforesaid private placements were used for general working capital purposes and to fund Kabuni Technologies’ ongoing development activities.

Prior to completing the Acquisition and as a condition precedent thereto, on May 25, 2015, Kabuni Technologies repurchased 15,800,000 common shares at C$0.00001 per share for aggregate consideration of C$158. The shares were returned to treasury and cancelled. Accordingly, immediately prior to the date of completion of the Acquisition, Kabuni Technologies had an aggregate of 35,576,818 common shares issued and outstanding.

Property Beacon Loan Agreement

Kabuni Technologies entered into a Loan Agreement dated as of November 30, 2013 between Kabuni Technologies, as borrower, and Property Beacon Technology Inc. (Property Beacon), as lender (the Property Beacon Loan Agreement), pursuant to which Property Beacon agreed to lend to Kabuni Technologies the sum of up to C$110,000. Mr. Nimesh (Neil) Patel, Managing Director and Chief Executive Officer and a director of Kabuni Technologies, is a majority shareholder of Property Beacon. Advances made under the Property Beacon Loan Agreement accrued interest at the rate of 8% per annum. The original maturity date for repayment of the loan was June 30, 2014. The loans were secured by a general security agreement on all of the personal property of Kabuni Technologies. The Property Beacon Loan Agreement was amended by a Loan Agreement Extension dated July 1, 2014, a Loan Agreement Amendment and Release of Security dated June 30, 2015, and a Loan Agreement Amendment dated June 30, 2016. Pursuant to these amendments, the maturity date was extended to June 30, 2017. In addition, the loans were amended such that the loans would no longer bear interest, and the security for the loans were released. As at the date of this AIF, the outstanding amount of the loan is C$82,178.

Darroch Loan Agreement

On September 18, 2014, Kabuni Technologies obtained a C$250,000 loan from Darroch Investments Ltd., a third-party lender. All amounts due under the loan were repaid in full and the loan and security were released. In consideration for the release, Kabuni Technologies settled the bonus share and bonus warrant obligations by issuing 950,000 Shares at a price of C$0.00001 per share.

Matters Arising after the End of the Financial Year Ending June 30, 2016

Employee Options

On August 18, 2016, the Company issued 1,306,667 additional Employee Options under the Option Plan. The exercise price for these Employee Options ranges from A$0.13 to A$0.18, and the expiry date ranges from November 6, 2018 to September 6, 2019.

Capital Raising

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 until it commences profitable operations. Accordingly, the Company will need to engage in equity or debt financing to secure additional funds to provide sufficient working capital to maintain its operations for the upcoming financial year.

The Company is currently planning to raise capital by way of issuance of Shares during the fourth calendar quarter of the year. However, there can be no assurance that the Company will be able to raise such capital on terms acceptable to the Company or at all. For further details regarding this risk, see "*Risk Factors - The Company will require access to substantial additional capital to fund its business and may be unable to raise such capital*", below.

DESCRIPTION OF THE BUSINESS

Kabuni's principal business is to operate an Internet-based Software-as-a-service (SaaS) and e-commerce platform (the Platform) for the online home design industry (the Kabuni Business). The Kabuni Business also includes a physical retail space, the Kabuni House, which is intended to complement the Platform and serve as a meeting space for independent home design professionals (Designers) and their clients. The Kabuni Business is carried on primarily through Kabuni's Canadian subsidiary, Kabuni Technologies.

The Platform is designed to provide Designers and makers of home furnishings or artwork (Makers) with effective tools to grow their businesses, and to inspire consumers to add beauty and value to their homes. To use the software on the Platform, Designers and consumers register for a user account with Kabuni and then access the Platform through one of many channels, such as an application for mobile devices or Kabuni's web site.

The Platform has two main functions. First, the Platform creates a forum for Designers to showcase their design ideas, find new clients and collaborate with clients on home design projects. Second, the Platform hosts an online marketplace, where Designers and consumers can purchase home décor, home furnishings and related products (Home Products) from Makers and other Kabuni suppliers. Kabuni purchases the Home Products from its suppliers at wholesale prices for re-sale. Kabuni donates a pre-determined portion of Kabuni's profits from sales to charitable organizations dedicated to combating homelessness.

Kabuni is at an early stage of operations and has yet to earn material revenue. The Company intends to generate revenue primarily from selling Home Products in the Platform's online marketplace. Subscription or membership fees may also provide an additional source of revenue (see "*Kabuni's Products - Customers and Revenue Model*", below).

Kabuni's Products

Overview of the Platform

Kabuni's principal product is an online SaaS and e-commerce Platform that serves as a marketplace for connecting consumers with Designers and showcasing Home Products from Makers and other Kabuni suppliers. The Platform is made up of Apple iOS and web browser-based applications, which provide the interface for users to interact with a sophisticated database and e-commerce system. The Platform includes a variety of tools to enable communication and collaboration between Designers and consumers, as well as search tools to help users find Home Products or design ideas. The Platform also provides an e-commerce system allowing consumers to make on-line purchases of products from Kabuni's product catalogue. The system provides for the payment to Designers of a pre-determined share of Kabuni's revenues generated from sales of products promoted by them. Further, Kabuni donates a percentage of its profit generated from sales transactions to charitable organizations dedicated to combating homelessness. The Platform engages consumers in its philanthropic efforts, by displaying to consumers the amounts Kabuni is anticipated to donate as a result of their purchases.

In the most recently completed financial year, the Company launched these applications and made continuous improvements to its technology platform, aimed at improving the user experience and facilitating e-commerce transactions. Users are now offered the complete Kabuni experience, with the ability to collaborate, share design ideas and purchase products from Kabuni's product catalogue.

Customers and Revenue Model

Management believes that the Kabuni Business has two main potential revenue streams, as set out below.

E-commerce Transactions. Management anticipates that e-commerce transactions will serve as a primary source of revenue for Kabuni. Kabuni earns revenue from e-commerce transactions, by purchasing the item at wholesale price and re-selling it at its retail price, making a profit on the sale. Kabuni's gross profit margin ranges from approximately 50% in the case of most products from suppliers, to 20%, in the case of some, high-value, hand-crafted Maker products. Designers are incentivised to promote sales as they earn income by receiving a predetermined share of Kabuni's profit made in respect of a transaction for a product promoted by the designer (currently set at 30% of Kabuni's gross profit on the transaction).

Subscription or Membership Fees. In order to drive adoption, consumers and Designers are able to currently register on the Platform for no cost. In the future, Kabuni may consider offering additional or premium features in return for the payment of subscription fees by users. Furthermore, Kabuni has implemented a tiered paid membership model for the Kabuni House, which may provide the opportunity for Kabuni to generate additional revenue from membership fees. As the paying membership model remains in its infancy, Kabuni's strategy in this regard may shift in order to meet business needs.

Suppliers and Product Shipping

Kabuni's online marketplace offers a catalogue of Home Products from well-established suppliers as well as unique, locally crafted home furniture and furnishings, and artwork, from Makers.

The shipping of products to consumers is carried out by third-party providers of shipping services. Where required, consumers may select premium delivery services, which include additional features such as unpacking and assembly.

Kabuni currently offers shipping of products to Canada and the US. Kabuni intends to offer shipping of products to other countries as its business grows, but no target date has yet been set for shipping to other countries.

Kabuni House

In July, 2016, Kabuni launched its first Kabuni House (formerly "Community Design Studio") (the Kabuni House) in Vancouver, British Columbia. This 300 square metre space 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 is intended to complement the e-commerce business, driving transactions and increasing brand awareness.

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" features HoloMAX™ 3D technology (the HoloMAX Technology), developed by H Plus Technologies Ltd. (H Plus). HoloMAX Technology provides a unique threedimensional and holographic retail experience for Designers and their clients. This experience offers Designers with a 360-degree view of furniture in an interactive, holographic room, as well as creating a faster, more cost-efficient alternative to 3D rendering. For clients, the HoloMAX Technology experience allows for visualization of their design solutions. The HoloMAX Technology was developed pursuant to a Technology Development and Services Agreement dated July 3, 2015, between Kabuni Technologies and H Plus. Pursuant to this agreement, Kabuni Technologies retained H Plus to develop and deliver the HoloMAX Technology, and to provide ongoing technical support. The consideration payable by Kabuni Technologies under this agreement was C$150,000.

Trends

As is typical with early-stage technology companies such as the Company, losses are incurred in the growth and development stages. Management anticipates that the Company will continue to experience net losses as a result of ongoing development and general corporate and administrative costs and expenses for the foreseeable future. Given the nature of the Kabuni Business and the fact it is in an early stage of development, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. In light of uncertainty as to timing and outcome of the Company's growth strategies and the general nature of the industry in which the Company will operate, as well as uncertain macro market and economic conditions in the Company's markets, the Company's performance in any future period cannot be reliably estimated.

The Company's future financial performance is dependent on many external factors. Both the prices of, and the markets for, home design products are volatile, difficult to predict and subject to changes in domestic and international political, social and economic environments. These circumstances and events could materially affect the future financial performance of the Company. The Company is not currently aware of any trend, event or uncertainty that can reasonably be expected to have a material adverse effect on the Kabuni Business, financial condition, or operating results of the Company other than as described herein and, in particular, under the heading "*Risk Factors*".

Industry Background and Market Opportunity

Kabuni operates within the online retail home furnishings industry and the interior design industry.

Based on industry sources, the home furnishings industry generates over US$100 billion dollars in retail sales in the US annually. (Source: Census Bureau, 2016). With respect to the United States design industry specifically, industry sources indicate that it is made up of over 68,067 employed interior designers and 12,642 design firms (Source: American Society of Interior Designers (ASID), 2016). It is further estimated that designers in the US and Canada recommend annually over US$68.5 billion in value of products for clients (Source: ASID and Interior Design Magazine Universe Study, 2014 – includes US & Canadian interior design and architecture firms who work on residential or commercial interior design projects and who specify at least US$500,000 worth of products annually). A recent survey of online shoppers indicated that marketplaces have a strong appeal, with 35% of their online product searches starting at marketplaces, 31% at retailers' channels and only 15% starting at search engines (UPS Whitepaper: The Pulse of the Online Shopper, 2016).

Based on its own sources, management believes that the interior design industry is highly fragmented, with a large portion of interior designers working as independent business owners. As such, one of the major challenges faced by Designers is promoting their business and finding new clients. A second challenge faced by Designers is sourcing unique products for their design projects.

Management believes that Kabuni is well-positioned to take advantage of the market opportunity in the growing online retail home furnishings industry, by focusing on Designers through the Platform which offers tools aimed at solving many of the challenges currently faced by Designers. Among others, the Platform offers Designers the ability to expand their client base and connect with new clients located anywhere in Canada or the US. Kabuni also allows Designers to supplement their earnings and receive a predetermined share of Kabuni's profit made in respect of a transaction for a product promoted by the Designer. In addition, Kabuni also aims to address Designers' challenge in sourcing unique products, by offering unique, locally crafted Home Products on its Platform through its community of Makers. Kabuni intends to further develop the features of the Platform with a focus on addressing the challenges faced by Designers as the market evolves.

Competitive Conditions

This online retail home furnishings industry is highly competitive and is subject to increasing domestic and global competition which is fast-paced and fast-changing. Kabuni will compete for the attention of consumers against a range of established and emerging companies. These competitors will include other retailers, including large department stores, discount retailers and other specialty retailers offering home furnishings and other e-commerce websites, such as "Wayfair" and "Etsy".

Kabuni also competes against other businesses who offer the ability for consumers and Designers to collaborate and share ideas and source products, including the following:

- "*Houzz*": a web site and online community dedicated to architecture, interior design and decorating, landscape design, and home improvement.
- "*Laurel & Wolf*": a paid, online interior design service platform, with a directory of interior design professionals available for projects.
- "*Homee*": a mobile application allowing consumers to communicate with a Designer and get advice in purchasing Home Products.

Kabuni believes that it has the following competitive advantages:

- *Features to Help Designers.* The Platform offers many features that solve some key challenges faced by Designers, including by handling the logistics of payment collection and product delivery, and by allowing Designers to expand their client base and connect with new clients located anywhere in Canada or the US.
- *Profit Share.* Designers are incentivised to use the Platform in order to supplement their earnings and receive a predetermined share of Kabuni's profit made in respect of a transaction for a product promoted by the Designer.
- *Collaboration*. The Platform has been designed to encourage collaboration between Designers and consumers, with a view to facilitating sales of Home Products from Kabuni's catalogue.
- *Unique Products from Makers*. The Platform offers unique products from Makers. These unique products are typically less widely available and add to the attractiveness of

Kabuni's product offering for Designers and consumers.

- *Integration Ability*. The Platform has been designed to provide third party services (such as other online tools of use for Designers), an opportunity to integrate with the Platform via an Application Programming Interface (API).
- *Scalable Platform.* The Platform is designed to scale up based on demand from thousands of users to millions of users with no change to its current architecture.
- *Kabuni House.* The Kabuni House acts as 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 is intended to complement the e-commerce business, driving transactions and increasing brand awareness.
- *HoloMAX Technology*. The HoloMAX Technology, located at the Kabuni House, is a unique technology that is anticipated to attract Designers and consumers and encourage their collaboration in person while enhancing their use of the Platform.
- *Social Responsibility.* Kabuni donates a percentage of its profit generated from sales transactions to charitable organizations dedicated to combating homelessness. The Platform engages consumers in its philanthropic efforts, by displaying to consumers the amounts Kabuni is anticipated to donate as a result of their purchases.

Failure to compete effectively against current or future competitors could result in loss of users, which would in turn result in an impairment of the ability to achieve or maintain profitability for the business. For further details on the risks related to competition, see "*Risk Factors - The Company's industry is highly competitive and a failure to compete effectively would have an adverse impact on the Kabuni Business*".

Intangible Properties

Kabuni's success depends in part upon Kabuni's ability to obtain and maintain intellectual property protection for its products and technologies. The Platform is developed, in part, by a team of in-house software developers, each of whom has signed appropriate confidentiality and proprietary rights agreements. Certain aspects of the Platform are developed by third-party service providers, who are similarly required to sign appropriate confidentiality and proprietary rights agreements prior to commencing their engagement.

Insofar Kabuni's brand is concerned, Kabuni has filed for trademark protection for the "KABUNI" brand name in the US, Canada, Europe, Australia and New Zealand. Management will continue to identify key brand elements of the Kabuni Business as it grows and seek trademark protection where deemed appropriate.

For further details on the risks related to Kabuni's intellectual property, see "*Risk Factors - The Company's intellectual property is subject to limited statutory protection and third-parties may infringe such intellectual property".*

Specialized Skill and Knowledge

Kabuni's business is complex and requires a management team and employee workforce that is knowledgeable in both how the Company operates and in the online home design industry generally. The Company requires personnel with technical skills and understanding of Kabuni's technology and anticipated products. The Company believes that the current management team offers a good combination of technical, product development and managerial expertise and a strong corporate track record in the areas of business and financial management, sales and marketing, and technology. More specifically, Kabuni's key management personnel have an average of over 20 years' experience in those areas relevant to their respective positions. The market for qualified personnel is competitive due to the limited number of people with the necessary skills. See "*Risk Factors – 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*".

Cycles

As Kabuni is at an early stage of operations and has yet to earn material revenue, Kabuni has not yet experienced any seasonal variations or cycles in its business. Management anticipates that the Kabuni Business may experience seasonal trends and fluctuations in sales from period-to-period, as is the case with other online retail businesses.

Employees

As at the end of the most recently completed financial year, the Company had approximately (a) 25 employees located at its Vancouver, British Columbia, head office, and (b) 10 independent contractors located in Bangalore, India. All employees and independent contractors are under contract with Kabuni Technologies. The Company is in the process of transitioning the Bangalore-based independent contractors to full-time employee status with Kabuni India.

Foreign Operations

The Platform is intended to be open to users worldwide. Designers and consumers from around the world can access the Platform and collaborate on design ideas. However, Kabuni currently offers shipping of products to Canada and the US only. Accordingly, Kabuni is currently targeting and marketing to consumers both in Canada and in the US. Kabuni intends to offer shipping of products to and target customers in other countries as its business grows, but no target date has yet been set for worldwide shipping.

During the most recently completed financial year, the Company opened a software development office in Bangalore, India. The office will be operated through Kabuni India, a subsidiary of the Company (see "*Corporate Structure*", above). The main purpose of the office is to hire specialized software developers for the ongoing improvement and development of the Company's technology.

RISK FACTORS

An investment in the Company should be considered highly speculative due to the nature of the Company's business and the present stage of development. An investment in the Company should only be made by knowledgeable and sophisticated investors who are willing to risk and can afford the loss of their entire investment. Potential investors should consult with their professional advisors to assess an investment in the Company. In evaluating the Company and its business, investors should carefully consider, in addition to other information contained in this AIF, the risk factors below. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with its operations and other risks and uncertainties affecting the Company's business could potentially arise or become material in the future.

The Company has a limited operating and revenue generation history, is not profitable, and may never become profitable

Kabuni is a start-up company, has a limited operating history and there is no assurance that future operations will result in revenues or profits. Kabuni Technologies, the principal operating entity of the Kabuni Business, was incorporated on August 23, 2013. Since then, Kabuni Technologies' principal activities were related to the development of its business and the Platform. Kabuni is in the process of establishing partnerships and relationships, and building brand recognition with users of Kabuni's technology. As a result, Kabuni has no history of material revenue generation. Kabuni has experienced losses in the past, and may not achieve or sustain profitability in the future. If sufficient revenues to operate profitably cannot be generated, operations may be suspended or cease.

The Platform is targeting a new and developing market, and elements of the Company's business strategy are new and subject to ongoing development. There is no guarantee that the commercialization of the Platform will be successful, or that the Company's target audience of Designers and consumers will use or continue to use the Platform. The Company anticipates that it will take several years to achieve positive cash flow from operations. There can be no assurance that there will be continued or increased demand for the Company's products or services, or that the Company will become profitable. The Company has encountered and continues to encounter risks and difficulties frequently experienced by growing businesses in rapidly changing industries, including increasing and unforeseen expenses as the Company continues to develop the Platform. If the Company does not manage these risks successfully, its business, results of operations and prospects will be harmed.

The Company has negative operating cash flow

The Company has limited financial resources. To date, Kabuni has experienced negative operating cash flow. Kabuni expects to continue to incur losses unless and until such time as the Kabuni Business generates sufficient revenues to fund its continuing operations. The Company has no history of earnings, and there is no assurance that the Kabuni Business will generate earnings, operate profitably or provide a return on investment in the future.

The Company will require access to substantial additional capital to fund its business and may be unable to raise such capital

The Company's business strategy will require substantial expenditure and there can be no guarantees that the Company's existing cash reserves and funds generated over time by the Kabuni Business will be sufficient to successfully achieve any or all of the objectives of the Company's business strategy. Further funding of projects will be required by the Company to support ongoing activities and operations, including the need to develop new services or enhance its existing service, enhance its operating infrastructure and to acquire complementary businesses. Accordingly, the Company will need to engage in equity or debt financing to secure additional funds. 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 the Kabuni Business, or that it will be able to obtain additional resources on terms acceptable to the Company or at all.

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. If the Company is unable to raise capital if and when needed, this could delay or suspend the Company's business strategy and would have a material adverse effect on the Company's business, results of operations and financial condition.

If the Company is unable to maintain and promote its brand, its business and operating results may be harmed.

The Company believes that maintaining and promoting its brand is critical to expanding its user base. The successful commercialisation of the Kabuni 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 the Kabuni Business and harm the ability to maintain or expand the base of Platform users and participating product and service suppliers. There is no certainty that the Company's brand or any alternative brand created to operate the Kabuni Business will be successfully commercialised in the marketplace.

Trust in the integrity and quality of the brand created by business operations will play a significant role in the Company's ability to attract new paid memberships and participating service providers. Maintaining consumer trust and enhancing the brand will depend largely on the Company's ability to maintain commitment to and reputation for placing a priority on the interests and protection of Platform users. If existing or potential users perceive the Kabuni Business is not focused primarily on facilitating informed design decisions, the Company's reputation and the strength of its brand will be adversely affected. Complaints or negative publicity about sales and business practices, services, personnel and customer service, irrespective of their validity, and data privacy and security issues could diminish consumers' confidence in the service provided by the Kabuni Business and have a material adverse effect on the Company's business, results of operations and financial condition.

Trust in the brand created by the Company, whether through the Kabuni brand or an alternate branding strategy in the future, will also suffer if the quality and integrity of the Designers that appear on the Platform are not maintained. Kabuni does not independently monitor or validate the identity and background of Designers who utilize the platform. As the Kabuni Business expands, there may be an increase in the number of unqualified Designers using the Platform. If these individuals are unable to be effectively identified and removed, the overall quality of offering will decrease, reputation as a source of trusted design information may be harmed, and both consumers and product and service suppliers may be deterred from using the Platform.

Maintaining and enhancing the Company's brand may require it to make substantial investments, and these investments may not achieve the desired goals. If the Company fails to successfully promote and maintain its brand or if the Company incurs excessive expenses in this effort, this may have a material adverse effect on the Company's business, results of operations and financial condition.

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 recent developments of the Kabuni Business have been in large part due to the talent, effort and experience of its senior management team, in particular the leadership of Nimesh (Neil) Patel, Managing Director and Chief Executive Officer. The loss of any key member of senior management, including Mr. Patel, could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's future success will depend upon its continued ability to identify, hire, develop, motivate and retain highly skilled personnel, including senior management, engineers, designers, product managers, sales representatives, and user support representatives. The Company's ability to execute efficiently is dependent upon contributions from its employees, including its senior management team. In addition, there may occasionally be changes in the senior management team that may be disruptive to its business. If the Company's senior management team, including any new hires that the Company may make, fails to work together effectively and to execute on its plans and strategies on a timely basis, this have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's growth strategy also depends on its ability to expand its organization with highly skilled personnel. Identifying, recruiting, training and integrating qualified individuals will require significant time, expense and attention. In addition to hiring new employees, the Company must continue to focus on retaining its best employees. While the Company believes it has implemented a number of incentive programs for both current and potential employees, competition for highly skilled personnel is intense. The Company may need to invest significant additional amounts of cash and equity to attract and retain new employees, and the Company may never realize returns on these investments. If the Company is not able to effectively add and retain employees, its ability to achieve its strategic objectives will be adversely impacted, and this will have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is highly dependent on third-party supplier relationships to fulfil product orders

The Company currently proposes to operate a significant amount of its operations through a series of contractual relationships with third party service and product providers, including agreements with suppliers of home furnishings and shipping service providers. However, Kabuni has not entered into any binding supply agreement with any supplier (other than Makers), and no supplier (that is not a Maker) is under any binding obligation to fulfil any order of Kabuni. As the Kabuni Business develops, the Company intends to enter into supply agreements, on customary terms for agreements of their nature, including as to product and delivery standards. Makers who wish to offer products for sale on the Platform are required to agree to certain standard terms and conditions regarding their supply of products to Kabuni, including as to product and delivery standards.

Arrangements with product suppliers and Makers 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 and Makers will be critical to the success of the Kabuni Business. If current suppliers or Makers were to stop selling their products, the Kabuni Business may not be able to procure alternatives from other suppliers or Makers in a timely and efficient manner and on acceptable terms, or at all. Furthermore, if the Company is unable to continue to expand its network of suppliers and Makers, the resulting impact on the quality of the product and service offering (including the ability of the Company to increase the number of products offered) could have a material adverse effect on the Company's business, results of operations and financial condition, forcing a change in business strategy.

The Company's industry is highly competitive and a failure to compete effectively would have an adverse impact on the Kabuni Business

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.

Failure to compete effectively against current or future competitors could result in loss of users, which would in turn result in an impairment of the ability to achieve or maintain profitability. The Company cannot provide any assurance that Kabuni will be able to compete effectively for users against existing or new competitors, and the failure to do so could result in a failure to increase Kabuni's user base, increased marketing expenses, or diminished brand strength, any of which would have a material adverse effect on the Company's business, results of operations and financial condition.

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 is expecting significant growth in the number of users being added to the Platform. The Company seeks to maintain sufficient excess capacity in its operations infrastructure to meet the needs of all of its users. The Company also seeks to maintain excess capacity to facilitate the rapid provisioning of new user deployments and the expansion of existing user deployments. In addition, the Company needs to properly manage its technological operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of its services. Despite the fact that the Company has taken a number of steps to allow its infrastructure to handle significant increases in demand, it may in the future experience website disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in user usage and denial of service issues. In some instances, the Company may not be able to identify the cause or causes of these performance problems within an acceptable period of time, which may harm the Company's reputation and operating results. Furthermore, although the Company has a number of disaster recovery measures, if it does not accurately predict its infrastructure requirements, its existing users may experience service outages that may subject the Company to financial penalties, financial liabilities and user losses. If the Company's operations infrastructure fails to keep pace with increased sales, users may experience delays as the Company seeks to obtain additional capacity, which could adversely affect the Company's reputation and have a material adverse effect on the Company's business, results of operations and financial condition.

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

Internet usage for commerce – especially by interior designers and other interior design industry participants that have historically relied upon other means of advertising to and communicating with potential clients – requires a willingness to learn and accept new ways of conducting business. For example, individual interior designers who belong to larger interior design firms may have access to established advertising and product sourcing channels and other in-house resources, and, consequently, may be reluctant or slow to adopt new technologies that may result in their existing infrastructure becoming obsolete. To the extent that interior designers and interior design industry participants do not consider the Platform to be a useful or viable commercial medium, the Company may be unable to develop a revenue-generating user base. The success of the Platform and the Company's resulting ability to generate revenues from the sale of products through the platform are substantially dependent on Internet usage by users on the Platform. Even if the Company can establish a user base, there can be no guarantee that users will be willing to purchase products 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 the 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 Platform. The continual improvement and enhancement of the 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 the 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.

The Company may also fail to attract future users or retain existing users or increase sales as a result of a number of other factors, including, but not limited to:

- reductions in the Company's current or potential users' spending levels;
- competitive factors affecting the Platform and services, including the introduction of competing platforms, discount pricing and other strategies that may be implemented by competitors;
- the Company's ability to execute on its growth strategy and operating plans; and
- changes in the Company's relationships with third parties, including partners, third-party developers, payment processers and product suppliers.

Additionally, the Company anticipates that its growth rate will decline over time to the extent that the number of interior design professionals and interior design industry participants using the Platform increases, and the Company achieves higher market penetration rates. To the extent that the Company's growth rate slows, the Company's business performance will become increasingly dependent on the Company's ability to retain existing users.

The Platform and future changes to the Platform could fail to attract or retain users or generate revenue.

The Company's ability to retain, increase and engage the Company's user base and to increase the Company's revenue will depend heavily on the Company's ability to develop technology. The Company may introduce significant changes to the existing platform or develop and introduce new and unproven features. If new or enhanced features fail to engage users, the Company may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify the Company's investments, and the Company's business may be adversely affected. In the future, the Company may invest in new technology and initiatives to generate revenue, but there is no guarantee these approaches will be successful. If the Company is not successful with new approaches to monetization, the Company may not be able to maintain or grow its revenue as anticipated or recover any associated development costs, and this may have a material adverse effect on the Company's business, results of operations and financial condition.

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.

Like many Internet-based companies, the Company provides frequent incremental releases of software updates and functional enhancements. Such new versions frequently contain undetected errors when first introduced or released. Errors in the Platform or service may be detected in the future. In addition, users may use the Platform in unanticipated ways that may cause a disruption in service for other users. Since Designers use the Platform for important aspects of their business, any errors, defects, disruptions in service or other performance problems with the platform could hurt the Company's reputation and may damage Designers' businesses. Further, if the Company suffers extended periods of unavailability for the platform, there would be a negative impact on the Company's reputation. Although the Company attempts to limit liability via the Company's terms of use, any errors, defects, disruptions in service or other performance problems with the Platform could result in litigation against the Company, and such litigation could result in substantial, material liability for the Company, as well as material legal expenses.

Interruptions or delays in service from third-party cloud storage providers for the Platform, or the loss or corruption of cloud-based data, would impair the delivery of the Company's service and harm its business.

The Company currently serves users from third-party cloud storage providers based both within and outside of the US. The use of cloud storage providers results in less direct control over the Platform and data. Such third parties may also be vulnerable to security breaches and compromised security systems, which could adversely affect the Company's reputation and result in litigation or liability. Additionally, interruptions in the Company's service, or loss or corruption of data, may reduce the Company's revenue; cause the Company to issue credits or pay fees; and adversely affect the Company's ability to retain existing users and attract new users. The Company's business will also be harmed if existing users and potential users believe that the Company's technology is unreliable.

Mobile devices are increasingly being used to conduct commerce, and if the Platform does not operate effectively when accessed through those devices, Designers and consumers may not be satisfied with the Company's services, which could harm business.

The Company depends on the interoperability of the Platform with third-party mobile devices and mobile operating systems as well as web browsers that the Company does not control. Any changes in such devices, systems or web browsers that degrade the functionality of the Platform or give preferential treatment to competitive services could adversely affect usage of the Platform. Effective mobile functionality is integral to the Company's long-term development and growth. In the event that users have difficult accessing and using the Platform on mobile devices, this may have a material adverse effect on the Company's business, results of operations and financial condition.

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.

The Company's services incorporate certain third-party software obtained under licenses from other companies. The Company anticipates that it will continue to rely on such third-party software and development tools in the future. Although the Company believes that there are commercially reasonable alternatives to the third-party software the Company currently licenses, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of the software used in the Company's services with new third-party software may require significant work and require substantial investment of the Company's time and resources. Also, to the extent that the Company's services depend upon the successful operation of third-party software in conjunction with its own software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of the Company's services, delay new services introductions, result in a failure of the Company's services, and injure the Company's reputation. The Company's use of additional or alternative third-party software would require the Company's to enter into additional license agreements with third parties.

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.

Many of the Company's users learn about the Platform through visiting the Company's website via internet search engines, such as Google, and advertisements on social networking sites, such as Facebook. The prominence of the Company's website in response to internet searches is a critical factor in attracting potential users to the Platform. If the Company's website is listed less prominently or fails to appear in search results, visits to the Company's website and, correspondingly, use of the Platform could decline significantly.

Similarly, many users locate the Platform through the Company's advertisements on social networking sites. If the Company's advertisements are listed less prominently or fail to appear on social networking sites for any reason, use of the Platform, could decline significantly.

Additionally, if the price of marketing the Platform over search engines or social networking sites increases, the Company may incur additional marketing expenses or may be required to allocate a larger portion of its marketing budget to search engine marketing, which could adversely affect business and operating results. Furthermore, competitors could bid on the search terms that the Company uses to drive traffic to its website. In addition, search engines and social networking sites may change their advertising policies from time to time. If any change in these policies delays or prevents the Company from advertising the Platform through these channels, it could result in reduced traffic to the Company's website and use of the Platform. As well, new search engines or social networking sites may develop, particularly in specific jurisdictions and if the Company is not able to achieve prominence through advertising or otherwise, the Company may not achieve significant traffic to its website through these new platforms and this may have a material adverse effect on the Company's business, results of operations and financial condition.

Spam by users could diminish user experience on the Platform, which could damage the Company's reputation and deter current and potential users from using the Company's products and services.

"Spam" on the Platform refers to a range of abusive activities that are prohibited by the Company's terms of use for those accessing the platform, and is generally defined as unsolicited actions that negatively impact other users with the general goal of drawing user attention to a given account, site, product or idea. This includes posting large numbers of unsolicited mentions of a user, duplicate feeds, misleading links (e.g., to malware or click-jacking pages) or other false or misleading content, and aggressively following and un-following accounts, adding users to lists, sending unsolicited invitations, reposting feeds and favoriting feeds to inappropriately attract attention. While the Company actively monitors usage of the features of the Platform, if the Company is unable to effectively manage spam on the platform, the Company's reputation for delivering relevant content could be damaged, user engagement could decline, and operational costs could increase.

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.

The Company encourages employees to develop and help launch new and innovative features. The Company focuses on improving the user experience for the Platform and on developing new and improved functionality for the users of the platform. The Company prioritizes innovation and the experience for users over short-term operating results. The Company frequently makes decisions related to the platform that may reduce short-term operating results if the Company believes that the decisions are consistent with goals to improve the user experience and performance for users, which could improve operating results over the long term. In addition, the Company's focus on the user experience could negatively impact relationships with existing or prospective users. Delay in further developing the Platform or expanding services increases the risk that competitors may become established and may negatively impact the Company's relationship with both current and prospective users. This could result in a loss of users and platform partners, which would harm the Company's revenues and operating results.

The Company's intellectual property is subject to limited statutory protection and third-parties may infringe such 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. If any patents or trademarks are registered in the future, they may not provide the Company with any competitive advantages, or may be challenged by third parties. Third parties may infringe or misappropriate the Company's trademarks or other intellectual property rights or may challenge the validity of the Company's trademarks or other intellectual property rights, which could have a material adverse effect on the Company's business, results of operations and financial condition. The actions that the Company takes to protect its trademarks, patents, software, data and other proprietary rights may not be adequate. Litigation may be necessary to enforce or protect the Company's intellectual property rights, protect its trade secrets or determine the validity and scope of the proprietary rights of others.

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. If the Company fails to protect its intellectual property secrets, competitors may gain access to its technology which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's digital content is not protected by any registered copyrights or other registered intellectual property. Rather, digital content is protected by statutory and common law rights, user agreements that limit access to and use of business data and by technological measures. Compliance with use restrictions is difficult to monitor, and the Company's proprietary rights in its digital content databases may be more difficult to enforce than other forms of intellectual property rights.

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. An adverse determination in any litigation of this type could require the Company to change its tradename or branding, to design around a third party's intellectual property or to license alternative technology from another party. In addition, litigation may be time-consuming and expensive to defend and could result in the diversion of the Company's time and resources. Any claims from third parties may also result in limitations on the Company's ability to use the intellectual property subject to these claims.

Some of the Company's products and services are dependent upon social media models that are susceptible to change.

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 a different model of interacting with the Internet were to become popular, interest in social media models generally, or the Company's social media model in particular, might decrease, and this could result in decreased usage of Kabuni's products and services.

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

Kabuni Technologies currently holds, and intends to acquire, various domain names in order to establish its brand on the Internet. Domain names generally 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 the Kabuni 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. The regulation of domain names in Canada and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, the Company may not be able to acquire or maintain the domain names that utilize its brand names or trade names under which it operates the Kabuni Business, in all of the countries in which the Company wishes to conduct business in the future.

The Company's operations may become subject to additional regulatory requirements

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. Any such increase in the costs and resources associated with regulatory compliance could impact upon the Company's profitability. In addition, if regulators took the view that Kabuni had failed to comply with regulatory requirements, this could lead to enforcement action resulting in public warnings, infringement notices or the imposition of pecuniary penalties. This could lead to significant reputational damage and adversely impact upon the financial position and financial performance of the Company. Kabuni intends to offer its services throughout the world. Regulatory changes could see Kabuni being required to hold a licence in some of these jurisdictions or otherwise comply with local regulations. This could preclude Kabuni from offering certain services in these jurisdictions until such a licence has been obtained, or may require Kabuni to comply with a range of regulatory requirements. Any such increase in the costs and resources associated with the regulatory compliance in these jurisdictions could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is subject to foreign currency fluctuations which may materially affect its financial position and operating results

Kabuni's revenues, costs and expenses will largely be denominated in US or Canadian dollars, whereas the Company has raised capital and reports in Australian dollars. As a result of the use of these different currencies, the Company is subject to foreign currency fluctuations which may materially affect its financial position and operating results. For example, a depreciation of the US or Canadian dollar relative to the Australian dollar may result in lower than anticipated revenue, profit and earnings as a result of the translation of earnings into Australian dollars. Furthermore, since the majority of the Company's costs are incurred in Canadian dollars, a weakening of the Australian dollar relative to the Canadian dollar would result in an increase in costs when translated to Australian dollars. Although the Company implements certain strategies to hedge against foreign currency fluctuation risk, there can be no assurance that the Company's strategies will be successful in mitigating this risk.

The Company's insurance coverage may not be adequate to cover substantial losses or liabilities

Although Kabuni maintains commercial general liability insurance, the Company faces various risks in connection with Kabuni and may lack adequate insurance coverage or may not have the relevant insurance coverage. The Company will need to review its insurance requirements periodically. If Kabuni incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, this may have a material adverse effect on the Company's business, results of operations and financial condition.

Federal, state and foreign laws 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.

Canada's anti-spam legislation (CASL) establishes certain requirements for commercial email, short message service (SMS), social media and instant messaging messages and specifies penalties for the transmission of commercial messages that are intended to deceive the recipient as to source or content. The US CAN-SPAM Act establishes certain requirements for commercial email messages and specifies penalties for the transmission of commercial email messages that are intended to deceive the recipient as to source or content. CASL and the CAN-SPAM Act, among other things, obligate the sender to provide recipients with the ability to opt out of receiving future messages from the sender. In addition, some US states have passed laws regulating commercial email practices that are significantly more punitive and difficult to comply with than the CAN-SPAM Act. Other countries, such as those in the European Union and Asia, may have analogous laws and regulations. The ability of recipients of messages from users of the Platform to opt out of receiving messages may minimize the effectiveness of the Company's services. In addition, noncompliance with CASL, the CAN-SPAM Act or other applicable laws and regulations carries significant litigation, regulatory investigation, liability and related risks. If the Platform or e-mails generated therefrom were found to be in violation of CASL or the CAN-SPAM Act or similar state or international laws regulating the distribution of commercial messages, whether as a result of violations by the Company or if the Company was deemed to be directly subject to and in violation of these requirements, then the Company could incur significant penalties. In addition, significant litigation and investigation-related expenses and any inquiries might impact the deliverability of the Company's commercial email. This would have a material adverse effect on the Company's business, results of operations and financial condition and significantly harm the Company's reputation. The Company could also be required to change one or more aspects of the way its business operates, which could impair the Company's ability to attract and retain users or could increase operating costs.

The Company cannot accurately predict expansion rates and the impact these rates may have on its future revenue and operating results.

In order for the Company to improve its operating results and continue to grow the Kabuni Business, it is important for the Company to continue to attract new users and expand the deployment of the Platform to existing users. To the extent the Company is successful in increasing its user base, it could incur increased losses because the costs associated with attracting new users are generally incurred up front, while revenue is recognized rateably over the term of a contract for services. Alternatively, to the extent the Company is unsuccessful in increasing its user base, the Company could also incur increased losses as the costs associated with marketing programs and new products intended to attract new users would not be offset by incremental revenue and cash flow. Furthermore, if the Company's users do not expand their use of the Platform, the Company's revenue may grow more slowly than the Company expects. All of these factors could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's quarterly results may fluctuate significantly and may not fully reflect the underlying performance of its business.

The Company's quarterly operating results, including its levels of revenue, gross margin, profitability, cash flow and deferred revenue, may vary significantly in the future, and period-to-period comparisons of its operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. The Company's quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of the Company's control and, as a result, may not fully reflect the underlying performance of the Company's business. Fluctuations in quarterly results may negatively impact the value of the Company's securities. Factors that may cause fluctuations in the Company's quarterly financial results include, but are not limited to:

- the ability to attract new users;
- retention rates;
- the timing of recognition of revenue;
- the amount and timing of operating expenses related to the maintenance and expansion of the Company's business, operations and infrastructure;
- general economic, industry, and market conditions;
- increases or decreases in the number of features in the Company's services;
- changes in the Company's pricing policies or those of the Company's competitors; and
- the timing and success of new services and service introductions by the Company and its competitors or any other change in the competitive dynamics of the Company's industry, including consolidation among competitors, users, or strategic partners.

Seasonality may cause fluctuations in the Company's potential revenue, operating expenses and operating results.

As Kabuni is at an early stage of operations and has yet to earn material revenue, Kabuni has not yet experienced any seasonal variations or cycles in its business. Management anticipates that the Kabuni Business may experience seasonal trends and fluctuations in sales from period-to-period, as is the case with other online retail businesses.

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.

The Kabuni 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. A decrease in the demand for interior design services could lead to reductions in user traffic on the Platform and reductions in product sales through the platform. In addition, the Company may become subject to rules and regulations in the interior design industry that may restrict or complicate the Company's ability to deliver services. These changes would have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is subject to certain risks associated with international operations.

The Company intends to expand the Platform internationally and conduct business in various countries throughout the world. Certain risks are inherent in international operations, including without limitation: (1) vigorous regulation of the Internet and user-generated content on social media platforms; (2) difficulty complying with a variety of ever-changing foreign laws and regulations, some of which may conflict with one another, including among others tax, labour, employment and anti-bribery laws, among others; (3) varying foreign laws and regulations for e-commerce and the interior design industry; (4) difficulty enforcing agreements, intellectual property rights and collecting receivables through certain foreign legal systems; (5) complexities of managing a multinational organization; (6) general economic and political conditions, natural disasters, social upheaval, war or terrorist activities in countries where the Company operates; (7) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and (8) longer payment cycles for foreign users or advertisers than for users or advertisers in the US and Canada. If the Company does not respond adequately to these risks, it could have a material adverse effect on the Company's business, results of operations and financial condition.

If the prices the Company charges for its services are unacceptable to its users, its operating results will be harmed.

As the market for the Company's services matures, or as new or existing competitors introduce new products or services that compete with the Company's, the Company may experience pricing pressure and be unable to retain existing users or attract new users at prices that are consistent with its pricing model and operating budget. If this were to occur, it is possible that the Company would have to change its pricing model or reduce its prices, which could have a material adverse effect on the Company's business, results of operations and financial condition.

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 future success of the Kabuni Business depends upon the continued use of the Internet as a primary medium for commerce, communication and business services. Domestic or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Changes in these laws or regulations could require the Company to modify its services in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the internet or commerce conducted via the Internet. These laws or charges could limit the growth of Internet-related commerce or communications generally, or result in reductions in the demand for Internet-based services such as the Company's.

In addition, the use of the Internet and, in particular, the cloud as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the Internet and its acceptance as a business tool have been adversely affected by viruses, worms, and similar malicious programs, and the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the Internet is adversely affected by these issues, demand for the Company's services could suffer.

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.

The Company is subject to the data privacy and protection laws and regulations adopted by federal, state, provincial and foreign governmental agencies. Data privacy and protection is highly regulated in some jurisdictions, and may become the subject of additional regulation in the future. Privacy laws restrict storage, use, processing, disclosure, transfer and protection of non-public personal information, including credit card data, provided to the Company by users. The Company strives to comply with all applicable laws, regulations, policies and legal obligations relating to privacy and data protection. However, it is possible that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or the Company's practices. Any failure, or perceived failure, by the Company to comply with federal, state, provincial or international laws, including laws and regulations regulating privacy, data or consumer protection, could result in proceedings or actions against the Company by governmental entities or private parties.

The regulatory framework for privacy and data protection issues worldwide is evolving, and various government and consumer agencies and public advocacy groups have called for new regulation and changes in industry practices, including some directed at providers of mobile and online resources in particular. In addition, as the Company expands operations globally, compliance with regulations that differ from country to country may also impose substantial burdens on the Kabuni Business. In particular, the European Union has traditionally taken a broader view as to what is considered personal information and has imposed greater obligations under data privacy regulations. In addition, individual European Union member countries have discretion with respect to their interpretation and implementation of the regulations, which has resulted in variation of privacy standards from country to country. Complying with any additional or new regulatory requirements could force the Company to incur substantial costs or require the Company to change business practices in a manner that could compromise its ability to effectively pursue growth strategies. The Company is subject to the privacy and data protection-related obligations in its contracts with users and other third parties. The Company may be contractually liable to indemnify and hold harmless users from the costs or consequences of inadvertent or unauthorized disclosure of data that the Company stores or handles as part of providing services. Finally, the Company is also subject to contractual obligations and other legal restrictions with respect to the collection and use of data, and the Company may be liable to third parties in the event the Company is deemed to have wrongfully used or gathered data.

Any failure by the Company, or a third-party contractor providing services to the Company, to comply with applicable privacy and data protection laws, regulations, self-regulatory requirements or industry guidelines, contractual privacy obligations or internal privacy policies, may result in fines, statutory or contractual damages, litigation or governmental enforcement actions. These proceedings or violations could force the Company to spend significant amounts in defense or settlement of these proceedings, impose monetary liability, distract management, increase costs of doing business, and adversely affect the Company's reputation and the demand for its products and services.

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.

Possession and use of personal information in the Company's operations subjects the Company to risks and costs that could harm its business and reputation. Although the Company uses security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls. This could result in a breach of the privacy of an interior design professional (one of the Company's users) or the interior design professional's client. In addition, errors in the storage, use or transmission of personal information could result in such breaches of privacy.

The Company believes that it takes reasonable steps to protect the security, integrity and confidentiality of the information the Company collects and store, but there is no guarantee that inadvertent (e.g., due to software bugs or other technical malfunctions, employee error or malfeasance, or other factors) or unauthorized disclosure will not occur or that third parties will not gain unauthorized access to this information despite the Company's efforts. Such attacks are growing in number and severity against companies large and small in all sectors of the economy. The Company may in the future experience successful attempts by third-parties to obtain unauthorized access to data despite security measures. Since techniques used to obtain unauthorized access change frequently, the Company and its third-party hosting facilities may be unable to anticipate these techniques or to implement adequate preventative measures. Any wilful or accidental security breaches or other unauthorized access could expose the Company to liability for the loss of such information, adverse regulatory action by federal and state governments, time-consuming and expensive investigation and litigation, extensive downtime of the Company's systems and other possible liabilities. If the Company's security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in the Company's software are exposed and exploited, and, as a result, a third party obtains unauthorized access to any of the users' data, the Company's relationships with its users will be severely damaged, and the Company could incur significant liability and loss of brand equity and goodwill. In addition, many jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. These mandatory disclosures regarding a security breach often lead to widespread negative publicity and may cause users to lose confidence in the effectiveness of the Company's data security measures. Any security breach, whether actual or perceived, would harm the Company's reputation, and the Company could lose users or fail to acquire new users. If the Company experiences compromises to its information technology as a result of security lapses, technical difficulties or otherwise that result in performance or availability problems of the Platform, the complete shutdown of the platform, or the loss or unauthorized disclosure of confidential information, the Company's partners or users may be harmed or lose trust and confidence in the Company. This could cause these partners and users to decrease their use of the Platform or stop using the platform in its entirety, and the Company would suffer reputational and financial harm. The Company's third-party vendors may also suspend or discontinue their relationships with the Company. Additionally, in the future, the Company could be subject to regulatory investigations and litigation in connection with security breaches or related issues, and the Company could also face regulatory fines and be liable to third parties for these types of breaches.

There can be no assurance that the limitations of liability in the Company's contracts would be enforceable or adequate or would otherwise protect the Company from any such liabilities or damages with respect to any particular claim. The Company also cannot provide assurances that the Company's general liability insurance coverage will be sufficient to cover one or more large claims or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against the Company that exceeds available insurance coverage, or the occurrence of changes in the Company's insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on the Company's business, results of operations and financial condition.

Hackers could render Kabuni's platform unavailable and lead to an interruption in services

Kabuni will rely heavily on the availability of its online platform to attract and retain its customers. Hackers could render the platform unavailable through denial of service or other disruptive attacks. Whilst the Company will take reasonable precautions to minimise such attacks, these strategies may not be successful. Unavailability of the platform could lead to a loss of revenues whilst Kabuni is unable to provide its services. Further, it could hinder Kabuni's abilities to retain existing customers or attract new customers, which would have a material adverse impact on growth of the Kabuni Business.

E-commerce fraud, if not adequately controlled, could have a negative impact in Kabuni's business

Incidents of fraud reported in the e-commerce market can undermine trust in the efficacy of online services, which may have a negative impact on Kabuni's business. If Kabuni fails to adequately control fraudulent credit card transactions, the Kabuni Business may face civil liability, diminished public perception of its security measures and significantly higher credit card-related costs, each of which could have a material adverse effect on the Company's business, results of operations and financial condition.

The market price of the Shares may be volatile, and investors could lose all or part of their investment.

The market price of the Shares following listing may be highly volatile, and could be subject to wide fluctuations in response to various factors, some of which are beyond the Company's control and may not be related to its operating performance.

Fluctuations in the price of the Shares could cause investors to lose all or part of their investment because they may not be able to sell their Shares at or above the price they paid. Factors that could cause fluctuations in the market price of the Shares include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally or those in the Company's industry in particular;
- sales of Shares by the Company's shareholders;

- any changes in the financial projections that the Company may provide to the public, or the Company's failure to meet those projections;
- announcements by the Company or its competitors of new products or services;
- the public's reaction to the Company's press releases, other public announcements and filings with the securities commissions;
- rumours and market speculation involving the Company or other companies in its industry;
- actual or anticipated changes in the Company's operating results or fluctuations in its operating results;
- actual or anticipated developments in the Kabuni Business, its competitors' businesses or the competitive landscape generally;
- litigation involving the Company, its industry or both, or investigations by regulators into the Company's operations or those of its competitors;
- developments or disputes concerning the Company's intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by the Company or its competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to the Company's business;
- interest rates and inflation rates;
- terrorism or other hostilities;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in the management; and
- general economic conditions and slow or negative growth of the Company's markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against the Company, could result in substantial costs and a diversion of management's attention and resources.

The is no guarantee that there will be liquidity for the Shares

There can be no guarantee that there will be an active market for Shares or that the price of Shares will increase. There may be relatively few buyers or sellers of Shares on ASX at any given time. This may affect the volatility of the market price of Shares. It may also affect the prevailing market price at which shareholders are able to sell their Shares.

The Company is an Australian company and shareholder protections differ from shareholder protections in the Canada and elsewhere.

The Company is incorporated under the laws of Australia, accordingly, is governed by the Australian Corporations Act. The Australian Corporations Act differs in certain material respects from laws generally applicable to Canadian and US corporations and shareholders, including the provisions relating to interested directors, mergers and similar arrangements, takeovers, shareholders' suits, indemnification of directors and inspection of corporation records.

The Company will incur increased costs and regulatory burden and devote substantial management time as a result of being a public company.

Prior to the filing of the Prospectus, the Company, as an ASX-listed company, was subject to the continuous disclosure reporting requirements of the ASX. However, the Company was not subject to the timely and continuous disclosure requirements of Canadian securities laws. As a reporting issuer in Canada, the Company will incur increased legal, accounting and other costs. The Company will be subject to the rules and regulations of the Canadian Securities Administrators in addition to the requirements of the ASX. The Company expects that compliance with these rules and regulations will increase legal and financial compliance costs and make some activities more time consuming and costly. In addition, the Company expects that management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these reporting issuer requirements. The Company has made, and will continue to make, changes to its financial management control systems and other areas to manage its obligations as a reporting issuer, including corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. However, there can be no guarantee that these and other measures that the Company might take will be sufficient to allow the Company to satisfy its obligations as a reporting issuer on a timely basis.

The Company does not expect to declare any dividends in the foreseeable future.

The Company does not anticipate declaring any cash dividends to holders of Shares in the foreseeable future. Consequently, investors may need to rely on sales of Shares after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

DIVIDENDS OR DISTRIBUTIONS

The Company has not paid dividends since its incorporation. While there are no restrictions in the Company's constitution (the Constitution), or pursuant to any agreement or understanding which could prevent the Company from paying dividends or distributions, the Company has limited cash flow and anticipates using all available cash resources to fund working capital and grow its business. As such, the Company has no plans to pay dividends in the foreseeable future. Any decisions to pay dividends in cash or otherwise in the future will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions existing at the time a determination is made.

DESCRIPTION OF CAPITAL STRUCTURE

Issued and Authorized Share Capital

Australian companies do not have authorized share capital. There is generally no limit in the Australian Corporations Act or the Constitution on the power of the Board to issue Shares. However, subject to certain exceptions, the ASX Listing Rules prohibit an ASX-listed company from issuing shares or options representing more than 15% of its issued capital in any 12-month period without shareholder approval. The Shares have no nominal or par value and are recorded in the accounts of the Company at their issue price.

As at the end of the most recently completed financial year, the Company had an aggregate of 130,309,175 Shares and 38,130,493 Performance Shares issued and outstanding.

Further, as at the end of the most recently completed financial year, there were 18,130,000 unissued Shares under options. The details of the options are as follows:

Number	Exercise Price (A$)	Expiry Date	Listing Status
12,000,000(1)	$0.30	25-Aug-18	Listed (ASX: KBUO)
2,500,000(2)	$0.20	30-Jun-17	Unlisted
3,630,000(3)	$0.18	31-Mar-19 (4)	Unlisted
Total: 18,130,000(5)			

Notes:

(1) See "*Description of Capital Structure - Listed Options*", below, for a description of the material characteristics of these securities.
(2) Unlisted options issued to Foster Stockbroking Pty Ltd. See "*Description of Capital Structure - Foster Options*", below.
(3) See "*Description of Capital Structure - Employee Options*", below, for a description of the material characteristics of these securities.
(4) 560,001 unlisted Employee Options, exercisable at $0.18 lapsed during the year in accordance with the terms of the Option Plan.
(5) 7,750,000 unlisted options, exercisable at $0.20 per option were converted to Shares on 2 July 2015.

Shares

The following is a summary of the more significant rights, privileges and restrictions attaching to all 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 Shares are set out in the Constitution a copy of which is available on the Company's website, http://investor.kabuni.com and under the Company's profile on SEDAR at www.sedar.com.

General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with Section 249D of the Australian Corporations Act and the Constitution.

Subject to the provisions of the Australian Corporations Act and the ASX Listing Rules, at least 28 days' notice must be given by the Company to shareholders of the calling of a meeting. A quorum for a meeting of shareholders consists of three shareholders present in person or by proxy and entitled to vote. If no quorum is present within 30 minutes of the time appointed for a meeting, the meeting if requested by shareholders shall be dissolved but in any other case shall stand adjourned until the same day in the next week at the same time and place. If no quorum is present within 30 minutes of the time appointed for such adjourned meeting, the meeting shall be dissolved.

Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders each shareholder entitled to vote may vote in person or by proxy, attorney or representative. Every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote.

Dividend rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividends, the Directors may declare a dividend in accordance with the Australian Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may from time to time pay to shareholders any interim dividend that they may determine. Subject to the rights of any preference shareholders and to the rights of the holders of any shares credited or raised under any special arrangement as to the dividend, the dividend as declared shall be payable on all Shares according to the amount paid up, or credited as paid up, on the Shares, and otherwise in accordance with Part 2H.5 of the Australian Corporations Act. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator determines. Subject to the rights of shareholders (if any) entitled to shares with special rights in a winding-up, all monies and property that are to be distributed among shareholders on a winding-up shall be so distributed in proportion to the shares held by them respectively irrespective of the amount paid-up or credited as paid up on the shares.

Transfer of shares

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Australian Corporations Act or the ASX Listing Rules.

Variation of rights

Pursuant to Section 246B of the Australian Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

Performance Shares

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 Annual General Meeting for the meeting held on July 20, 2015 (AET).

At a general meeting of the Company held on July 20, 2015 (AET), 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. As at the end of the most recently completed financial year, 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.

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,

**Paragraph (a) of Milestone A was not met on August 30, 2016.*

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 December 31, 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 Australian 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.

Listed Options

In connection with the Public Offer, the Company issued 12,000,000 options (Listed Options) at an issue price of A$0.005 per Option to raise an aggregate of A$60,000. The Listed Options are freely transferrable and trade on the ASX under the symbol "KBUO".

Each Listed Option gives the holder thereof the right to subscribe for one Share at a price of A$0.30 until August 25, 2018 (AET). The Listed Options held by each holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.

If at any time the issued capital of the Company is reconstructed, all rights of an optionholder are to be changed in a manner consistent with the Australian Corporations Act and the ASX Listing Rules at the time of the reconstruction.

There are no participating rights or entitlements inherent in the Listed Options and holders of Listed Options will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Listed Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least five business days after the issue is announced. This will give holders of Listed Options the opportunity to exercise their Listed Options prior to the date for determining entitlements to participate in any such issue.

Employee Options

At the Company's Annual General Meeting held on November 12, 2015 (AET), 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 Directors, at their discretion, may issue Employee Options to Participants at any time, having regard to relevant considerations such as the Participant's past and potential contribution to the Company, and their period of employment with the Company. Participants in the Option

Plan are persons who are an ‘eligible participant’ (as that term is defined in Australian Securities and Investments Commission Class Order 14/1000) in relation to the Company or a subsidiary of the Company, and has been determined by the Board to be eligible and participate in the Option Plan from time to time.

Employee Options must be granted for nil consideration. The exercise price of the Employee Options shall be determined by the Board, in its discretion, provided that in no event shall the exercise price be less than 80% of the average closing sale price of the Shares on ASX over the five trading days immediately preceding the date of the grant.

The maximum number of Shares issuable on exercise of outstanding Employee Options must not at any time exceed 5% of the total number of issued Shares, provided that the Board may, in its discretion, increase this percentage, subject to applicable legal and regulatory requirements.

The Board may determine the time periods or performance hurdles after which the Employee Options will vest and the percentage of Employee Options issued which will vest at each particular time. The Option Plan provides for the release of vesting conditions at the Board’s discretion in the event of a change of control of the Company. An Employee Option must be exercised (if at all) not later than its expiry date and may only be exercised at any time after the Employee Option has vested. The expiry date is determined by the Board but, in any event, will be no later than five years from the date of grant of the Employee Option.

The Board may determine the treatment of Employee Options in the event of cessation of employment. The Board’s policy is to provide that if a Participant ceases to an employee or consultant by reason of retirement, permanent disability, redundancy or death, the Participant is entitled to keep any vested Employee Options. Where a Participant ceases to be an employee or consultant for other reasons, the Participant has three months from that date to exercise any vested Employee Options, and any others will automatically lapse.

Employee Options are non-assignable and non-transferable, except that once vested they may be transferred pursuant to the requirements of the Australian Corporations Act.

The Board may suspend or terminate the Option Plan at any time, in which case the Company shall not make any further grants of Employee Options under the Option Plan during the suspended or terminated period. The Option Plan may be amended at any time by the Board, subject to any requirements of the Listing Rules and the Corporations Act.

Foster Options

On February 19, 2015 (AET), the Company issued 2,500,000 unlisted options to purchase Shares to Foster Stockbroking Pty Ltd. The options were issued for nil consideration, pursuant to a corporate advisory services agreement between the Company and Foster Stockbroking Pty Ltd. The options will expire on June 30, 2017 (AET). The exercise price for each option is A$0.20. The options will vest when the price of the Shares (based on a 20-day volume weighted average price), as quoted by the ASX, reaches a level of A$0.225.

MARKET FOR SECURITIES

Trading Price and Volume

The Shares are listed and posted for trading on the ASX under the symbol "KBU". The following table sets forth the price ranges and volume of the Shares as reported by the ASX for the months indicated.

Month	High (A$)	Low (A$)	Volume
June 2016	0.150	0.09	837,300
May 2016	0.145	0.09	1,950,200
April 2016	0.190	0.140	3,655,300
March 2016	0.170	0.120	711,685
February 2016	0.150	0.115	965,544
January 2016	0.145	0.105	825,912
December 2015	0.155	0.130	992,400
November 2015	0.175	0.140	2,328,998
October 2015	0.185	0.150	1,288,532
September 2015	0.230	0.165	6,389,437
August 2015	0.230	0.230	nil
July 2015	0.230	0.200	1,235,258

The Listed Options are listed and posted for trading on the ASX under the symbol "KBUO". The following table sets forth the price ranges and volume of the Shares as reported by the ASX for the months indicated.

Month	High (A$)	Low (A$)	Volume
June 2016	0.035	0.035	200,000
May 2016	0.042	0.042	60,000
April 2016	0.040	0.040	15,000
March 2016	0.050	0.040	100,000
February 2016	0.040	0.040	13,336
January 2016	0.041	0.039	1,160,413
December 2015	0.040	0.039	120,000
November 2015	0.040	0.040	101,238
October 2015	0.040	0.040	101,669
September 2015(1)	N/A	N/A	N/A
August 2015	N/A	N/A	N/A
July 2015	N/A	N/A	N/A

Notes:

(1) The Listed Options were admitted for quotation on the ASX on September 3, 2015 in connection with the Public Offer. There was no trading in the Listed Options prior to October, 2015.

Prior Sales

The following table sets forth the issuances of securities during the most recently completed financial year that are not listed or quoted on a marketplace. For greater clarity, this table excludes issuances of Shares and Listed Options.

Date of Issuance	Type of Security	Number of Securities	Price per Security (A$)	Aggregate Issuance Price (A$)	Nature of Consideration Received
March 17, 2016(1)	Employee Options	4,190,001	0.18(2)	Nil	N/A
February 19, 2016 (AET) (3)	Options	2,500,000	0.20(2)	Nil	N/A
November 19, 2015(4)	Performance Shares	666,667	0.20	133,333	N/A
August 25, 2015(5)	Performance Shares	37,463,826	0.20/0.00(6)	3,879,716	N/A

Notes:

(1) Employee Options issued to employees and consultants of the Company and its subsidiary, Kabuni Technologies, under the Option Plan. See "*Description of Capital Structure – Employee Options*", above.
(2) This number represents the exercise price for the options.
(3) Unlisted options issued to Foster Stockbroking Pty Ltd. See "*Description of Capital Structure – Foster Options*", above.
(4) In connection with his appointment as Director, 333,333 Shares and 666,667 Performance Shares (333,333 Class A Performance Shares and 333,334 Class B Performance Shares) were issued to Matthew Hehman. Nil cash consideration was received.
(5) In connection with the Acquisition and pursuant to the Share Sale Agreement, the Company issued 37,463,826 Performance Shares to the Sellers, the Other Shareholders, the Consideration Share Subscribers and certain Directors. This includes 1,333,334 Performance Shares (333,333 Class A Performance Shares and 333,334 Class B Performance Shares each) that were issued to Directors, Nathan Sellyn and Nik Ajagu. For further details, see *"General Development of the Business – Financial Year Ended June 30, 2016 – Acquisition of Kabuni Technologies".*
(6) In connection with the Acquisition and pursuant to the Share Sale Agreement, the Company issued to the Sellers, the Other Shareholders, the Consideration Share Subscribers and certain Directors, 37,463,826 Performance Shares, comprised of: 9,699,289 Class A Performance Shares, each valued for financial statement purposes at A$0.20; 9,699,291 Class B Performance Shares, each valued for financial statement purposes at A$0.20; 9,032,623 Class C Performance Shares, without book value; and 9,032,623 Class D Performance Shares, without book value. No cash was received as consideration for the securities described above. For further details, see *"General Development of the Business – Financial Year Ended June 30, 2016 – Acquisition of Kabuni Technologies".*

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following table sets forth the number and percentage of Shares and Performance Shares that were held in escrow as of the end of the most recently completed financial year. The terms and conditions of the Shares and Performance Shares held in escrow are governed by the ASX Listing Rules and agreements between the Company and the respective shareholders. There is no entity acting as escrow agent.

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Shares(1)(3)	46,301,031	36%
Performance Shares(2)(3)	38,130,493	100%

Notes:

(1) These Shares are classified by ASX as restricted securities and are required to be held in escrow for the following periods, according to the ASX Listing Rules:

(a) 25,540,879 Shares issued to Directors or advisors of the Company are required to be held in escrow until September 3, 2017 (AET).

(b) 2,666,666 Shares issued to holders of Convertible Notes were required to be held in escrow until July 2, 2016 (AET). As at the date of this AIF, these Shares have been released from escrow.

(c) 18,093,486 Shares issued to the Sellers and the Other Shareholders in consideration for the Acquisition of Kabuni Technologies were required to be held in escrow until August 25, 2016 (AET). As at the date of this AIF, these Shares have been released from escrow.

(2) These Performance Shares are classified by ASX as restricted securities and are required to be held in escrow for the following periods, according to the ASX Listing Rules:

(a) 9,004,760 Performance Shares issued to nominees of the Sellers in connection with the Acquisition were required to be held in escrow until August 25, 2016 (AET). As at the date of this AIF, these Shares have been released from escrow.

(b) 29,125,733 Performance Shares issued to Directors or advisors of the Company are required to be held in escrow until September 3, 2017 (AET).

(3) Each holder of Shares or Performance Shares that are classified by ASX as restricted securities has signed a restriction agreement in the form prescribed by the ASX (Appendix 9A to the ASX Listing Rules).

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holdings

The following table sets forth the name, state/province and country of residence, position or offices held with the Company, date appointed and principal occupation of each individual who is a Director or executive officer of the Company as at the date of this AIF.

Name, Current Position, and State/Province and Country of Residence	Position Held Since	Principal Occupation
Anthony John Whitfield King Director and Chairman of the Board Western Australia (2)(3) Australia	May 11, 2012 (AET)	Managing Director of Max Capital Pty Ltd
Nimesh (Neil) Patel Managing Director and Chief Executive Officer(2)(3) British Columbia, Canada	August 25, 2015 (AET)	Managing Director and Chief Executive Officer of the Company
Nathaniel Woolfe Sellyn Director(1)(2)(3) British Columbia, Canada	August 25, 2015 (AET)	Partner and Founder at Assembly Stakeholder Relations
Nikolas Ajagu Director(1)(2)(3) New York, United States	August 25, 2015 (AET)	Global Head of Partnerships, Facebook Advertising Technology
Colm O'Brien Director(1)(2)(3) Western Australia, Australia	July 18, 2016 (AET)	Director of Carrington Partners
Ajai Sehgal Director(1)(2)(3) Washington, United States	August 1, 2016 (AET)	Chief Technology Officer of Hootsuite Media Inc.
Lisa Dea Chief Financial Officer British Columbia, Canada	September 6, 2016	Chief Financial Officer of the Company

Name, Current Position, and State/Province and Country of Residence	Position Held Since	Principal Occupation
Raquel Hirsch Chief Revenue Officer, Kabuni Technologies British Columbia, Canada	August 8, 2016	Chief Revenue Officer of Kabuni Technologies
Marc-Alexandre Poirier Chief Legal Officer British Columbia, Canada	September 9, 2015 (AET)	Chief Legal Officer of the Company
Parminder Singh Virk Chief Technology Officer, Kabuni Technologies British Columbia, Canada	June 1, 2015	Chief Technology Officer of Kabuni Technologies

Notes:

(1) Audit Committee member.
(2) Nomination Committee member.
(3) Remuneration Committee member.

The following describes the respective principal occupations of each of the above-named Directors and executive officers of the Company for the five preceding years.

(a) Mr. King has been the Managing Director of Max Capital Pty Ltd., a securities firm specializing in capital raisings and corporate finance transactions based in Perth, Western Australia, since July 2011.

(b) Mr. Patel joined Kabuni as Chief Executive Officer in July 2015, in connection with the Acquisition. Mr. Patel founded Kabuni Technologies (then PDT Technologies Inc.) in 2013 and has served as its Chief Executive Officer since 2013. 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.

(c) Mr. Sellyn has been a partner at Assembly Stakeholder Relations, a boutique investor relations firm that he cofounded, since 2011.

(d) Mr. Ajagu has held the position of Global Head of Partnerships, Facebook Advertising Technology at Facebook Inc. since 2014. Prior to then, Mr. Ajagu led various operations and monetization teams in the areas of advertising and marketing at Facebook. Mr. Ajagu has worked for Facebook Inc. since 2007.

(e) Mr. O'Brien has been Director of Carrington Partners, a firm that provides strategic advice and executive support to businesses, since September 2015. Prior to then, Mr. O'Brien was Group Chief Executive Officer for Aspermont Limited, a media group listed on the Australian Stock Exchange, from 2005 to 2015.

(f) Mr. Sehgal has been the Chief Technology Officer of Hootsuite Media Inc., a SaaS cloud-based social relationship platform, since April, 2014. Prior to then, from September 2012 to April 2014, Mr. Sehgal was Vice President Product and Technology - Global Travel, for global e-commerce marketplace, Groupon. From March 2010 to August 2012, Mr. Sehgal was Vice President of Technology for on-line travel company, Expedia.

(g) Ms. Dea was appointed Chief Financial Officer for Kabuni in early September, 2016. She currently acts on a part-time basis as Chief Financial Officer of Captiva Verde Industries Ltd. (since January, 2016), a grower of organic product listed on the Canadian Securities Exchange (CSE), and Greenbriar Capital Corp. (since February 2014), a company in the renewable energy sector and listed on the TSX-Venture Exchange (TSX-V). Prior to then, she was Chief Financial Officer of El Tigre Silver Corp. (from April 2014 to November 2015), a mining company listed on the TSX-V. From May of 2011 until July of 2012, she was Vice President, Finance and Chief Financial Officer of Silvermex Resources Inc., a silver mining company with operations in Mexico.

(h) Ms. Hirsch was appointed Chief Revenue Officer for Kabuni in August, 2016. Since 2002, Ms. Hirsch has been providing strategic business consulting services to various businesses, with a focus on sales and marketing. From October 2014 to November 2015, she served as Senior Director, Global Web & Digital Operations, for Hootsuite Media Inc., a SaaS cloud-based social relationship platform.

(i) Mr. Poirier joined Kabuni Technologies as General Counsel in June, 2015. He was appointed Chief Legal Officer of the Company in September, 2015. Prior to joining Kabuni, from February 2011 to June 2015, Mr. Poirier managed an independent business law practice based in Vancouver, British Columbia, working with start-ups and medium-sized businesses.

(j) Mr. Virk was appointed Chief Technology Officer for Kabuni as of March 2016, having served Kabuni as Head of Technology from July 2015 until March 2016. Between March 2013 and September 2014, Mr. Virk acted as Chief Executive Officer of AlphaSafe Deposit Box Inc., a company engaged in automated deposit boxes. Between February 2004 and August 2012, Mr. Virk acted as Chief Technology Officer and Chief Operating Officer of OneMove Technologies Inc., a company engaged in app-based moving management, which became a publicly reporting entity in March of 2006.

Term of Office of Directors

The maximum term of office of the Directors is three years. Article 18.2 of the Constitution requires that one-third of the Directors must retire at each annual general meeting, and any other Director not in such one-third who has held office for three years or more must retire from office. A retiring Director is eligible for re-election.

The term of office of the executive officers expires at the discretion of the Board.

Aggregate Ownership of Securities

As at the date of this AIF, the Directors and executive officers of the Company and Kabuni Technologies as a group beneficially own, directly or indirectly, or exercise control over 25,775,039 Shares collectively representing 19.78% of the 130,309,175 Shares that are issued and outstanding.

Conflicts of Interest

The Directors are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises, any director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Board.

To the best of the Company's knowledge, and other than as disclosed in this AIF, there are no existing or potential material conflicts of interest among the Company and its Directors or executive officers, other than certain of the Directors and executive officers also serve as directors and officers of other companies and subsidiaries.

Cease Trade Orders and Bankruptcies

To the Company's knowledge and other than as disclosed herein, no director or executive officer or promoter of the Company is, as at the date of this AIF, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any person or company, including the Company, that:

(k) was subject to (a) a cease trade order; (b) an order similar to a cease trade order; or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "**order**") that was issued while the director or executive officer or promoter was acting in the capacity of a director, the chief executive officer or the chief financial officer thereof; or

(l) was subject to an order that was issued after the director or executive officer or promoter ceased to be a director, the chief executive officer or the chief financial officer thereof and which resulted from an event that occurred while that person was acting in such capacity.

To the Company's knowledge and other than as disclosed herein, no director or executive officer or promoter of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date of this AIF, or has been within the 10 years before the date hereof, a director or executive officer of any person or company, including the Company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

On September 18, 2014, Parminder Singh Virk, Chief Technology Officer of Kabuni Technologies, made an assignment into bankruptcy under the laws of Canada. On February 24, 2016, pursuant to an order of the Supreme Court of British Columbia, Mr. Virk was granted an absolute discharge from the bankruptcy.

From May of 2011 to July of 2012, Ms. Lisa Dea, Chief Financial Officer of the Company, was Vice President, Finance and Chief Financial Officer of Silvermex Resources Inc. (“Silvermex”). On March 13, 2012, the Securities and Exchange Commission ("SEC") issued an order revoking the registration of Silvermex’s common shares as a class under section 12(g) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”). The SEC issued the order pursuant to section 12(j) of the Exchange Act, with Silvermex’s consent, as Silvermex has determined that it is unable to cure the filing delinquencies of its predecessor company, Genco Resources Ltd., under the Exchange Act.

Penalties or Sanctions

To the Company’s knowledge and other than as disclosed herein, no director or executive officer or promoter of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE

Audit Committee

The primary purpose of the Audit Committee is to assist the Board in order to oversee the Company’s accounting and financial reporting processes and the preparation and auditing of the Company's financial statements. The Audit Committee is responsible for monitoring and reviewing the integrity of the Company’s financial reporting, and reviewing the internal financial control system and risk management framework and systems.

The Audit Committee also reviews and reports to the Board on the following matters: (a) assessment of whether external reporting is consistent with Board members' information and knowledge and is adequate for shareholder needs; (b) assessment of the management processes supporting external reporting; (c) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners; (d) recommendations for the appointment or, if necessary, the removal of the external auditor; (e) assessment of the performance and independence of the external auditors; and (f) the results of the review of risk management framework and internal control systems, including consideration of whether the Company has a material exposure to any particular risks.

The Audit Committee has the right, for the purposes of performing its duties, to maintain direct communication with the Company’s external auditors and Board, to inspect all books and records of the Company and its affiliates, to seek any information it requires from any employee of the Company and its affiliates and to retain outside counsel or other experts.

The Audit Committee is required to meet at least once per quarter and is comprised of three or more Directors.

Composition of Audit Committee and Independence

The members of the Company's audit committee are:

Member	Independence[(1)]	Financial Literacy[(2)]
Nathaniel Woolfe Sellyn (chair)	Independent	Financially literate
Nikolas Ajagu	Independent	Financially literate
Colm O'Brien	Independent	Financially literate
Ajai Sehgal	Independent	Financially literate

Notes:

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Company's board of directors, reasonably interfere with the exercise of a member's independent judgement.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

Each member of the Company's present audit committee has adequate education and experience that is relevant to their performance as an audit committee member and, in particular, the requisite education and experience that have provided the member with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Nathaniel Woolfe Sellyn

Mr. Sellyn has a diversity of experience with publicly reporting companies, including through his position as a partner of a boutique investor relations firm since 2011, and as Director of Corporate Development and Investor Relations with Great Canadian Gaming Corporation. Mr. Sellyn has over a decade of experience reviewing and analyzing financial statements. 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.

Nikolas Ajagu

Mr. Ajagu has worked with Facebook Inc. since 2007, most recently as Global Head of Advertising Technology Partnerships. During his time with Facebook Inc. Mr. Ajagu led operations and support functions responsible for pre-sales, account management, campaign management, and post-sales functions. Mr. Ajagu has worked with financial reporting systems and financial statements. Mr. Ajagu has a sophisticated understanding of social and web-based revenue models, experience that is directly applicable to the Company. In January 2014, he co-founded Code & Canvas, a San Francisco-based center 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 is an alumnus of Palo Alto Senior High School, and holds a Bachelor of Arts degree from Princeton University.

Colm O'Brien

Mr. O'Brien has over 20 year's executive level experience in financial services, management consulting and media industries. He was Group Chief Executive Officer for Aspermont Limited, a media group listed on the Australian Stock Exchange, from 2005 to 2015. He currently serves as Director of Carrington Partners, a firm that provides strategic advice and executive support to businesses, since September 2015. Colm also acts as non-executive director of Pacific Star Network Limited (ASX: PNW), an ASX listed media company. Mr. O'Brien holds a Bachelor's Degree in Law (Hons) and a Bachelor of Commerce (B.Com.), Partial, from University College Cork (1991-1996). He is also a graduate of the European Graduate/Executive Programme of Barclays Bank (1995-1999).

Ajai Sehgal

Mr. Sehgal has over a decade of experience as a technology executive in global technology companies such as e-commerce marketplace, Groupon, and on-line travel company, Expedia. As Vice President of Technology for Expedia, Mr. Sehgal managed a budget of approximately US$50 million. Since April, 2014, he has been Chief Technology Officer of Hootsuite Media Inc., a SaaS cloud-based social relationship platform, where he manages a budget of approximately US$25 million. As a global technology executive, Mr. Sehgal has gained extensive experience in managing and understanding both the technological and financial aspects of SaaS and e-commerce operations, similar to the Company's operations. Mr. Sehgal is closely acquainted with financial reporting practices and requirements for technology-based businesses such as the Company.

Pre-approval Policies and Procedures for Audit Services

It is intended that the Audit Committee will establish a practice of approving audit and non-audit services provided by the external auditor. The Audit Committee intends to delegate to its Chair the authority, to be exercised between regularly scheduled meetings of the Audit Committee, to pre-approve audit and non-audit services provided by the independent auditor. All such pre-approvals would be reported by the Chair at the meeting of the Audit Committee next following the pre-approval.

External Auditor Service Fees

For each of the financial years ended June 30, 2016 and June 30, 2015, the Company incurred fees to its external auditors, Stantons International Securities Pty Ltd., and its subsidiary auditors, Davidson & Company LLP, as follows:

Description	**2016 (A$)(1)**	**2015 (A$)**
Stantons International		
Audit Fees(2)	43,632	11,528
Audit – Related Fees(3)	-	-
Tax Fees(4)	-	-
All Other Fees(5)	-	-
Davidson & Company LLP		
Audit Fees(2)	95,656	46,659
Audit – Related Fees(3)	-	-
Tax Fees(4)	4,447	-
All Other Fees(5)	-	-

Notes:

(1) All amounts in this table have been converted from Canadian dollars to Australian dollars based on the Bank of Canada daily noon exchange rate on June 30, 2016: C$1.00 = A$1.03.

(2) "Audit Fees" means the aggregate fees incurred by the external auditor(s) for the relevant fiscal year for audit services.

(3) "Audit-Related Fees" means the aggregate fees incurred for the relevant fiscal year for assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the financial statements and are not reported under clause (2) above, including assistance with specific audit procedures on interim financial information.

(4) "Tax Fees" means the aggregate fees incurred in the relevant fiscal year for professional services rendered by the external auditor for tax compliance, tax advice and tax planning.

(5) "All Other Fees" means the aggregate fees incurred in the relevant fiscal year for products and services provided by the external auditor, other than the services reported under clauses (2), (3) and (4), above.

Audit Committee Charter

The Board has adopted the Audit Committee charter that sets out the roles and responsibilities of the Audit Committee, as attached hereto as Schedule A.

PROMOTERS

Each of Mr. Anthony John Whitfield King, Chairman and Director, and Mr. Nimesh (Neil) Patel, Managing Director and Chief Executive Officer, is considered to be a "promoter" of the Company as that term is defined in the *Securities Act* (British Columbia). Except as set forth elsewhere in this AIF, neither of the promoters have received anything of value from the Company and neither promoter has any entitlement to receive anything of value. The following table sets forth the number and percentage of Shares beneficially owned, or controlled or directed, directly or indirectly, by Messrs. King and Patel.

Name	Number and Percentage of Shares Beneficially Owned or Controlled
Anthony John Whitfield King Director and Chairman of the Board	4,625,040 Shares[(1)] (3.55%[(2)])
Nimesh (Neil) Patel Managing Director and Chief Executive Officer	19,950,000 Shares (15.31%[(2)])

Notes:

(1) These Shares are held in the name of Seventy Three Pty Ltd. Mr. King is a director of Seventy Three Pty Ltd, but is not a direct beneficiary of these Shares.

(2) Based on 130,309,175 issued and outstanding Shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Since the beginning of the most recently completed financial year, there have been no legal proceedings to which the Company is or was a party or of which any of its property is or was the subject of that involves claims for damages that exceeds 10% of the Company's current assets, nor are any such proceedings known to the Company to be contemplated.

Regulatory Actions

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed below and elsewhere in this AIF, within the last three years, no director, executive officer or person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the outstanding voting securities of the Company or any associate or affiliate of the foregoing has, or has had, any material interest, direct or indirect, in any transaction prior to the date of this AIF or any proposed transaction that has materially affected, or is reasonably expected to materially affect, the Company or any of its affiliates.

On November 30, 2013, Kabuni Technologies entered into the Property Beacon Loan Agreement with Property Beacon, a Company controlled by Nimesh (Neil) Patel, Managing Director and Chief Executive Officer of the Company. See *"General Development of the Business – Development of the Business of Kabuni Technologies Prior to the Acquisition – Property Beacon Loan Agreement".*

TRANSFER AGENTS AND REGISTRARS

The transfer agent appointed by the Company to maintain the securities register and register of transfers for the Shares, Listed Options and Performance Shares, is Security Transfer Registrars, of 770 Canning Highway, Applecross WA 6153 Australia (Share Registry).

MATERIAL CONTRACTS

The Company does not have any material contracts, other than those contracts entered into in the ordinary course of business.

EXPERTS

The Company's auditors are Stantons International Audit and Consulting Pty Ltd. (Stantons International), who certified the auditor's report on the Company's audited annual financial statements for the ten-month period ended June 30, 2016. As at the date of this AIF, the partners and associates of Stantons International beneficially own, directly, and indirectly, less than 1% of the outstanding securities or other property of the Company, its associates or affiliates.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for its most recent annual meeting of securityholders that involved the election of directors.

Additional financial information is provided in the Company's financial statements and Managements Discussion and Analysis (MD&A) for its most recently completed financial year.

GLOSSARY OF TERMS

"**Acquisition**" means the acquisition by the Company of Kabuni Technologies, the principal "operating entity of the Kabuni Business.

"**AET**" means Australian Eastern Time.

"**AIF**" means this Annual Information Form.

"**ASX**" means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange operated by ASX Limited (as the context requires).

"**ASX Listing Rules**" means the Listing Rules of the ASX in force and as amended from time to time.

"**Australian Corporations Act**" means the Corporations Act 2001 (Cth) and the Corporations Regulations made under it as amended from time to time.

"**Board"** means the board of Directors as constituted from time to time.

"**Company**" or "**Kabuni**" means Kabuni Ltd., incorporated under the Australian *Corporations Act 2001 (ABN 28 158 307 549).*

"**Consideration Securities**" means a total of 42,636,366 Shares and 36,130,492 Performance Shares issued by the Company to the Consideration Share Subscribers pursuant to the Share Sale Agreement.

"**Consideration Share Subscribers**" means certain persons who were designated by the Sellers to receive Consideration Securities under the Share Sale Agreement, in satisfaction of certain obligations owed by Kabuni Technologies to those persons or as incentives to certain employees of Kabuni Technologies.

"**Constitution**" means the constitution of the Company.

"**Convertible Notes**" means the convertible notes issued by Kabuni Technologies to sophisticated and professional investors residing outside of Canada, for total proceeds of A$1,420,000.

"**Convertible Note Shares**" means 15,523,810 Shares issued to the holders of the Convertible Notes in satisfaction of amounts due to those holders.

"**Designers**" means independent home design professionals.

"**Directors**" means the directors of the Company.

"**Employee Options**" means options issued to Participants under the Option Plan.

"**H Plus**" means H Plus Technologies Ltd.

"**HoloMAX Technology**" means the HoloMAX™ 3D technology developed by H Plus.

"**Home Products**" means home décor, home furnishings and related products.

“**Kabuni Business**” means Kabuni’s business of operating an Internet-based SaaS and e-commerce platform for the online home design industry.

“**Kabuni House**” means the space known as the “Kabuni House” (formerly the “Community Design Studio”), located in Vancouver, British Columbia.

“**Kabuni Technologies**” means Kabuni Technologies Inc., incorporated under the British Columbia *Business Corporations Act* [SBC 2002] c. 57.

“**Kabuni**” means Kabuni Inc.

“**Kabuni India**” means Kabuni Technologies (India) Private Limited, incorporated under the *Companies Act*, 2013 (India).

“**Kabuni USA**” means Kabuni USA, Inc., incorporated under the laws of Delaware, USA.

“**Makers**” means makers of home furnishings or artwork.

“**Listed Options**” means options issued by the Company to purchase Shares in connection with the Public Offer and listed and posted for trading on the ASX under the symbol “KBUO”.

“**Option Plan**” means the Company’s Employee Option Plan.

“**Other Shareholders**” means all of the shareholders of Kabuni Technologies, other than the Sellers, each of whom agreed to sell their shares in Kabuni Technologies to the Company.

“**Participants**” means employees, consultants and officers of the Company who are participants in the Option Plan.

“**Performance Shares**” means the performance shares issued by the Company and convertible into Shares upon achievement of the relevant milestones, issued on the terms and conditions set out under “*Description of Capital Structure – Performance Shares*”, and each of “**Class A Performance Share**”, “**Class B Performance Share**”, “**Class C Performance Share**” and “**Class D Performance Share**” have a corresponding meaning in relation to the relevant milestone applicable to each class.

“**Platform**” means Kabuni’s Internet-based Software-as-a-service (SaaS) and e-commerce platform.

“**Prospectus**” means the Company’s non-offering long form prospectus, in respect of which the British Columbia Securities Commission issued its final receipt for the Prospectus on May 6, 2016, pursuant to which the Company became a reporting issuer under applicable securities legislation in the province of British Columbia.

“**Public Offer**” means, collectively, (a) the public offer of 35,000,000 Shares at an issue price of A$0.20 each to raise A$7,000,000, and (b) the public offer of 12,000,000 Listed Options at an issue price of A$0.005 per Listed Option to raise A$60,000, for aggregate proceeds of A$7,060,000 completed on August 25, 2015 (AET).

“**Property Beacon**” means Property Beacon Technology Inc.

“**Property Beacon Loan Agreement**” means the Loan Agreement dated as of November 30, 2013 between Kabuni Technologies, as borrower, and Property Beacon, as lender, as amended.

“**RTO**” means a reverse takeover transaction.

“**SaaS**” means software as a service.

“**Sellers**” means, collectively, Nimesh (Neil) Patel, Darren Battersby, Peter Miles-McKay and Eric Brian Johnson, as sellers under the Share Sale Agreement.

“**Sellers’ Representative**” means Nimesh (Neil) Patel, in his capacity as representative of the Sellers under the Share Sale Agreement.

“**Share Sale Agreement**” means the share sale agreement dated May 28, 2015, between the Company, the Sellers, and the Sellers’ Representative, pursuant to which the Company agreed to purchase 100% of the issued capital of Kabuni Technologies.

“**Shares**” means fully paid ordinary shares in the capital of the Company.

“**US**” means the United States of America.

SCHEDULE “A”
AUDIT COMMITTEE CHARTER

KABUNI LTD.

Corporate Governance Policies

Audit Committee Charter

1. Composition of the Audit Committee

The audit committee (the “**Audit Committee**”) of the board of directors (the “**Board**”) of Kabuni Ltd. (the “**Company**”) shall consist of three or more directors. Each member of the Audit Committee shall be independent in accordance with all applicable corporate and securities laws and stock exchange listing standards and policies. Each member of the Audit Committee must be financially literate, as this term is defined under National Instrument 52-110 - *Audit Committees*.

The Board shall appoint members to the Audit Committee. Each Audit Committee member shall serve until a successor is duly appointed or until the member's earlier death, resignation, disqualification or removal. The Board may remove any member from the Audit Committee at any time with or without cause. The Board shall fill Audit Committee member vacancies by appointing a member from the Board. If a vacancy on the Audit Committee exists, the remaining members shall exercise all the Audit Committee's powers so long as a quorum exists. The Board shall appoint the chairperson of the Audit Committee from the Committee members.

2. Role of the Audit Committee

The purpose of the Audit Committee is to oversee the Company's accounting and financial reporting processes and the preparation and auditing of the Company's financial statements. The role as an Audit Committee is to:

(a) monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments;

(b) to oversee and review the adequacy and effectiveness of the Company's internal financial control system (“**Internal Controls**”) and, unless expressly addressed by a separate risk committee, risk management framework and systems. To review management's roles, responsibilities, and performance in relation to the Internal Controls;

(c) To review and discuss with the CEO and CFO, or those officers who perform the duties similar to a CEO or CFO, the steps taken to complete the required certifications of the annual and interim filings with the securities commissions;

(d) monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services, taking into account the matters set out in Schedule 2;

(e) to review and discuss with management the design, implementation and maintenance of effective procedures relating to the Audit Committee's prior review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements (“**Disclosure Procedures**”). To ensure that the Disclosure Procedures put in place are followed by the Company's management and employees, and to periodically assess the adequacy of the Disclosure Procedures;

(f) to review the Company's profit and loss press releases and other related press releases before they are released to the public, including the Company's annual information form, earnings press releases and any other public disclosure documents required by the securities commissions, and to review the nature of any financial information and ratings information provided to agencies and analysts per the Company's disclosure policy, if any;

(g) to review all proposed related party transactions, other than those reviewed by a special committee of disinterested directors in accordance with corporate or securities laws;

(h) monitor and review compliance with the Company's Code of Conduct and review, discuss and investigate any alleged fraud involving the Company's management or employees in relation to the Internal Controls, including management's response to any allegations of fraud; and

(i) perform such other functions as assigned by law or the Company's Constitution.

3. Operations

The Audit Committee shall meet at least quarterly at such times and places as determined by the Audit Committee. The Audit Committee is governed by the same rules regarding meetings (including the procedure used to call meetings, and conducting meetings electronically, in person or by telephone), notice of meetings and waiver of notice by committee members, written resolutions in lieu of a meeting, and voting at meetings that apply to the Board. From time to time, non Board members may be invited to attend Board meetings when audit matters are being discussed, if it is considered appropriate.

4. Authority and Resources

(a) The Audit Committee may seek provision of all books and records of the Company and educational information on accounting policies and other financial topics relevant to the Company to assist in fulfilling their duties. Further, the Audit Committee may seek explanations and additional information from the Company's external auditors, without management present, when required.

(b) When considered necessary or appropriate, the Audit Committee may conduct or authorise investigations and may retain independent legal, accounting or other advisors.

5. Reporting to the Board and Shareholders

The Audit Committee should compile a report to the Board on, or the Board should document for the record, at least annually, the following matters:

(a) assessment of whether external reporting is consistent with Board members' information and knowledge and is adequate for shareholder needs;

(b) the adequacy of the Internal Controls;

(c) the review of the Company's annual and interim financial statements, and any reconciliations, including any issues respecting the quality and integrity of financial statements, along with the MD&A;

(d) assessment of the management processes supporting external reporting;

(e) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;

(f) recommendations for the appointment or, if necessary, the removal of the external auditor;

(g) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the Board is satisfied that provision of those services has not compromised the auditor's independence; and

(h) the results of the review of risk management framework and internal control systems, including consideration of whether the Company has a material exposure to any particular risks.

6. Responsibilities

Annual responsibilities of the Audit Committee are as set out in the Audit Committee Charter - Annual Action Points contained in Schedule 1.

Schedule 1 — Audit Committee Charter—Annual Action Points

1. Financial Reporting and Internal Controls

(a) Review half-year, annual and quarterly financial statements. This review will include discussing with the external auditor and management the Company's annual audited financial statements as well as the accompanying auditor's report and the interim financial statements and respective management discussion and analyses ("**MD&A**"). The Audit Committee's review of the financial statements will include a review of the notes contained in the financial statements, in particular the notes on: (a) significant accounting policies, including any changes made to them and the effect this may have on the Company; (b) significant estimates and assumptions; (c) significant adjustments resulting from the an audit; (d) the going concern assumption; (e) compliance with accounting standards; (f) investigations and litigation undertaken by regulatory authorities; (g) the impact of unusual transactions; and (h) off-balance sheet and contingent asset and liabilities, and related disclosures;

(b) Assess management's selection of accounting policies and principles.

(c) Consider the external audit of the financial statements and the external auditor's report thereon including an assessment of whether external reporting is consistent with Board members' information and knowledge.

(d) Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial risks (and other business risks if authorised), and the Company's risk management framework and systems generally.

(e) Monitor and review the effectiveness of the Company's internal audit function (the "**Internal Auditors**"), including ensuring that the Internal Auditors have adequate monetary and other resources to complete their work, and ensuring that the Internal Auditors have appropriate standing within the Company. If the Company has no Internal Auditors, to consider, on an annual basis, whether the Company requires Internal Auditors, and to recommend to the Board whether Internal Auditors should be employed by the Company;

(f) Assess if the external auditors report is adequate for shareholder needs.

2. Annual meeting with External Auditor

(a) Discuss the Company's choice of accounting policies and methods, and any recommended changes.

(b) Discuss the adequacy and effectiveness of the Company's internal controls.

(c) Discuss any significant findings and recommendations of the external auditor and management's response thereto.

(d) Discuss any difficulties of disputes with management encountered during the course of the audit including any restrictions or access to required information.

3. External Auditor

(a) Review the Company's procedures regarding the external auditor including the matters set out in Schedule 2.

(b) Appoint and, if necessary, remove the external auditor and approve the terms on which the external auditor is engaged including the matters set out in Schedule 2.

(c) Establish/review permissible services that the external auditor may perform for the Company and pre-approve all audit/non-audit services.

(d) Confirm the independence of the external auditor, including reviewing the external auditor's non-audit services and related fees.

(e) Assess the overall performance of the external auditor.

(f) Ensure auditor attendance at Company's annual general meeting and availability to answer questions from security holders relevant to the audit.

4. Internal Communications and Reporting

Provide the report described in clause 5 of the Audit Committee Charter.

5. Other

(a) Verify the composition of the Audit Committee function is in accordance with the Audit Committee Charter.

(b) Review the independence of each Board member based on the Company's policy on assessing the independence of Directors in the Board Charter.

(c) Review and update the Audit Committee Charter and Action Points.

(d) Develop and oversee procedures for treating complaints or employee concerns received by the Company regarding accounting, internal accounting controls, auditing matters and breaches of the Company's Code of Conduct.

(e) Conduct an annual evaluation of the performance of its duties and responsibilities under this Charter and shall present the results of the evaluation to the Board. The Audit Committee shall conduct this evaluation in such manner as it deems appropriate.

Schedule 2 — Procedure for selection and appointment of external auditor

1. Introduction

The Audit Committee conducts the selection process and recommends a preferred external auditor to the Board. The Board may endorse the external auditor recommended by the Audit Committee and appoint the auditor. Alternatively the Board may wish to review the recommendation of the Audit Committee.

At the request of the Audit Committee, the chief financial officer and/or chief executive officer may assist the Audit Committee in the selection and appointment process including by proposal of an external auditor, together with a written supporting submission.

2. Tender

(a) Request for submissions

If the Audit Committee elects to undertake a tender process, the chief executive officer or chief financial officer will prepare or cause to be prepared a draft request for submissions that will be reviewed for approval by the Audit Committee (with such changes as it considers appropriate).

The request should contain sufficient information to enable a proposal and fee estimate to be given to the Company. The request should include information about the Company, its operations, its key personnel, its structure, its financials and any other relevant information.

The chief executive officer or chief financial officer will arrange for candidates to meet with a selection panel appointed by the Audit Committee.

(b) Selection Panel

The selection panel will comprise nominated members of the Audit Committee, and any other person the Audit Committee considers appropriate to assist it to assess the suitability of the external auditor.

3. Selection Criteria

The preferred external auditor should best satisfy the selection criteria identified by the Audit Committee including:

(a) Fees

A candidate must provide a firm fee quotation for its audit services. Price will be only one of the relevant factors in the selection of a preferred external auditor.

(b) Independence

A candidate must satisfy the Audit Committee that it is independent and outline the procedures it has in place to maintain its independence.

The external auditor must be independent from, and be seen to be independent from, the Company.

In monitoring external auditor independence, the Audit Committee will have regard to the following principles:

(i) monitor the number of former employees of the external auditor who were involved in auditing the Company and who are currently employed in senior financial positions in the Company, and assess whether this impairs or appears to impair the auditor's judgement or independence in respect of the Company. An individual auditor who was engaged by the external auditor and participated in the Company's audit shall be precluded from employment as chief executive officer or chief financial officer of the Company for a period of at least 12 months from the time of the audit; and

(ii) consider whether taken as a whole, the various relationships between the Company and the external auditor and the economic importance of the Company (in terms of fees paid to the external auditor for the audit as well as fees paid to the external auditor for the provision of any non-audit services) to the external audit impair or appear to impair the auditor's judgement or independence in respect of the Company.

(c) Scope of audit/issues resolution

A candidate must outline its response to the scope of audit in the request for submissions and any proposed procedures to address any issue of material significance or matter of disagreement with the Company's management.

The external auditor and the chief financial officer will be required to disclose to the Audit Committee all such issues of material significance and all matters of disagreement, whether resolved or unresolved.

(d) Non-audit work

A candidate must detail its approach to the provision of non-audit related services to the Company. Generally such work should be at most negligible.

If proposed otherwise, the Audit Committee must consider the circumstances in which the Company might use the external auditor for non-audit services. Matters to be considered include the extent, scope and potential value of non-audit fees and any circumstance where the external auditor may be required to review and rely upon work conducted by it in a non-audit capacity.

The scope of non-audit work must not be allowed to impinge upon the external auditor's independence (refer also to paragraph 4 below).

(e) Other matters

The selection criteria may include such other matters as the Audit Committee thinks fit.

4. Policy on audit and non-audit services

The Audit Committee will develop a policy that sets out the circumstances in which the Company may use the external auditor for other services. A copy of this policy will be provided to the external auditor.

The policy will be based on the following principles:

(a) the external auditor may provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor;

(b) the external auditor should not provide services that are perceived to be materially in conflict with the role of auditor;

(c) the external auditor may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the approval of the Chair of the Audit Committee, who will report to the Audit Committee;

(d) exceptions may be made to the policy (with specific Board approval) where the variation is in the interests of the Company and arrangements are put in place to preserve the integrity of the external audit process.

5. Rotation of external audit engagement partner

The Audit Committee will ensure that the external auditor has in place arrangements with regard to any legislative or regulatory requirements for rotation of the audit engagement partner.

The audit engagement partner for the audit must rotate at least every 5 years. At least two years must expire before the Audit Partner can again be involved in the audit of the Company.

6. Review of audit arrangements

The Audit Committee will periodically review the external auditor's performance, at least annually. As part of this review the Audit Committee will obtain feedback from the chief financial officer and other members of senior management regarding the quality of the audit service.

Consolidated Financial Statements of

KABUNI LTD

For the Period Ended June 30, 2016
(Expressed in Australian dollars)

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

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 ten months then ended, and notes comprising a summary of significant accounting policies and other explanatory information of the consolidated entity comprising the company and the entities it controlled at the period end or from time to time during the financial period.

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 period 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 consolidated entity had net assets of $2,544,743, cash and cash equivalents of $1,958,734 and net working capital surplus of $1,735,274. The consolidated entity had incurred a loss for the period ended 30 June 2016 of $5,782,393.

The ability of the consolidated entity to continue as a going concern and meet its administration and other commitments is dependent upon the consolidated entity raising further working capital or commencing profitable operations. In the event the consolidated entity is unable to raise further working capital or commence profitable operations, the consolidated entity may not be able to meet its liabilities as they fall due, or realise its assets at their stated values.

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
23 September 2016

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

AUDITOR'S REPORT IN RESPECT OF COMPATIBILITY WITH CANADIAN GAAS

To the Board of Directors of Kabuni Limited (the "**Company**")

In accordance with the requirements contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards ("**Canadian GAAS**") and International Standards on Auditing.

We conducted our audit for the 10 months ended 30 June 2016 in accordance with International Standards on Auditing (equivalent to Australian Auditing Standards). There are no material differences in the form or content of our report as compared to an auditor's report prepared in accordance with Canadian GAAS and if this report was prepared in accordance with Canadian GAAS it would not contain a reservation.

Yours faithfully

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

Martin Michalik

Martin Michalik
Director

23 September 2016

KABUNI LTD
Consolidated Statement of Financial Position
(Expressed in Australian dollars)

	Note	June 30, 2016 $	August 31, 2015 $
Current Assets			
Cash and cash equivalents	5	1,958,734	8,417,552
Trade and other receivables	6	147,748	132,751
Prepaid expenses and deposits	7	142,936	155,337
Assets held for sale		5,000	5,000
Total Current Assets		2,254,418	8,710,640
Non-Current Assets			
Property and equipment	8	809,469	157,178
Total Non-Current Assets		809,469	157,178
Total Assets		3,063,887	8,867,818
Current Liabilities			
Trade and other payables	10	434,161	852,823
Loans payable	11	84,983	86,851
Total Current Liabilities		519,144	939,674
Total Liabilities		519,144	939,674
Net Assets		**2,544,743**	**7,928,144**
Equity			
Issued capital	12	17,338,533	17,254,837
Reserves	13	4,132,432	3,879,716
Accumulated losses	15	(18,954,452)	(13,172,059)
Foreign currency translation reserve	13	28,230	(34,350)
Total Equity		**2,544,743**	**7,928,144**

Nature and continuance of operations (Note 1)
Commitments (Note 24)
Subsequent events (Notes 26)

Approved on behalf of the Board of Directors:

"Tony King"
Tony King, Executive Chairman

"Neil Patel"
Neil Patel, Managing Director

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

KABUNI LTD
Consolidated Statement of Profit or Loss and Other Comprehensive Income
(Expressed in Australian dollars)

	Note	For the ten months ended June 30, 2016 $	For the year ended August 31, 2015 $
Revenue		12,427	6,019
Selling expenses		(5,786)	(4,325)
		6,641	1,694
Other income		97,056	13,094
Operating expenses			
Advertising and promotion		485,843	-
Depreciation	8	36,464	2,984
General and administration		380,364	70,230
Interest expense		-	19,835
Insurance		17,672	-
Professional and consulting services		775,527	1,459,503
Rent		294,505	83,925
Salaries, bonus and benefits		2,265,219	1,133,228
Share-based payments	12,13,14	310,865	246,193
Software development		967,315	-
Travel expenses		241,255	190,895
Total operating expenses		(5,775,029)	(3,206,793)
Accretion expense on convertible debt		-	(175,168)
Finance costs		(8,346)	(78,520)
Foreign exchange loss		(27,528)	(9,890)
Unrealized exchange gain		30,872	-
Realized exchange gain		14,440	-
Gain on derivative liability		-	209,599
Loss of equipment		(5,917)	-
Loss on settlement of accounts payable		-	(118,999)
Loss on settlement of convertible debt		-	(47,668)
Incorporation costs		(21,511)	-
Transaction costs		-	(84,982)
Recovery costs		-	49,181
Write-off of intangible assets		(93,071)	-
Listing expense		-	(8,885,899)
Loss and comprehensive loss		**(5,782,393)**	**(12,334,351)**
Other comprehensive loss			
Exchange loss on translation to Australian dollars		62,580	(63,233)
Total loss and comprehensive loss for the period		**(5,719,813)**	**(12,397,584)**
Loss per share			
- basic and diluted		(0.04)	(0.10)

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

KABUNI LTD
Consolidated Statement of Changes in Equity
(Expressed in Australian dollars)

	Note	Number of Shares	Issued Capital $	Share Subscriptions Received $	Share-based Payments / Performance Shares Reserves $	Foreign Exchange Translation Reserve $	Accumulated Losses $	Total $
Balance as at August 31, 2014		**48,037,500**	**189,529**	**53,154**	**-**	**28,883**	**(837,708)**	**(566,142)**
Issuance of shares		3,339,318	207,950	(53,154)	-	-	-	154,796
Share-based payments		-	246,193	-	-	-	-	246,193
Shares repurchased	12c	(15,800,000)	(164)	-	-	-	-	(164)
Fair value of common shares issued on reverse takeover transaction	2	36,001,000	7,200,200	-	-	-	-	7,200,200
Shares issued to advisors as finders' fee	2	4,257,547	811,509	-	-	-	-	811,509
Shares issued to directors	2	666,666	133,333	-	-	-	-	133,333
Shares issued on settlement of loan	12b	2,800,001	560,000	-	-	-	-	560,000
Shares issued on conversion of loan	12b	15,523,810	1,420,000	-	-	-	-	1,420,000
Performance shares issued	13	-	-	-	3,879,716	-	-	3,879,716
Public offer	12b	35,000,000	6,486,287	-	-	-	-	6,486,287
Loss for the year		-	-	-	-	-	(12,334,351)	(12,334,351)
Cumulative translation adjustment		-	-	-	-	(63,233)	-	(63,233)
Balance as at August 31, 2015		**129,825,842**	**17,254,837**	-	**3,879,716**	**(34,350)**	**(13,172,059)**	**7,928,144**
Issuance of shares for services		150,000	19,500	-	-	-	-	19,500
Share-based payments	12b	333,333	65,000	-	-	-	-	65,000
Performance shares issued	13(a)	-	-	-	133,333	-	-	133,333
Options issued to employees and suppliers	13(b)	-	-	-	119,383	-	-	119,383
Share issue costs		-	(804)	-	-	-	-	(804)
Loss for the period		-	-	-	-	-	(5,782,393)	(5,782,393)
Cumulative translation adjustment		-	-	-	-	62,580	-	62,580
Balance as at June 30, 2016		**130,309,175**	**17,338,533**	-	**4,132,432**	**28,230**	**(18,954,452)**	**2,544,743**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

KABUNI LTD
Consolidated Statement of Cash Flows
(Expressed in Australian dollars)

	Note	For the ten months ended June 30, 2016 $	For the year ended August 31, 2015 $
Cash flows from operating activities			
Loss for the period		(5,782,393)	(12,334,351)
Adjustments to reconcile non-cash items			
Depreciation		36,464	2,984
Accretion on convertible debt		-	175,168
Gain on derivative liability		-	(209,599)
Loss on settlement of accounts payable		-	118,999
Loss on settlement of convertible debt		-	47,668
Listing expense	2	-	8,885,899
Share-based payments		337,216	246,193
Foreign exchange		-	65,285
Interest expense		-	19,835
Changes in non-cash working capital			
Receivables		(14,997)	(57,661)
Prepaid expenses and deposit		12,401	(153,183)
Accounts payable and accrued liabilities		(418,662)	254,448
Net cash used in operating activities		**(5,829,970)**	**(2,938,315)**
Cash flows from investing activities			
Acquisition of property and equipment		(688,755)	(153,683)
Net cash used in investing activities		**(688,755)**	**(153,683)**
Cash flows from financing activities			
Proceeds from loans payable		-	258,275
Repayment of loans payable		-	(258,275)
Repayment of interest on loans payable		-	(14,788)
Proceeds from convertible debt		-	1,420,000
Transaction costs on convertible debt		-	(84,982)
Acquisition of Kabuni Ltd		-	3,565,998
Proceeds from issuance of shares		-	7,154,796
Share issuance costs		(804)	(513,713)
Shares repurchased		-	(164)
Net cash (used in) / provided by financing activities		**(804)**	**11,527,147**
Impact of exchange rate changes on cash and cash equivalents		60,711	(15,067)
Change in cash and cash equivalents during the period		(6,458,818)	8,420,082
Cash and cash equivalents (bank indebtedness), beginning of the period		8,417,552	(2,530)
Cash and cash equivalents, end of the period		**1,958,734**	**8,417,552**

The above Consolidated Statement of Cash Flows should be read in conjunction with 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 period ended June 30, 2016, the Company and its consolidated entities have a net working capital of $1,735,274 and accumulated deficit of $18,954,452. 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 October. 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 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 Canadian ("CAD") $420,000. The Company recognized a loss on settlement of accounts payable of $118,999 during the year ended August 31, 2015, which related to the difference between the fair value of the share 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 August 31, 2015, which related to the difference between the fair value of the share 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

(Expressed in Australian dollars)

2. Reverse Takeover Transaction ("RTO") (continued)

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 was a dormant public shell, the Company did 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. was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these 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)
	$	3,138,859
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
	$	12,024,758
Cost of public listing	**$**	**8,885,899**

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 12).

During the year ended August 31, 2015, a listing fee of $8,885,899 was charged to the statement of profit or loss and other comprehensive income 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 financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and 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 September 23, 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 statement of profit or loss and other comprehensive income;
- 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.

4. Significant Accounting Policies (continued)

(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 21.

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.

4. Significant Accounting Policies (continued)

(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.

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

(f) 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:

4. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

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.

4. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

Held-to-maturity, loans and receivables, and other liabilities (continued)

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.

(g) 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.

4. Significant Accounting Policies (continued)

(g) Impairment (continued)

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.

(h) 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.

(i) 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.

(j) 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.

(k) 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

4. Significant Accounting Policies (continued)

(k) Earnings (loss) per share (continued)

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.

(l) 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.

(m) 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 16 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.

(n) 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.

4. Significant Accounting Policies (continued)

(o) 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 of 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 die to the passage of time is recognised as interest expense.

(p) 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.

(q) 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 the 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.

4. Significant Accounting Policies (continued)

(q) Share-based payments (continued)

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).

(r) 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.

(s) New standards adopted

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

(Expressed in Australian dollars)

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.

	June 30, 2016	**August 31, 2015**
	$	**$**
Cash	1,591,619	8,388,488
Cash equivalents	367,115	29,064
	1,958,734	**8,417,552**

6. Trade and Other Receivables

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

	June 30, 2016	**August 31, 2015**
	$	**$**
Taxes receivable from governments	103,694	115,222
Other receivables	44,054	17,529
	147,748	**132,751**

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

7. Prepaid Expenses and Deposits

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

	June 30, 2016	**August 31, 2015**
	$	**$**
Prepaid expenses	55,493	69,311
Deposits	87,443	86,026
	142,936	**155,337**

(Expressed in Australian dollars)

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 August 31, 2014	$ 3,568	$ -	$ -	$ -	$ -	**$ 3,568**
Additions	43,857	-	109,826	-	-	**153,683**
Cumulative translation adjustment	1,187	-	2,749	-	-	**3,936**
Balance at August 31, 2015	$ 48,612	$ -	$ 112,575	$ -	$ -	**$ 161,187**
Additions	106,177	39,175	90,849	113,583	331,706	**681,490**
Cumulative translation adjustment	(1,138)	(544)	880	(1,710)	9,308	**6,796**
Balance at June 30, 2016	$ 153,651	$ 38,631	$ 204,304	$ 111,873	$ 341,014	**$ 849,473**
Accumulated depreciation						
Balance at August 31, 2014	$ 892	$ -	$ -	$ -	$ -	**$ 892**
Depreciation expense	2,984	-	-	-	-	**2,984**
Cumulative translation adjustment	133	-	-			**133**
Balance at August 31, 2015	$ 4,009	$ -	$ -	$ -	$ -	**$ 4,009**
Depreciation expense	19,271	17,193	-	-	-	**36,464**
Cumulative translation adjustment	(469)	-	-	-	-	**(469)**
Balance at June 30, 2016	$ 22,811	$ 17,193	$ -	$ -	$ -	**$ 40,004**
Carrying amount						
Balance at August 31, 2014	$ 2,676	$ -	$ -	$ -	$ -	**$ 2,676**
Balance at August 31, 2015	$ 44,603	$ -	$ 112,575	$ -	$ -	**$ 157,178**
Balance at June 30, 2016	$ 130,840	$ 21,438	$ 204,304	$ 111,873	$ 341,014	**$ 809,469**

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

9. Intangible Assets

During the ten month period ending 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 September 21, 2015, and consideration was paid in full on October 31, 2015. The purchase was completed on September 21, 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 ten month period ending June 30, 2016, the Company wrote off the amount of intangible assets and recorded $93,071 impairment loss.

(Expressed in Australian dollars)

10. Trade and Other Payables

	June 30, 2016	August 31, 2015
	$	$
Trade payables	125,028	561,420
Accruals	307,851	61,733
Payroll payables	-	227,600
Other payables	1,282	2,070
	434,161	**852,823**

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. Loans Payable

The Company has 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) (August 31, 2015 - $86,851 (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 will mature 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 ten month period ending June 30, 2016, the the maturity date of the loan was extended to June 30, 2017.

12. Share Capital

(a) Authorized

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

(b) Issued

Issued capital	**2016**	2015
130,309,175 fully paid ordinary shares (August 31, 2015: 129,825,842 shares)	**$ 17,338,533**	$ 17,254,837

	June 30, 2016		August 31, 2015	
	No.	**$**	No.	$
Balance at beginning of the balance period	129,825,842	17,254,837	48,037,500	189,529
Issuance of shares	-	-	3,339,318	207,950
Shares repurchased	-	-	(15,800,000)	(164)
FV of common shares issued on reverse takeover	-	-	36,001,000	7,200,200
Shares issued to advisors as finders' fee	-	-	4,257,547	811,509
Shares issued to directors	-	-	666,666	133,333
Shares issued on conversion of convertible debt[2]	-	-	15,523,810	1,420,000
Shares issued on settlement of loan[2]	-	-	2,800,001	560,000
Public offer[2]	-	-	35,000,000	6,486,287
Capital raising costs	-	(804)	-	-
Share-based payment[3]	333,333	65,000	-	246,193
Issuance of shares for services[1]	150,000	19,500	-	-
Balance at end of the period	**130,309,175**	**17,338,533**	**129,825,842**	**17,254,837**

(Expressed in Australian dollars)

12. Share Capital (continued)

(b) Issued (continued)

[1] On March 1, 2016, the Company issued 150,000 common shares to an advisor in consideration for services provided to the Company.

[2] On August 24, 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. The Company incurred share issuance costs of $513,713 in connection with the financing. 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 13(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.

[3] During the year ended August 31, 2015, Kabuni Tech. issued 3,339,318 common shares at prices between CAD$0.00001 and CAD$0.15 for total proceeds of $207,950 (CAD$201,858). The Company recorded share-based payments of $246,193 to account for the difference between fair value of the shares issued and the consideration received. During the ten month period 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.

(c) Shares repurchased

On May 25, 2015, under the SSA Agreement, 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 (Note 2). 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.

13. Reserves

	June 30, 2016	**August 31, 2015**
	$	**$**
Foreign currency translation reserve[1]	28,230	(34,350)
Share based payments and performance shares reserve[2]	4,132,432	3,879,716
	4,160,662	**3,845,366**

[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.

(Expressed in Australian dollars)

13. Reserves (continued)

(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**

	June 30, 2016	August 31, 2015
	$	$
Balance at the beginning of the period	3,879,716	-
Performance shares issued - RTO transactions (Note 2)	-	3,879,716
Performance shares issued - Directors	133,333	-
Balance at the end of the period	**4,013,049**	**3,879,716**

During the year ended August 31, 2015, 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 ten month period 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

(Expressed in Australian dollars)

13. Reserves (continued)

(a) Performance shares (continued)

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	Shares Outstanding	Fair Value $
Listed*	12,000,000	-
Unlisted	6,130,000	119,383
	18,130,000	**119,383**

Type	June 30, 2016 $	August 31, 2016 $
Balance at the beginning of the period	**-**	**-**
Employee share-based payments	112,532	-
Supplier share-based payments	6,851	-
Balance at the beginning of the period	**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 a 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.

(Expressed in Australian dollars)

14. 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 ten month period were as follows:

Share-based payment expense

	June 30, 2016 $	August 31, 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	-	246,193
Balance at the end of the period	**310,865**	**246,193**

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 period 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 period ended June 30, 2016:

Grant Date	Expiry date	Exercise price per option	Balance at start of the period	Granted during the period	Exercised during the period	Expired / forfeited during the period	Balance at end of the period	Expense recognised during the period	Exercisable at end of the period
			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 period ended June 30, 2016 included:

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

(Expressed in Australian dollars)

14. Share-based Payments (continued)

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 period 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 period	Granted during the period	Exercised during the period	Expired during the period	Balance at end of the period	Expense recognised during the period	Exercisable at end of the period
			Number	Number	Number	Number	Number	$	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 period ended June 30, 2016 included:

a) options were granted for nil consideration;
b) expected life of options was 1.36 years;
c) share price at grant date of $0.15;
d) expected volatility of 49.7%;
e) 50% discount for probability of achieving target price;
f) expected dividend yield of nil; and
g) a risk free interest rate ranging of 1.81%.

iii. Issue of common shares to Directors

During the ten month period 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 ten month period 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 shares below fair value

During the year ended August 31, 2015, Kabuni Tech. issued 3,339,318 common shares at prices between CAD$0.00001 and CAD$0.15 for total proceeds of $207,950 (CAD$201,858). The Company recorded share-based payments of $246,193 to account for the difference between fair value of the shares issued and the consideration received.

15. Accumulated Losses

	June 30, 2016	**August 31, 2015**
	$	**$**
Movements in accumulated losses were as follows:		
Opening balance	(13,172,059)	(837,708)
Loss for the period	(5,782,393)	(12,334,351)
Closing balance	**(18,954,452)**	**(13,172,059)**

(Expressed in Australian dollars)

16. Segmented 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 period ended June 30, 2016, the Company operated in the following geographic segments: Australia, USA and Canada.

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

	June 30, 2016 $	August 31, 2015 $
Australia	-	-
Canada	12,427	6,019
Unallocated items – interest and income	97,056	13,094
Total revenue	**109,483**	**19,113**

(b) Loss by geographical region

	June 30, 2016 $	August 31, 2015 $
Australia	(732,877)	(21,716)
Canada	(5,049,516)	(12,312,535)
Total loss	**(5,782,393)**	**(12,334,251)**

(c) Total assets by geographical region

	June 30, 2016 $	August 31, 2015 $
Australia	637,474	8,206,807
Canada	2,426,413	661,011
Total assets	**3,063,887**	**8,867,818**

17. Loss per Share

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

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

	June 30, 2016 $	August 31, 2015 $
Loss used in calculating basic and dilutive EPS	(5,782,393)	(12,334,531)

	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share:	130,134,643	129,143,547
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	130,134,643	129,143,547

18. 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 Group's receivables, accounts payable and accrued liabilities, and loans payable approximate their carrying values due to their short-term nature. The Group's cash and cash equivalents is measured at fair value using Level 1 inputs.

The Group is exposed to varying degrees to a variety of financial instrument related risks:

(a) <u>Foreign Exchange Risk</u>

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 Group 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 $188,617 decrease (increase) in the Company's loss and comprehensive loss for the period.

(b) <u>Credit Risk</u>

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 Group's cash and cash equivalents and receivables are exposed to credit risk. The Group 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) <u>Interest Rate Risk</u>

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 Canadian dollar cash. The Group 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 Group is not exposed to any significant interest rate risk. At 30 June 2016, if interest rates have moved as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

(Expressed in Australian dollars)

18. Financial Instruments and Risk (continued)

(c) Interest Rate Risk

	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 net of loans payable		876,656	-	997,095	1,873,751

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

(d) 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.

19. 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.

20. Remuneration of Auditors

	June 30, 2016 $	August 31, 2015 $
Audit review of the financial statements	58,632	49,156
Subsidiary company auditors	100,103	-
Total	**158,735**	**49,156**

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

(Expressed in Australian dollars)

21. 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	Percentage owned* August 31, 2015
Kabuni Technologies Inc.	Canada	100%	100%
Stirling Minerals Pty Limited	Australia	100%	100%
Kabuni Technologies (India) Private Limited	India	100%	-
Kabuni USA, Inc.	USA	100%	-

22. 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:

	June 30, 2016 $	August 31, 2015 $
Professional and consulting fees	47,570	274,428
Short term employee benefits	624,113	56,113
Directors' fees	39,591	10,000
Performance shares and options	245,669	3,233,163
Total	**956,943**	**3,573,704**

(b) Related parties

At June 30, 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 31 August, 2015, there was $59,009 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 (31 August 2015 - $nil) included in trade and other payables.

At June 30, 2016, there was $4,261 receivable owed by an entity controlled by a former CFO. At 31 August 2015, there was $10,156 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 (31 August 2015 - $86,851) 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 11). Subsequent to the year ended June 30, 2016, the maturity date of the loan was extended to June 30, 2017.

(Expressed in Australian dollars)

23. Income Tax

A reconciliation of income taxes at the statutory rates with the reported income taxes are as follows:

	June 30, 2016 $	**August 31, 2015 $**
Loss for the period/year	(5,782,393)	(12,334,351)
Expected income tax (recovery) (at 26% based BC Corporate tax)	(1,503,422)	(3,207,000)
Change in statutory, foreign tax, foreign exchange rates and other	151,909	(1,000)
Non-deductible expenses arising from RTO	-	2,310,000
Tax effect of amounts not deductible in calculating taxable income	93,601	-
Income tax benefit not brought to account	1,257,912	-
Permanent differences	-	72,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	-	(5,000)
Change in unrecognized deductible temporary differences	-	831,000
Total income tax expense (recovery)	-	-

No deferred tax assets have been bought 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:

i. 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
ii. the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
iii. 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

24. 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 will pay 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 June 30, 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.

25. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at June 30, 2016.

(Expressed in Australian dollars)

26. Subsequent Events

Except as set out in these consolidated financial statements, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial period 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 ten month period ended June 30, 2016, the lender of the loan payable discussed in Note 11, extended the maturity date of the loan to June 30, 2017

On August 18, 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 November 12, 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			

27. Dividends

No dividend was paid or declared by the Company in the period ended June 30, 2016 or the period since the end of the financial period 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 period ended June 30, 2016.

28. Parent Entity Information

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

	$
Current assets	631,538
Total assets	2,651,149
Current liabilities	(43,265)
Total liabilities	(43,265)
Net assets	**2,607,884**
Issued capital	22,040,386
Reserves	588,472
Accumulated losses	(20,020,974)
	2,607,884
Loss of the parent entity	(17,457,504)
Total comprehensive loss of the parent entity	**(17,457,504)**

There are no known commitments, contingent assets or liabilities as at June 30, 2016 in the parent entity (August 31, 2015: nil).

29. Guarantees

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