

CAPILANO HONEY LIMITED

c.c: D G Keith
E.J. Bailey
A. Zbasnik

CHAIRMAN'S SCRIPT

2005 ANNUAL GENERAL MEETING

1. OPENING BY TREVOR MORGAN

Ladies & Gentlemen

It is my pleasure to declare open the 2005 Annual General Meeting of Capilano Honey Limited and to welcome everyone present.

I would now like to move directly to the first item of business on the Notice of Meeting, that being the election of a Chairman for this meeting.

Could I please have someone move a motion that Mr Don Keith be elected Chairman to preside at this meeting.....

Could I please have someone second that motion.....

All those in favour please raise their right hand.

All those against.....

Also in attendance at this Annual Meeting are a number of our Management team and Mr John Feddema of Cranstoun & Hussein, auditors of both CBL and CHL. In the Notice of Meeting we stated that John would provide written answers to questions submitted in writing by shareholders on the conduct of the Audit, and on his Independent Auditor's Report.

No written questions have been received but John has indicated his willingness to take questions later in the meeting.

At this point I remind shareholders that this meeting is the Annual General Meeting of the company and only matters which are AGM matters may be discussed

Ladies & Gentlemen, before we proceed any further I will ask you to observe a minute's silence in memory of those shareholders who have passed away since our last AGM.

... PAUSE FOR A MINUTES SILENCE

Thank you Ladies & Gentlemen.

2. Apologies

The first item of business is to receive apologies from members not able to be with us. The Secretary has received some apologies and I will now ask him to read them to the meeting.

3. Financial Statements

The next item on the Agenda is to receive the Directors' Report, Financial Statements and the Report of the Auditor for the year ended 30 June 2005. The Annual Report includes my Chairman's Report, Roger Masters' Managing Director's Review of Operations, a Report on Marketing by Kevin Fenton, National Sales Manager, International Markets by Peter McDonald, Export Manager and a Report by Anthony Moloney, Medihoney's Chief Executive Officer.

I would like to make a few comments on the Annual Report.

The year to 30 June 2005 was marked by a dramatic decline in world honey prices, a return to normal levels of Australian production, and continuing reduced domestic sales of honey.

As honey prices declined, the Company's honey stocks were revalued, reducing profit by approximately \$7 million. The return to normal levels of production and the smaller domestic market dictated increased sales of bulk exports, which occurred at a loss this year due to the very depressed world market. These factors were the major contributors to the Group's loss of \$1.8 million after tax for the financial year.

On the positive side, the improved production was mainly of choice honey, and CHL is well placed with stocks of choice honey as we again appear to face difficult production conditions.

Also on the positive side, the continuing increases in retail exports reduced the volumes that would otherwise have had to be placed in the bulk export market at a loss.

At the end of the financial year the honey buying price adjustments and stock revaluations of 2005 had placed the Company in a strong position to trade profitably in the new financial year. A turn around has occurred with a CHL net profit before tax of \$862,000 for the first two months of the 2006 year.

4. Capilano Labonte

Although Capilano Labonte contributed to the consolidated loss for the year, profit within Capilano on transfer sales to CLI helped offset this loss, in addition to the avoidance of selling this honey on the export bulk market at commodity prices; a benefit that accrues to the group through our presence in Canada.

The CLI premises were upgraded during the year, disrupting production but ensuring customer quality assurance approval. Improved sales and performance are occurring now the disruptions are over.

5. Medihoney

A major focus for Medihoney during the year was the launch of its products into the United Kingdom. The subsidiary's results were adversely affected by a considerable delay to the launch that did not occur until towards the end of the financial year. Costs were incurred that could not be recovered from sales in the short period.

Further clinical studies have demonstrated Medihoney's ability to combat antibiotic resistant bacteria.

It is anticipated Medihoney will require further investment to achieve the growth needed to take advantage of this subsidiary's special products.

6. Argentine Joint Venture

Sales of Capilano Argentine honey have commenced. The Joint Venture sales into the export bulk segment have started slowly while relationships are developed with new customers, our capacity to supply examined, and the plant is audited. New expert staff have been recruited to the export marketing department, and part of their role is to introduce the Joint Venture product to major manufacturers and honey packers around the globe.

7. Honey Prices

The average quota price for the year was \$2.70, a \$1.68 reduction on the previous year's record of \$4.38 achieved at the height of the market distortion.

Fuel prices are having a major impact on producers' costs. Although the current nominal average price of \$2.10 is at a long term rate of movement of honey prices above that of CPI and Wages, suppliers have registered concern at their current viability.

Capilano aims to deliver a sustainable buying price while achieving a proper return on shareholders' investment in the Company. Honey prices always relate to the market environment in which we operate and the efficiency of our operations. The Board is aware of production cost issues and regularly reviews prices to achieve the Company's aim.

8. Bendigo Stock Exchange Listing

After a full year as a listed Company, the facilitation of trading on the BSX has proven appropriate for our Company.

9. Management and Staff

This most difficult of years has put added pressure on many of our Management and Staff who have responded effectively to overcome the challenges.

10. The Future

The Company's Balance Sheet remains strong.

The Company's Audit is unqualified.

The Company continues a close co-operative relationship with its bankers.

Much progress has been made during the year and is outlined in the various reports in the Annual Report.

Rebuilding the domestic market will be an ongoing priority in achieving the positive results that are our expectation.

11. The Board

Your Board has continued to operate as a stable, diligent and effective team during this most challenging of years for Capilano and I am pleased to acknowledge its professionalism.

I now invite shareholders to raise any issues they would like discussed from the CHL Annual Report.

I also invite questions to the Auditor, noting that these questions are only to relate to the conduct of the Audit or the Audit Report.

12. Election of Directors

This item is dependent on the outcome of voting at the CBL AGM and will be advised at the conclusion of that meeting

13. Resolution - Remuneration Report

I now move to the Resolution dealing with the Remuneration Report included in the CHL Report.

This year's Report of Directors contains a separate Remuneration Report for the first time – on pages 23 to 27. Changes to Corporations Law provide for shareholders to have a vote on the Remuneration report.

The vote is non-binding, but provides an opportunity for shareholders to indicate their support or opposition to the Board's Remuneration Policy.

Much of the information in the remuneration report was included in the 2004 Annual report; however, there is significant extra advice this year – on the Remuneration Committee which advises the Board on remuneration issues, on the use of independent external consultants, and on details of the Company's remuneration policy.

I also draw shareholders' attention to the fact that the list of specified executives this year includes more people, which is the major factor contributing to the increase in this table over last year.

In brief, Capilano endeavours to provide remuneration that is comparable with the mid-range of salaries for similar positions in other companies. Incentives provide opportunity for some employees to achieve improved remuneration in accord with Company performance and / or key personal performance indicators.

The Board uses independent reviews to compare salaries and retains the services of remuneration advisors RPC for further advice on remuneration matters.

The Board considers the Company's Remuneration Policy developed over many years is tried and tested and best suits the Company's needs to attract the most suitable people. The Board would welcome shareholder support for the Company's Remuneration Report.

At the CBL meeting held yesterday shareholders resolved TO/NOT TO support the recommendation to adopt the Remuneration Report included in the Annual Report. Accordingly the Foundation Share will be voted *IN FAVOUR/AGAINST* this resolution.

I would now like to call on Trevor Morgan to formally move this motion.

I would now like to call on Ian Cane to formally second this motion.

The motion is now open for discussion.

There being no further business on the motion, I now declare the matter closed, and ask you to vote on this issue by using the voting slip for Resolution 4

... *PAUSE*

14. Voting Results

The results of voting will be advised at the conclusion of the CHL AGM.

15. Closure

Ladies and Gentlemen, this brings the 2005 Annual General Meeting to a close. I thank you for your attendance here today, and for your participation in the proceedings. I now declare the meeting closed at pm