

## MINUTES OF MEETING

Minutes of the Annual General Meeting held at the Sebel Kirkton Park,  
Pokolbin, Hunter Valley, New South Wales at 10.00am on Friday 7 October 2005

### PRESENT (AGM 445)

**Directors:** Trevor Morgan, Ian Cane, Roger Masters (Managing Director), Phillip McHugh, Rosemary Doherty, Gregory Roberts, Bernard Ballantyne and Warwick Wilshire.

**Staff by Invitation:** Errol Bailey (*Company Secretary*), Anthony Moloney (*CEO - Medihoney*), Richard Rivalland (*Financial Controller*), Kevin Fenton (*National Sales Manager*), Peter McDonald (*General Manager - International Business*), John Gill (*General Manager - Operations*) Ben McKee (*Operations Manager*), Peter Silver (*Global Supply Manager*) Bill Winner (*Beekeeper Services Manager*), Carolyn Bryce (*Shareholder Services*), and Annette Zbasnik (*Corporate Secretary*)

**Shareholders:** 49 members & partners, as per attendance register.

### OPENING & WELCOME (AGM 446)

Mr Morgan opened the meeting at 10.00am and welcomed those present, especially those who had travelled long distances to attend.

### ELECTION OF MEETING CHAIRMAN (AGM 447)

He then moved to the first item of business on the Notice of Meeting, that being a motion to elect Mr Don Keith to Chair the meeting.

This motion was moved by Warren Millington, seconded by Mike Nelson, and adopted on a show of hands.

Don Keith thanked everyone for electing him to this most honoured position, and welcomed Santiago Ytques, Principal of HoneyMax, the company's joint venture partner in Argentina, and his wife, Elena; Craig Dougall representing the company's bankers, National Australia Bank and Mr John Feddema of Cranstoun & Hussein, auditors for the Capilano Group.

### IN MEMORIAM (AGM 448)

At the request of the Chairman, the meeting observed a minute's silence in remembrance of those shareholders who had passed away since the last meeting.

### APOLOGIES (AGM 449)

The Chairman called for apologies from those shareholders unable to attend and these were received from Richard & Alice Morgan, Charles & Ann Parker, Jack, Megan, Tim & Peter Alt, Jack & Annette Percival, Milton Hunt, Ken & Karen Gell, Rodney & Vanessa Ruge, Laurie & Paula Dewar, Graham & Joyce Wagenfella, Bob Weir, Craig & Theresa Klingner, Bruce Cook, Kevin, Gabby & Darryl Brenton, Ross & Joan McHugh, Sandy & Robin Mathison, Paul, Ross & Ian Zadow, and Wendy Watt.

### DECLARATION OF POLL (AGM 450)

The Chairman referred to the explanatory note accompanying the proxy forms forwarded to shareholders, and declared that voting on the resolutions dealing with the Remuneration Report would be by poll.

### Tellers

On a motion moved by Monte Klingner and seconded by Graham Baker it was resolved that Annette Zbasnik and Carolyn Bryce be appointed Tellers for the counting of votes.

### Scrutineers

The meeting agreed not to appoint a scrutineer to observe the counting of votes.

### Voting Slips

On a motion moved by Barry Pobke and seconded by John Greenham, it was resolved that all voting slips and associated computer records be destroyed once they were counted and the poll declared.

### FINANCIAL & STATUTORY REPORTS (AGM 451)

The Chairman then moved to the next item on the Agenda, that being to receive the Directors' Report, Financial Statements and the Report of the Auditor for the year ended 30 June 2005. He noted that the Annual Report included his 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, General Manager – International Business and a Report by Anthony Moloney, Medihoney's Chief Executive Officer.

He then made the following comments to supplement his Report.

He stated that 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, he reported that the improved production was mainly of choice honey, and that the company was well placed with stocks of choice honey as supplier shareholders again appeared 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 profit before tax of \$862,000 for the first two months of the 2006 year.

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

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.

He further reported that sales of Capilano Argentine honey had commenced. The Joint Venture sales into the export bulk segment have started slowly while relationships are developed with new customers, capacity to supply examined, and the plant 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.

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.

He noted that 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, beekeeper suppliers have registered concern at their current viability.

He advised that Capilano aimed 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 the company operates, and the efficiency of its operations. The Board is aware of production cost issues and regularly reviews prices to achieve the Company's aim.

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

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

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.

He advised that the Board has continued to operate as a stable, diligent and effective team during this most challenging of years for Capilano and he was pleased to acknowledge its professionalism.

He then invited shareholders to raise any issues they would like discussed from the Annual Report, and he also invited questions to the Auditor, noting that these questions could only relate to the conduct of the Audit or the Audit Report.

There being no questions from shareholders following the Chairman's invitation to comment on the Annual Report and his additional explanatory comments, he continued the meeting.

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**ELECTION OF DIRECTORS (AGM 452)**

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The Chairman then advised that at the CBL AGM the previous day Mr Trevor Morgan and Gregory Roberts were elected directors of that company, and in accordance with the Constitution were automatically appointed directors of CHL.

Both directors then thanked shareholders for the confidence placed in them by their election, and pledged to serve the company to the best of their endeavours during their forthcoming terms of office.

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**REMUNERATION REPORT (AGM 453)**

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The Chairman advised that at the CBL AGM shareholders resolved to support the recommendation to adopt the Remuneration Report included in the Annual Report. Accordingly he advised that the Foundation Share will be voted in favour of this resolution.

Mr Trevor Morgan then moved that the Remuneration Report be adopted in accordance with the details appearing in the Notice of Meeting.

Mr Ian Cane then seconded the motion.

There being no questions or comments from shareholders, the Chairman asked them to vote on the ballot papers provided.

**Adjournment - Counting Of Votes**

The Chairman formally adjourned the meeting at 10.25am to enable the counting of votes.

**Resumption**

The Chairman reconvened the meeting at 10.37am

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**RESULTS OF POLL – REMUNERATION REPORT (AGM 454)**

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At the invitation of the Chairman, the Secretary reported the results of the poll as follows:

IN FAVOUR of the motion	:	714,845
AGAINST the motion	:	295,434

The Chairman advised accordingly that this motion has passed.

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**CLOSURE (AGM 455)**

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There being no other business relating to the Annual General Meeting, the Chairman thanked shareholders for their attendance and attention to business.

He then closed the meeting at 10.40pm.

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