

CAPILANO BEEKEEPERS LTD
CHAIRMAN'S SCRIPT
2006 ANNUAL GENERAL MEETING

Opening

Ladies & Gentlemen

It is my pleasure to declare open the third Annual General Meeting of Capilano Beekeepers Ltd, and welcome everyone present. Directors are delighted to have such a large attendance of shareholders, especially those who have travelled long distances to attend.

During the course of the meeting I will refer to this company as CBL, and to Capilano Honey Limited as CHL.

As shareholders would be aware, CBL does not actively trade, but is the controlling entity of CHL. Accordingly it is appropriate that shareholders review the CHL Annual Report prior to voting on the resolutions to be decided at this meeting. This review of the CHL Report will take place in the first Agenda Item, following a review of the CBL Reports. The CHL Annual Report will of course be reviewed again by that company's shareholders at its AGM in November...

Financial Statements and Report of the Directors

This company, CBL, was incorporated in 2004 by resolution of CHL shareholders, and subsequently issued with a Foundation Share which provides for it to have

- (a) 75% of the total number of votes which are able to be cast in relation to special resolutions of CHL;
- (b) the power to pass or veto any ordinary resolution put to a shareholders' meeting of CHL, and
- (c) for persons elected directors of CBL to be automatically appointed as beekeeper directors of CHL.

Pursuant to the Corporations Law CBL's control of CHL requires the preparation of separate accounts for each company.

The CBL accounts before you are the Financial and Statutory Reports of CBL and its controlled entities for the year ended 30 June 2006.

An important role today is to consider the resolutions for the election of directors, and the resolution to establish the way in which the Foundation Share vote will be cast on the resolution on the Remuneration Report at the CHL Annual Meeting.

The Concise Financial Report is included in the Annual Report you received, whilst the full Financial and Statutory Reports are available on request.

These Reports before you provide details of the company's operations for the year and the Board is pleased to present them and to commend Management on their preparation. As I noted at the commencement of the Meeting, the CHL Annual Report will be reviewed shortly during this Agenda Item.

I now invite shareholders to raise any issues they would like discussed on the CBL Financial and Statutory Reports.

Thank you Ladies and Gentlemen - we now move to the Report of Directors, Financial Statements and Report of Auditors of CHL for the year ended 30 June 2006

It is pleasing to see that the results for the year ended 30th June 2006 have shown a significant improvement over the previous year. This has occurred during a period when the bulk price of honey on the world market has remained low and the \$A has maintained a relatively high level against other currencies.

The low returns from the export bulk market has highlighted the importance of continuing our strategy of developing pre-packed export sales to generate greater returns and to provide greater stability for Capilano, its shareholders and its suppliers.

Overview of Results

Net profit after tax of \$1.4 million for the group reflects a turnaround of \$3.3 million compared with last year, and has allowed us to pay a dividend of 5 cents per share for the year.

I'm very pleased to report that the Company's Balance Sheet remains strong, and that the Company's Audit is unqualified

The average price paid for quota honey was A\$2.00 per kg, a decrease of 25% from last year, reflecting lower international honey prices and intensive price competition in the Australian market, especially in the supermarket private label area.

Whilst unfortunately this price is near or below the cost of production for some suppliers, the Board recognises the importance of local suppliers of high quality honey to the long term success of Capilano.

The operational changes for our Maryborough plant outlined earlier today at the Management Presentation are an example of the Company's constant endeavour to obtain greater efficiencies. The aim is to deliver a sustainable buying price for honey and to provide shareholders with a reasonable return on their investment in the Company.

The structural changes that were discussed in the Half Year Report to Shareholders continue to affect the company. Total domestic supermarket sales have remained static during this year, with increased competition from farm gate, farmers markets and discount pricing by some of our competitors.

Despite this, it is pleasing to note that Capilano has been able to maintain its share of supermarket sales during the same period.

Supermarkets have made clear their plans for their own brands i.e. private label. Private label previously returned fair and reasonable margins but the introduction of e-auctions and increased competition has seen these reduced to unattractive and unsustainable levels.

I will now refer to other operations in which Capilano is involved

Joint Venture with Honey Max

The Joint Venture with Honey Max in Argentina continues to provide a source of honey that cannot always be obtained locally to meet the requirements of our overseas customers.

Sales of bulk honey through the Honey Max facility this year were lower than expected due to the higher volumes of Australian honey available. The joint venture with Honey Max remains important to meet our customer requirements and to provide security of supply for the retail markets we are developing overseas particularly at times of low production in Australia.

Capilano Subsidiaries

Medihoney Pty Ltd

The financial results show an improved sales result for Medihoney but the investment required to develop the market for Medihoney products has been high and had an impact on the overall group results.

The Board believes the attributes of Medihoney, its antibacterial activity and its ability to combat antibiotic resistant organisms is very important and offers a valuable opportunity to the company for development. We also recognise that to fully realise the potential of Medihoney this growth requires significant further investment. To facilitate this expansion we have, during this year, sought advice

and investigated opportunities to raise capital to allow us to realise the full potential of Medihoney and reduce its dependence on Capilano for funding. These investigations are ongoing.

Capilano Labonte Inc. (CLI)

CLI continues to increase its share of the Canadian market and provide an outlet for Australian honey at better returns than have been available on the bulk commodity market. Despite significant price competition in Canada CLI has performed to expectation

The Board is confident CLI will develop into an important contributor to overall group results.

CLI also affords us an easier access into the US market which represents an important opportunity to expand our overseas pre-packed sales.

Looking to the Future

The marketing campaign outlined earlier today in the Management Presentation, although expensive, should position us well to gain an increased proportion of the local market and help to grow the whole category

We have seen a firming in the world price of honey in the last months of this financial year which, if sustained, may ease the competitive pressure on the local market and provide improved opportunities overseas.

Capilano's ability to provide a quality assured product continues to help us in all the markets in which we operate. The establishment of our own laboratory to ensure adequate and timely testing of product and the thorough trace back systems in place significantly reduce the risks to the company, and its suppliers alike.

I would like to congratulate our suppliers on their willingness to implement their quality systems to provide greater security.

I would now like to make some comments about your Board of Directors.

There have been significant changes to the Board during the past year, beginning with the election of Greg Roberts at the last AGM after the retirement of the previous Chairman, Don Keith.

Warwick Wilshire also retired on the 30th of June after 23 years service with the Company, beginning as Managing Director in 1983 and followed by a further 10 years as an independent non executive Director Warwick's experience and wisdom will be a loss to the Board but his replacement, Simon Tregoning, brings broad expertise and a diverse knowledge that has already benefited Capilano.

The changes that have occurred in the Board this year have placed an added responsibility on the existing members who have all worked extremely well together to make an effective and productive team.

I would also like to thank all our staff and management for their commitment and dedication to Capilano.

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

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

Election of Directors

I now move to the Resolutions dealing with the election of directors.

Ian Cane and Rosemary Doherty are the Directors retiring by rotation, and, being eligible, are offering themselves for re-election. There are no other nominees seeking election.-.

Resolution 3 – Remuneration Report in the CHL Report

I now move to the Resolution dealing with the Remuneration Report included in the CHL Report. It is necessary for shareholders to vote on this matter to give the Chairman direction on how he should vote the Foundation Share at the CHL AGM in November.

This year's Report of Directors again contains a separate Remuneration Report – on pages 24 to 28. 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.

In brief, Capilano endeavours to provide remuneration that is comparable with the mid- to upper quartile 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.

Closure

Ladies and Gentlemen, this brings the 2006 Annual General Meeting to a close. I thank you for your attendance here today, and for your participation in the proceedings.