



CAPILANO HONEY LIMITED

A.C.N: 009 686 435

CHL214

12 October 2006

Quota Honey Price Schedule

Effective 1 October 2006

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Dear Suppliers / Shareholders

The position regarding honey price has been clarified with an average increase of 30¢/kg following the Board Meeting held at the AGM in Adelaide on Friday, 6 October 2006. Crop prospects have been the subject of much discussion for some months.

Capilano entered the 2006/07 year with a good quantity of top quality blending honey and prospects earlier in the year indicated major sales of honey on the export bulk commodity market.

Since that time there has been a steady worsening of prospects as more country became drought declared and the forecast that another El Nino weather pattern is almost certain.

Although we have good current levels of honey we are looking at the potential impact on future levels of stock. It will mean a rise in the average cost of our stock and unless we can pass this cost on to our customers it may affect our profitability.

The position will continue to be closely monitored.

QUOTA HONEY PRICE SCHEDULE

Pf. 0 - 39	\$2.30 per kg	Blue Gum South Australian (Pf. 0-39)	\$2.36 per kg
Pf.40 - 49	\$2.30 per kg	River Red Gum (Pf 0-54)	\$2.36 per kg
Pf.50 - 59	\$2.15 per kg	Salvation Jane (Pf. 0-19)	\$2.25 per kg
Pf.60 - 69	\$2.00 per kg	Salvation Jane (Pf. 20-54)	\$2.05 per kg
Pf.70 - 79	\$1.85 per kg	Leatherwood	P.O.A.
Pf.80 - 95	\$1.70 per kg	Canola/Turnip (Pf. 0-39)	\$1.85 per kg
Pf.96 - 109	\$1.40 per kg	Banksia	\$1.45 per kg
110 & Over	P.O.A.	Red Ash	\$0.85 per kg
Organic (BFA Certified)	\$3.60 per kg	Carrot	\$0.85 per kg
Yellow Box - Grade 1 (Pf. 0-39)	\$2.37 per kg	Crow Ash	\$0.85 per kg
Yellow Box - Grade 2 (Pf. 0-49)	\$2.37 per kg	White Mangrove	\$0.85 per kg

Quality Conditions:

- **Yellow Box Grade 1** - To qualify for this price, honey will need to be Pf.0 - 39 having a moisture level not exceeding 16.5% and have good Yellow Box flavour.
- **Yellow Box Grade 2** - To qualify for this price, honey will need to be Pf.0 - 49 having moisture level not exceeding 18% and have good Yellow Box flavour.
- **Blue Gum South Australian Honey (*Eucalyptus leucoxylon*)** - To qualify for this price, honey will need to be Pf.0 - 39 having a moisture level not exceeding 18.0% and be true Blue Gum flavour.
- **River Red Gum** - With a reading of Pf.0-54, a moisture level not exceeding 18% and be true River Red Gum flavour.
- **Jelly Bush & Ti Tree** variety prices will be adjusted from time to time on an as needs basis and will be downgraded when supply exceeds demand.
- **Honey having objectionable quality or flavour** will be downgraded according to flavour and/or market conditions and will include such honey as *Crow Ash, Red Ash, Carrot, White Mangrove, Peach Bush* and others.
- **Purple Top variety** will be downgraded to Pf90.
- Reducer honey and Pf.110 and darker can be difficult to sell. Before delivering these grades of honey, please discuss with your local factory as these may not be accepted and prices are subject to application.

R D Masters
Managing Director