



Special General Meeting

Capilano Honey Limited

ABN: 55 009 686 435

Venue: **Mt Ommaney Hotel Apartments**
Cnr Dandenong Road & Centenary Highway
Mt Ommaney Q 4074

Date: **Tuesday, 15 May 2007**

Time: **3.30pm**

Enclosures:

- Notice of Meeting
- Explanatory Memorandum
- Attendance Form
If you plan to attend the meeting please complete and return by 8 May 2007
- Proxy Form
If you are unable to attend please complete and return by 13 May 2007



Notice of Special General Meeting

Notice is hereby given that a Special General Meeting of **Capilano Honey Limited (CHL)** will be held at Mt Ommaney Hotel Apartments, cnr Dandenong Road & Centenary Highway, Mt Ommaney, Brisbane on Tuesday, 15 May 2007 commencing at 3.30pm.

The purpose of the meeting is to consider and vote on motions for;

- i) an ordinary resolution to vote on a recommendation by the Board to sell Medihoney Pty Ltd to Comvita Limited for consideration of \$6 million, and
- ii) a special resolution to renew Rules 29 to 36 of the Constitution relating to Proportional Takeovers for a further three years as provided for by the Corporations Law.

AGENDA

1. Ordinary Resolution

To consider and if thought fit pass the following ordinary resolution:

That the recommendation from the Board for the proposed sale of Medihoney Pty Ltd to Comvita Limited for consideration of \$6 million, on terms set out in the Explanatory Memorandum, be adopted.

2. Special Resolution

To consider and if thought fit pass the following special resolution:

That the Constitution be and is herewith amended by renewing Rules 29 to 36 'Approval of partial takeover bids' (as detailed below) for a further three years from 1 June 2007.

29. *Registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under a Partial Takeover Scheme is prohibited unless and until a Partial Takeover Resolution is passed.*
30. *A person (other than the Offeror or a person associated with the Offeror) who, as at the end of the day on which the first offer under the Partial Takeover Scheme was made, held shares of the class which are the subject of the Partial Takeover Scheme:*
 - (a) *may vote on a Partial Takeover Resolution; and*
 - (b) *has one vote for each of the shares.*
31. *Where offers have been made under a Partial Takeover Scheme, the directors must ensure that a Partial Takeover Resolution is voted on at a meeting of the persons described in rule 30 before the Relevant Day.*
32. *Subject to the provisions of these rules and in particular, rules 10 and 53-57, a Partial Takeover Resolution is passed if more than one-half of the votes cast on the resolution are cast in favour of the resolution, and otherwise is taken to have been rejected.*
33. *The provisions of these rules that apply in relation to a general meeting of the Company apply, with any modifications that circumstances require, in relation to a meeting that is convened under this rule as if the meeting was a general meeting of the Company.*

THIS IS AN IMPORTANT DOCUMENT

If you do not understand this notice or are in any doubt about the action you are required to take, you should consult your legal, financial or other professional adviser immediately.

INSTRUCTIONS

If you are unable to attend the meeting and wish to vote, you are requested to complete the Proxy Form attached to this Notice of Meeting.

If you are planning to attend the Meeting then please complete the attached Attendance Form

NOTES

Information about the Resolutions appears in the Explanatory Memorandum.

A member who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.

A proxy need not be a member of the Company. A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If you wish to appoint a proxy and are entitled to do so, then complete and return the attached proxy form.

A corporation may elect to appoint a representative in accordance with the Corporations Act 2001 in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.



34. *Where a Partial Takeover Resolution is voted on in accordance with this rule before the Relevant Day the Company must, on or before the Relevant Day:*
- (a) give to the Offeror; and*
 - (b) if relevant, serve on the approved stock exchange on which the Company is listed*
- a notice in writing stating that the Partial Takeover Resolution has been voted on and that it has been passed, or has been rejected, as the case requires.*
35. *If at the end of the day before the Relevant Day no Partial Takeover Resolution has been voted on in accordance with this rule, a resolution to approve the Partial Takeover Scheme will, for the purposes of this rule, be taken to have been passed.*
36. *Rules 29-35 cease to have effect on the third anniversary of the later of the date of adoption or last renewal of these rules.*

For further information on these proposed resolutions please refer to the attached Explanatory Memorandum.

Dated this SEVENTEENTH day of APRIL 2007

By Order of the Board
CAPILANO HONEY LIMITED

E.J. Bailey
Company Secretary

NOTES

Voting on special resolutions

In accordance with the Corporations Law, approval of the proposed special resolution will require a majority of 75% of the number of votes cast.

Foundation Share

The company may not pass any ordinary resolution without the affirmative vote of the Foundation Shareholder.

On a special resolution the Foundation Share shall confer 75% of the total number of votes which are entitled to be cast in relation to special resolutions.

The Foundation Share is held by Capilano Beekeepers Ltd.

Proxy votes

Voting on the resolutions will be by means of a poll in which shareholders are entitled to one vote per share. In accordance with the company's Constitution, shareholders unable to attend the meeting can appoint a proxy to vote on their behalf

Voting

CHL will disregard any votes cast on resolution 1. by:

- a) any person or class of person excluded from voting; and*
- b) an associate of that person (or those person).*

Though there is no such person in this case.

However, CHL need not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or*
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*



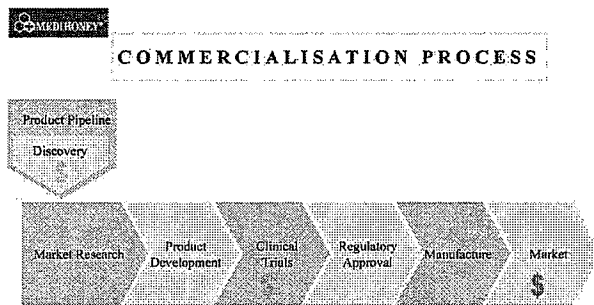
Explanatory Memorandum

• Sale of Medihoney Pty Ltd to Comvita Limited

The development of Medihoney was part of the growth strategy designed to grow Capilano's business. While other growth areas concentrated on introducing existing products to new markets e.g our export retail development, this area focused on utilising the anti-bacterial properties of honey to develop a new value-added honey product in the health-care sector.

While Capilano had employees with relevant experience in that sector it was our intention to develop it to a critical mass before introducing outside investment necessary to speed up its introduction to wider markets.

The phases of such an undertaking are shown below:



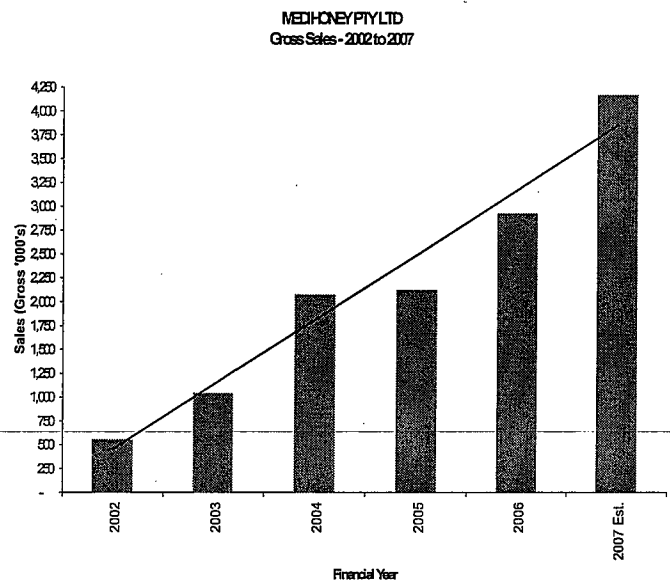
The path to success in launching a product used in oral health, skin care, wound care and eye care is difficult and significant costs are incurred in the stages leading to marketing development before making sales sufficient to generate profit to cover costs.

Milestone achievements over that time are:

- | | |
|---------------|---|
| 1999 | Successful listing by Medihoney of honey as an active ingredient on the Australian Register of Therapeutic Goods |
| 2000 | Launch of Antibacterial Honey in Australian pharmacies as an OTC product |
| 2001 | Launch of Medihoney™ Active+ |
| 2002 | Launch of Medihoney™ Eczema Cream |
| May 2004 | Publication of Medihoney's 1 st clinical study |
| December 2004 | CE mark & Quality system certifications achieved; Medihoney Antibacterial Honey and Medihoney Antibacterial Wound Gel regulated as Medical Devices. |

- | | |
|----------------|---|
| February 2005 | UK launch |
| May 2005 | Publication of 1 st RCT study on Medihoney Antibacterial Honey |
| August 2005 | UK Drug Tariff Listing |
| January 2006 | UK Patent for Pharmaceutical composition comprising honey granted. |
| August 2006 | US FDA agreement in principle to antimicrobial claim test protocol. |
| September 2006 | Ophthalmic drops – Conformity Assessment Certification and CE mark certification. |
| November 2006 | Launch of wound care products in Germany and Austria |
| February 2007 | Skin Cream – registration as a Class 1 Medical Device with MHRA (UK) |

Sales growth at 31 March 2007 is up 43% on last year and the trend of the past 5 years is shown below:



Over the past twelve months Medihoney has made distinct in-roads into the wound care market.

- German Media exposure
- Medical Journal reviews
- 'First Choice' positioning instead of 'Last Resort'
- Sales demand in Germany, Turkey, Finland, and Austria
- UK medical honey symposium

Our wound care sales in the UK and EU have grown 184% on last year to 31 March 2007.



Shareholders were previously advised we had reached the stage in the development of Medihoney where we were seeking capital to support future business development.

Not only have we been seeking money but also a partner with synergistic capabilities in this unique segment of wound care.

The services of Ernst & Young and others were engaged to search for potential partners or equity providers who might suit our needs.

It resulted in two similar proposals for an injection of funds in the order of A\$5.5 to A\$6.5 million in exchange for 50% of the business. One of the proposals required an issue of options in Capilano Honey Limited of up to 10% of existing capital at an exercise price of A\$6/share. Both proposals allowed for the funds to be introduced in stages, to be used as working capital, contingent upon achievement of agreed future milestones. Both parties had business connections to other external parties which may have introduced non-monetary benefits useful to future development.

In these two proposals Medihoney would have retained 50% of the business and was to use the funds in product and market development, greater human resources and further research and development. Achieving profitability was projected in three to four years subject to successful accomplishment of product development and distribution goals.

A third proposal was received from Comvita Pty Ltd.

The Comvita proposal allows for the sale of 100% of the shares in Medihoney Pty Ltd to Comvita for consideration of A\$6 million. The purchase price will be paid for by A\$500,000 in cash and A\$5.5 million in Comvita shares. The Comvita shares will be valued at a volume weighted average of trading prices over 10 days preceding the announcement of the transaction to the New Zealand Stock Exchange.

As an indication, based upon the last traded share price and market capitalisation of Comvita shown in the security details stated on the New Zealand Stock Exchange website (www.nzx.com) as at 17 April 2007 and using the exchange rate quoted in the Australian Financial Review 17 April 2007, the proposed A\$5.5 million share consideration would equate to 8.1% of Comvita Limited post transaction. The exact percentage will depend upon the calculations at the relevant date.

The wound care business will be developed by Comvita, in which Capilano will have a direct investment. The merging of Medihoney with Comvita

will greatly strengthen access to supply of active honey necessary for the antibacterial honey products. In particular, the distribution channels and markets are complementary and a combined sales force will compete more effectively with other wound care companies. A broader product range will assist in easier access to targeted channels. Duplication of both operating and research & development costs will be avoided. The business will have access to the intellectual property of both companies. The combined resources will accelerate the commercialisation process of wound care products.

The terms of the agreement will include:

- The Bee-Vital brand and product range are not included in the sale and shall be removed from the assets of the company prior to completion date.
- Capilano will permit Medihoney to continue to occupy its current premises for a period not exceeding 6 months from completion date on terms no less favourable than currently applying.
- Capilano will provide the range of services it currently provides to the company for a period not exceeding 6 months from the completion date on terms and conditions no less favourable than currently applying.
- To the extent legally possible Capilano and its subsidiaries are not to compete with therapeutic and medical honey applications for a period of five years from completion date but this restraint shall not apply to sales of the therapeutic honey marketed under the name Bee-Vital to the grocery and channels in which it is currently sold.

Capilano, by holding a direct investment in Comvita, will share in the future success of the medical honey business. In addition, the consideration arising from the sale is returned to Capilano rather than directed into working capital.

Your directors' believe the development of Medihoney to its fullest potential is best served by joining with Comvita, the other major participant in therapeutic honey in the international market. Capilano, through its sale of Medihoney will recoup its direct costs in the development of the Medihoney business over the past five years.

It is the recommendation of the Board of Capilano Honey Limited to sell Medihoney Pty Ltd to Comvita Limited for consideration of \$6 million.

This resolution is also for the purpose of satisfying Chapter 7 of the BSX Listing Rules.



- **Proportional takeovers**

The special resolutions in both CBL and CHL that deal with the proportional takeover provisions do not change the constitutions but rather seeks to maintain existing clauses that are due to expire in June if not renewed.

Clauses 26.3 (a) through to (j) of the CBL constitution provide that a proportional takeover bid must be approved by a resolution of the members in general meeting. Clauses 29 to 36 of the CHL constitution cover the same ground in substantially similar terms.

A proportional takeover bid is where a bidder makes an offer for certain percentage of every shareholder's holding. It is a form of partial takeover.

The *Corporations Act 2001* ('Act') regulates the conduct of all takeovers, including proportional bids. The Act allows the constitution of a company to contain provisions regulating proportional takeover bids for securities of the company, such as requiring a resolution of members to approve the bid.

- *Why have these provisions?*

It is said that such provisions lessen the coercive effects of a partial bid. A partial bid can allow a bidder to increase, or gain effective control over the company without acquiring 100% of the shares. Constitutional provisions mandating a resolution to approve such bids allow shareholders to act in a cohesive manner and increase their bargaining power in the face of the partial bid. Shareholders concerned over such issues as the possibility of becoming a locked-in minority would therefore have the opportunity to air these concerns and vote accordingly at the required general meeting.

- *Why the 3 year expiry?*

The Act provides that proportional takeover approval provisions in a company's constitution cease to have effect at the end of three years (section 648G(1)). The three-year period of validity begins on the latter of the date of the company's incorporation, the date on which the constitution was adopted, or the date on which the appropriate section was renewed. This law is merely reflected in the relevant sections of both CBL and CHL constitutions.

- *What happens after the 3 years?*

Once the provisions have ceased to have effect, the constitution is deemed to have been altered under section 648G(3) by the omission of these sections.

For reasons of good corporate governance and to protect the interests of shareholders, the Boards of CBL and CHL seek to renew the proportional takeover approval provisions, and need do this by way of a special resolution of members.



ABOUT COMVITA LIMITED

Comvita New Zealand Ltd is a global marketer of natural health products, including UMF manuka honey, propolis, bee pollen, royal jelly and therapeutic skincare products.

Established in the Bay of Plenty in 1975, Comvita has undergone major changes in the past three years as it follows an ambitious strategy to move from being a trader to an international marketer, taking control over how and where its products are sold, positioned and priced, rather than working through distributors.

A publicly listed company, Comvita has 143 staff in New Zealand and offshore and has recruited strongly over the last 12 months to support its growth plans.

Comvita's UMF® Manuka honey, bee pollen and propolis-based natural healthcare products are targeted at the premium end of the market and are designed to meet the diverse requirements of both the Asian and Western health segments. The company has seen huge growth offshore in its high value therapeutic UMF® Manuka honey digestive and wound care products.

Key export markets are Australia, Hong Kong, Japan, the UK and China, a new and fast moving market, growing 173 per cent last year. The distribution channels Comvita has established in pharmacy, duty free and health food have been tailored for the nature of each market. The company has also developed a direct distribution operation in Australia, opened 18 Comvita branded stores in China, set up offices in Hong Kong, Taiwan and Japan, acquired its UK and Hong Kong distributors, and a stake in a US wound care manufacturing and marketing business.

In April 2006 Comvita lifted its stake in US licensing partner, Derma Sciences Inc, to over 10% in order to accelerate the planned entry into the North American advanced wound care market. In December 2006 saw Comvita enter into an agreement with WaikatoLink, the commercial arm of the University of Waikato, for a number of new patents around the antibacterial and other therapeutic properties of Manuka honey. These relationships, combined with existing patents, gives Comvita a unique intellectual property position and the ability to expand its high margin wound care product portfolio

Comvita has experienced a 25 per cent year on year growth in sales and its revenue in 2006 totalled NZ\$39.4 million.

Year to 31 December (NZ\$)	2004	2005	2006
Group Revenue	27.6m	31.3m	39.4m
EBITDA	3.64m	4.09m	4.65m
NPAT	1.26m	1.59m	1.53m
Earnings per Share (cents)	11c	12.3c	10.9c
Dividend (cents)	4.1c	5c	5c
Share Price - as at 31 December	2.05	2.24	3.80



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Careers

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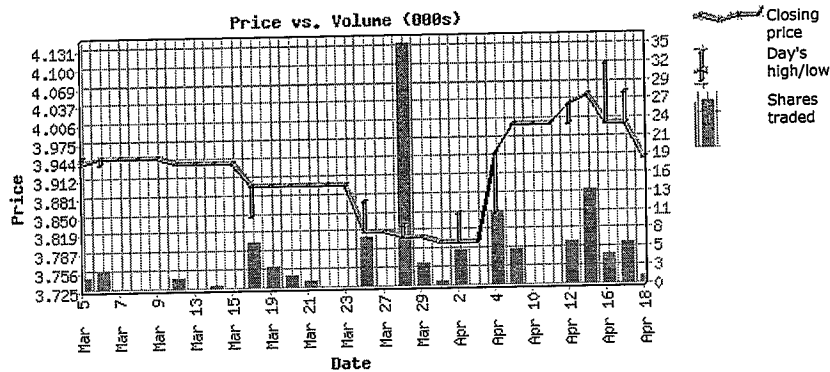
Security details by security code

Search for a security code by alphabet:

A-D E-H I-L M-P Q-T U-Z 0-9

Security Price Data

Comvita Limited Ordinary Shares											
Prices: 18 Apr, 2007, 12:28											
Code	Bid	Offer	First	High	Low	Last	Market	Move	Trades	Vol	Value
CVT	3.94	4.0	3.94	3.94	3.94	3.94	3.94	-0.06	▼	21,000	\$3,940



Company & Security Details

<p style="text-align: center;">Related Securities</p> <p>All securities from this issuer</p> <table border="1"> <thead> <tr> <th>Code</th> <th>Market</th> </tr> </thead> <tbody> <tr> <td>CVT</td> <td>NZSX</td> </tr> </tbody> </table> <p style="text-align: center;">Security Details: 18 Apr, 2007</p> <p>Security code CVT</p> <p>Security type Equity</p> <p>Security description Comvita Limited Ordinary Shares</p> <p>Issuer code CVT</p> <p>Issuer name Comvita Limited</p> <p>Settlement method Full Faster Settlement</p> <p>Share registrar Link Market Services Limited</p> <p>First-listed date Friday, 14 November, 2003</p> <p>Public ISIN NZCVTE0001S7</p> <p>Shares issued 17,823,728</p> <p>Capitalisation \$70,225,488</p> <p style="text-align: center;">Analytics: 18 Apr, 2007</p> <p>52-week high/low 4.1 / 2.65</p> <p>Price/Earnings (P/E) 36.5695</p> <p>Times cover (TC) 2.1770</p> <p>Earnings per Share (EPS) 0.1077</p> <p>Dividend yield 1.8747</p> <p>Net tangible assets (NTA) 1.230</p>	Code	Market	CVT	NZSX	<p style="text-align: center;">Last 10 Market Announcements</p> <table border="1"> <thead> <tr> <th>Released</th> <th>Type</th> <th>Headline</th> </tr> </thead> <tbody> <tr> <td>11 Apr, 2007, 15:31</td> <td>DRP</td> <td>Dividend Reinvestment Price set at \$3.66</td> </tr> <tr> <td>4 Apr, 2007, 17:25</td> <td>MEETING</td> <td>Additional Items of Business for Annual Meeting</td> </tr> <tr> <td>30 Mar, 2007, 10:34</td> <td>ASSET</td> <td>Comvita buys Hong Kong distributor - GreenLife Limited</td> </tr> <tr> <td>20 Mar, 2007, 16:26</td> <td>ANNREP</td> <td>Annual Report for the Year Ended 31/12/06</td> </tr> <tr> <td>20 Mar, 2007, 16:23</td> <td>MEETING</td> <td>Notice of meeting provided</td> </tr> <tr> <td>23 Feb, 2007, 15:32</td> <td>DIVIDEND</td> <td>Dividend Appendix 7</td> </tr> <tr> <td>23 Feb, 2007, 13:42</td> <td>FLLYR</td> <td>Preliminary Full Year Report Announcement</td> </tr> <tr> <td>23 Feb, 2007, 13:36</td> <td>FLLYR</td> <td>2006 Annual Results - Comvita reports double digit sales gr</td> </tr> <tr> <td>2 Feb, 2007, 14:57</td> <td>SSH</td> <td>SSH Notice From Maori Investments Limited</td> </tr> <tr> <td>16 Jan, 2007, 15:52</td> <td>MEETING</td> <td>Comvita opens directors nominations</td> </tr> </tbody> </table> <p style="text-align: center;">More announcements...</p> <p style="text-align: center;">Directors</p> <table border="1"> <tbody> <tr> <td>Alan John Bougen</td> <td>Director</td> </tr> <tr> <td>William (Bill) James Bracks</td> <td>Director</td> </tr> <tr> <td>Neil Craig</td> <td>Chairman</td> </tr> <tr> <td>David Cullwick</td> <td>Director</td> </tr> <tr> <td>Robert Bertram Tait</td> <td>Director</td> </tr> <tr> <td>Jeffery Kinross Williams</td> <td>Director</td> </tr> </tbody> </table> <p style="text-align: center;">Chief Executive Officer</p> <p>Brett Hewlett</p>	Released	Type	Headline	11 Apr, 2007, 15:31	DRP	Dividend Reinvestment Price set at \$3.66	4 Apr, 2007, 17:25	MEETING	Additional Items of Business for Annual Meeting	30 Mar, 2007, 10:34	ASSET	Comvita buys Hong Kong distributor - GreenLife Limited	20 Mar, 2007, 16:26	ANNREP	Annual Report for the Year Ended 31/12/06	20 Mar, 2007, 16:23	MEETING	Notice of meeting provided	23 Feb, 2007, 15:32	DIVIDEND	Dividend Appendix 7	23 Feb, 2007, 13:42	FLLYR	Preliminary Full Year Report Announcement	23 Feb, 2007, 13:36	FLLYR	2006 Annual Results - Comvita reports double digit sales gr	2 Feb, 2007, 14:57	SSH	SSH Notice From Maori Investments Limited	16 Jan, 2007, 15:52	MEETING	Comvita opens directors nominations	Alan John Bougen	Director	William (Bill) James Bracks	Director	Neil Craig	Chairman	David Cullwick	Director	Robert Bertram Tait	Director	Jeffery Kinross Williams	Director
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Issuer Details: 18 Apr, 2007

Issuer code	CVT
Registered name	Comvita Limited
Company secretary	Grant Young
Auditor	KPMG, Tauranga
Solicitor	Sharp Tudhope



Attendance Form

Office Use Only: Slip no No. of shares

Slip no No. of shares

Shareholder No

Name

Address

I/we propose to attend the following Special General Meeting on Tuesday, 15 May 2007

3.30pm Capilano Honey Limited – registration from 3.00pm

Please list names of those attending:

Complete and return this form by fax on (07) 3712 8287 or to PO Box 66, Richlands QLD 4077 by 8 May 2007.



Proxy Form

Office Use Only: Slip no No. of shares

Slip no No. of shares

Shareholder Number: _____

I/We, (the undersigned) _____
(please print full name)

of _____
(please print full address)

being a member/s of Capilano Honey Limited HEREBY APPOINT _____
(refer to "Instructions for appointment of Proxy" detailed below) (please print full name)

of _____
(please print full address)

or failing him/her, the Chairman of the Meeting, as my proxy to attend and exercise of my votes *(refer note 1)* on my behalf at the Special General Meeting of the Company to be held on 15 May 2007 at 3.30pm and at any adjournment thereof.

Instructions for voting on Resolution:

- To vote FOR put an "X" in the FOR column.
- To vote AGAINST put an "X" in the AGAINST column.
- To give your proxy discretion to vote For or Against the Resolution as they see fit, put an "X" in the AT DISCRETION column
- To ABSTAIN from voting put an "X" in the ABSTAIN column - this will have the same effect as if no vote was recorded at all and will be disregarded completely in calculating votes FOR or AGAINST.

	For	Against	At discretion	Abstain
Ordinary Resolution:				
1. <i>That the recommendation from the Board for the proposed sale of Medihoney Pty Ltd to Comvita Limited for consideration of \$6 million, on terms set out in the Explanatory Memorandum, be adopted.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution:				
2. <i>That the Constitution be and is herewith amended by renewing Rules 29 to 36 'Approval of partial takeover bids' (as detailed in the Notice of Meeting) for a further three years from 1 June 2007.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature of shareholder/s _____

Date: _____

Note 1: If only one proxy is appointed, please insert the word "ALL" in the space before "of my votes". If the space is not completed, all of your votes will be conferred on your proxy. If you desire to appoint two proxies to exercise differing proportions of your votes, a further form may be obtained from the Company Secretary.

Note 2: For this proxy form to be valid, it must be received at the Registered Office of the company not less than forty-eight (48) hours before the start of the Special General Meeting (see Rule 98). Accordingly, all proxy forms must be received at 399 Archerfield Road (PO Box 66), Richlands Q 4077 or by facsimile (07) 3712 8287 no later than 3.30pm on Sunday, 13 May 2007.

Please find on reverse of this page Instructions for Appointment of Proxy and Explanatory Notes – Proxy Forms.



AUSTRALIA'S NO.1 HONEY, NATURALLY!

INSTRUCTIONS FOR APPOINTMENT OF PROXY

(Please read this information and explanatory notes before completing this form)

1. A shareholder entitled to attend and vote at the Special General Meeting is entitled to appoint not more than two proxies to attend and vote for them. A proxy need not be a shareholder of the company.
2. Proxies can be directed on how to vote by inserting an "X" in the appropriate box against each resolution, otherwise the proxies will vote as they see fit, or abstain from voting.
3. The proxy form must be signed personally by the shareholder or their attorney. If a proxy is given by a corporation it must be executed in accordance with the corporation's constitution.
4. In the case of a partnership, all partners must sign the proxy form unless the company has written advice to the contrary.
5. If the proxy is signed under power of attorney then the signatory declares that they have no notice of revocation of the power of attorney. A certified copy of the relevant power of attorney authorising that person to sign must be enclosed with this proxy form.
6. Shareholder/s' signatures do not require witnessing.

EXPLANATORY NOTES - PROXY FORMS

Please note that a Proxy Form gives any shareholder unable to attend the Special General Meeting the opportunity to record their vote on any matter which becomes the subject of a poll at the Special General Meeting. (For an explanation of the meaning of the word "poll", please refer to the explanatory note below.)

Rules 87 and 91 of the company's Constitution, reproduced below for information, outline the circumstances and manner in which a poll is conducted.

Rule 87

"A poll may be demanded by:

- (a) the chairman;
- (b) at least 5 shareholders present entitled to vote on the resolution;
- (c) by a member or members present with at least 5% of the votes that may be cast on the resolution on a poll; or
- (d) the Foundation Shareholder."

Rule 91

"Subject to these rules and in particular rules 25, 26 and 72 and subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney or a representative of a member that is a corporation and, subject to the act on a show of hands every person present who is a member or a representative of a member that is a corporation shall have one vote, and on a poll every member present in person or by proxy or by attorney or a representative of a member that is a corporation shall have one vote for each share held."

It should be noted that a proxy can only be used in those instances where a poll is demanded in accordance with the Rules; in all other circumstances resolutions are decided on a show of hands of the shareholders present at the meeting.

However, as has customarily been the case at previous General Meetings and to afford all shareholders the opportunity to have their vote recorded, the Chairman will, in accordance with Rule 87(a) above, declare at the commencement of the Special General Meeting, that all resolutions shall be the subject of a poll.

If you are unable to attend the Special General Meeting, but wish to exercise your right to vote, please complete and return the Proxy Form to reach us by 3.30pm on 13 May 2007. If you wish to do so, please assist the person you nominate as your proxy by directing them to vote in the manner in which you require. You can do this by placing an "X" in the appropriate FOR, AGAINST, AT DISCRETION or ABSTAIN space on the Proxy Form.

The person you appoint as your proxy need not be a shareholder of the company, but **MUST** be a person who will be attending the meeting. If any further explanation of this very important matter is required, please do not hesitate to contact me in writing or by phone.

E.J. Bailey
Company Secretary.

[Note: A "poll" is the situation which occurs when the votes of all shareholders present at a meeting, either personally or by proxy, are counted, and each share held by a shareholder is given one vote. For example if shareholder "A" holds 5,000 shares and he is present at the meeting, and shareholder "B" who holds 6,000 shares is not present, but has appointed person "C" as his proxy, shareholder "B" has 6,000 'votes' compared to shareholder "A"'s 5,000. Appointing a proxy is therefore of **paramount importance**, as it gives all shareholders the opportunity to exercise their democratic right to vote, and the votes are recorded in direct proportion to the number of shares they hold. {In the above example, if "A" and "B" were the only shareholders voting, "B", though the proxy he has given to "C", could defeat "A" on any issue if he so directed his proxy.}]

CAPILANO



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