

5 October 2007



ANNOUNCEMENT

2007 AGM – CHAIRMAN’S SCRIPT

Ladies & Gentlemen

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

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

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

Financial Statements and Report of the Directors

To receive and consider the Financial Statements, Director’s Declaration and the Reports of the Directors and the Auditors for the year ended 30 June 2007.

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

The past financial year has been highlighted by some significant operational changes that will allow Capilano to concentrate on developing its core business of packing and marketing honey as efficiently and profitably as possible.

The changes included the sale of the wholly owned subsidiary Medihoney Pty Ltd and operational changes resulting in all retail liquid products being packed in the Brisbane facility, and bulk industrial packing and creamed honey production being done in the Maryborough facility.

Overview of Results

It is pleasing to report a Net Profit after Tax of \$1.9 million for the Capilano Group, despite the intense competition in the market place and unfavourable exchange rates during the year.

Current accounting standards require that for a dividend to be paid it must be accounted for in the same year. Since the final result was unclear until the sale of Medihoney was finalised on 30th June no dividend was declared.

Capilano and its suppliers began the year with the expectation of higher levels of production than those of recent years impacted by drought conditions. While this may have occurred for a few fortunate suppliers there was less honey produced locally than expected. The average price paid for quota honey was \$2.20 per kilogram for the year, an increase of 20¢ per kilogram over the previous year and it reflects the lower than expected production level.

Sale of Medihoney

The sale of Medihoney on 30 June 2007 resolves the capital raising objective previously advised to shareholders regarding the continued development of the Medihoney business. Despite its potential and good revenue growth over the period, this development has impacted our financial resources and overall Group results. In recognition of this and our acknowledgement of the need for significant further investment to develop the business to its full potential, your Board considered the future of the Medihoney business and Capilano shareholders was best served by the sale of the business.

Medihoney was sold to Comvita Limited, a New Zealand company which specialise in the medical honey field, for an amount recovering our investment.

The combined resources of Medihoney and Comvita will enable the development of the medical honey business to its full potential. The sale price included the issue of 1,560,765 ordinary Comvita shares to Capilano representing approximately 8% of the issued ordinary shares in Comvita at the time of sale. This provides the opportunity for Capilano shareholders to share in the future success of the medical honey business.

Challenges

The challenges and changes continue in the Australian market place.

The biggest impact on our business and the honey industry as a whole has been the transfer of profit from packers to the two major supermarkets as a result of their push to capture a greater share of the market for their own private label brands and the emergence of one supermarket devoted exclusively to private label. We now have a situation where our largest customers are also our largest competitors. This has seen a significant reduction in the contribution to company profits from this area of our business.

In respect of our overseas markets, the major factor affecting our returns for this year has been the considerable increase in the value of the Australian dollar against other currencies, particularly the \$US. This has made all overseas business less profitable this year.

Future Prospects

While Capilano has been very successful in the past at introducing innovative and interesting new packaging for its honey products that have been well received by customers, it has not taken long for other packers and marketers including the supermarket's own brands, to copy our new innovations.

The introduction of new packaging and labelling for our upside down range of packs will again differentiate our products from the others on the supermarket shelves. These combined with a new consumer friendly and convenient pack, soon to be released, should attract a whole new user group to honey. These packaging initiatives along with marketing initiatives outlined below will go along way to re-energising our brand and creating renewed interest in the honey category.

Capilano's increasing presence in overseas markets is planned to continue and will contribute to future revenue and profit growth. The likelihood of success has been enhanced through the investment in our Canadian joint venture, Capilano Labonte Inc. (CLI), and a significant consumer market share has been built in Canada in a short period of time as a result. Strong relationships have been forged with our Canadian customers and our reliability in supplying supermarkets with innovative, quality products has underpinned our success.

The marketing alliances we have in place with Australia Zoo, Wildlife Warriors and the family of Steve Irwin, together with the our marketing sponsorship for the upcoming 'Bee Movie' from DreamWorks, will assist greatly in building brand recognition in our markets and in particular the North American market.

The contribution to profit from our joint venture in Argentina with HoneyMax is expected to continue growing enhancing our ability to supply blends to our industrial customers' needs worldwide. This facility is also critical to ensuring continued security of supply to our customers regardless of local Australian climatic conditions.

Acknowledgements

The Board is appreciative of our supplier shareholders who continue to produce a very high quality product for the company to market. This has occurred despite some severe adverse weather conditions for an extended period that have made it very difficult for them. The combination of bushfires and floods in other areas has tested the endurance of some of our suppliers.

The importance of good Quality Assurance systems, both at factory and supplier level can never be underestimated in ensuring our ability to be a successful marketer of a high quality product. Those suppliers who have already embraced a program such as B-Qual are to be congratulated. Other suppliers need to consider the benefits and I encourage them to implement such a program as soon as possible.

The Board has worked well together during the last year in what has been a challenging and difficult year for them. I thank them for their commitment and dedication to Capilano.

I would also like to thank all our staff and management for their considerable efforts during the last year.

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.

Resolution 1 – Remuneration Report in the CHL Report

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

This year's Report of Directors again contains a separate Remuneration Report– on pages 15 to 19. The Corporations Law provides 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 accordance 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 2007 Annual General Meeting to a close. I thank you for your attendance here today, and for your participation in the proceedings.

Note:

The Annual General Meeting of the Foundation Shareholder, Capilano Beekeepers Ltd will be held just prior to the CHL AGM. The outcome of resolutions at this meeting will be advised via a separate announcement on the BSX.

The announcement will include:

- ~ the results on the Election of Directors; and*
- ~ the direction in which the Foundation Share will be voted (i.e 'in favour' or 'against') on the Resolution for the Remuneration Report at the CHL AGM.*