



SUPPLEMENTARY PROSPECTUS

This is a supplementary prospectus (Supplementary Prospectus) issued by Capilano Honey Limited (CHL) ACN 009 686 435 dated 27 February 2008. The Supplementary Prospectus is intended to be read with the Prospectus dated 16 October 2007.

The Supplementary Prospectus deals with:

- a) the information the Australian Securities and Investments Commission (ASIC) requires CHL to disclose under its recently published Regulatory Guide 69;
- b) The acquisition of the remaining 50% stake in Capilano Labonte Inc (CLI) by CHL; and
- c) A change to CHL's Company Secretary.

This Supplementary Prospectus was lodged with Bendigo Stock Exchange (BSX) and with ASIC on 27 February 2008. BSX and ASIC take no responsibility for the contents of the Prospectus or this Supplementary Prospectus. Terms used in this Supplementary Prospectus have the same meaning as defined in the Prospectus.

a) ASIC REGULATORY GUIDE 69 DISCLOSURE

ASIC recently published *Regulatory Guide 69: Debentures- improving disclosure for retail investors* (the Guide). The Guide sets out guidelines aimed at helping investors better understand and assess the debentures being offered.

In particular, the Guide sets benchmarks that can help retail investors assess the risk and risk-reward prospects of the debentures. These benchmarks and CHI's performance against them are set out below.

» **Benchmark 1: Equity Capital**

Debenture issuers (other than property developers) should maintain a minimum of 8% equity.

At 31 December 2007, CHL had an equity ratio of 13.0%.

» **Benchmark 2: Liquidity**

Debenture issuers should have cash flow estimates for the next 3 months and ensure that at all times they have on hand cash or cash equivalents sufficient to meet their projected cash needs over the next three months.

CHL has detailed cash flow estimates for the next 3 months. Based on the assumptions and considerations set out below, these estimates demonstrate that the company has on hand cash or cash equivalents sufficient to meet its projected cash needs over that period.

The company reviews its cash flow estimates on a regular basis.

Cash Flow Assumptions and Considerations:

Incoming cash flows from customers are estimated using actual sales data and historical payment terms. Outgoing cash flows for purchases of honey are estimated using the terms applicable in honey supply agreements. Payments of other raw materials and of salaries and wages are estimated using a combination of historical records and future production requirements.

Investor rollover rates have been 75% over the last twelve months. CHL believes that it is reasonable to expect that future debenture maturities will rollover at a similar rate.

CHL maintains a bank funding facility in excess of its requirements. As at 31 December 2007, unused facilities were in excess of \$4,500,000.

» **Benchmark 3: Rollovers**

Issuers should disclose their approach to rollovers, including whether the 'default' is that debenture investments with them are automatically rolled over.

In the case of term deposits the company will mail to Depositors a notice of imminent maturity approximately two weeks before the date on which the deposit will mature, seeking further instructions.

If no instruction is received as to the disposal of the deposit by the date of maturity it will be automatically invested from that date. The principal will be invested on a 24 hours at call basis until further instructions are received, and interest will be treated according to previous instructions (i.e. added to principal or paid by cheque or EFT). The interest rate applicable to the 24 hours at call deposit will be the rate applying from time to time.

» **Benchmark 4: Credit ratings**

Issuers should have their Debentures rated for credit risk by a recognised agency.

CHL Debentures have not been rated for credit risk by a recognised agency.

The Directors believe that CHL Debentures are not of sufficient size to justify being rated by the approved credit rating agencies (i.e. Standard & Poor's (Australia) Pty Limited, Moody's Investors Service Pty Limited, and Fitch Australia Pty Limited).

The Board will consider the appropriateness of this view on an ongoing basis. In deciding not to have the Debentures rated, the Board has had regard to the following factors:

- the Debenture balance as at 31 December 2007 was \$1,165,225;
- the equity ratio is approximately 13% compared with the benchmark equity minimum of 8%;
- CHL maintains a bank funding facility in excess of its requirements;
- CHL has an ongoing process of liquidity management to manage its cash flow;
- CHL has credit and risk management policies to manage its exposure to any credit risk.

» **Benchmark 5: Loan portfolio**

This benchmark only applies to issuers who on-lend funds.

This benchmark is not applicable to CHL, as it does not on-lend funds.

» **Benchmark 6: Related party transactions**

This benchmark only applies to issuers who on-lend funds.

This benchmark is not applicable to CHL, as it does not on-lend funds.

» **Benchmark 7: Valuations**

This benchmark only applies to issuers who lend money for property related activities.

This benchmark is not applicable to CHL, as it does not lend money for property-related activities.

» **Benchmark 8: Lending principles – loan to valuation ratios**

This benchmark only applies to issuers who lend money for property related activities.

This benchmark is not applicable to CHL, as it does not lend money for property-related activities.

b) CAPILANO LABONTE INC.

In 2003, CHL acquired a fifty percent interest in Capilano Labonte Inc (CLI) by purchasing shares and subscribing for additional capital. An agreement has been signed whereby the remaining fifty percent interest in CLI will be transferred to CHL at no cost, effective 29 February 2008. CLI will become a wholly owned subsidiary of CHL.

CHL/CLI have terminated their involvement in the factory operation in Victoriaville, Canada, which will come under the control and ownership of Miel Labonte Inc. CHL will undertake in Australia the majority of the honey packing requirements of CLI, creating significant savings for the CHL Group.

c) COMPANY SECRETARY

Mr Errol Bailey will relinquish his role as Company Secretary after 26 years with the Company on 29 February 2008. Effective 1 March 2008, Mr Richard Rivalland, Financial Controller will take over the responsibility of this position.

This Supplementary Prospectus has been duly signed on behalf of the Directors of CHL.

Signed for and on behalf of the Directors



Roger D Masters
Managing Director