

10 June 2004

Ian Craig
Markets Manager
Bendigo Stock Exchange
PO Box 191 Flinders Lane
MELBOURNE VIC 3000

Dear Ian

Thank you for your letter of 8 June 2004, advising of the success of our application to list on the BSX.

Insofar as your comments on the foundation share are concerned, we enclose the following information for release to the market.

The Capilano Honey Limited ('Capilano') constitution contains rules regarding a Foundation Share. There is one Foundation Share on issue, which is held by a company called Capilano Beekeepers Ltd ('CBL'). The Foundation Share provides:

- a) *CBL with 75% of the total number of votes which are able to be cast in relation to special resolutions of Capilano;*
- b) *CBL with the power to pass or veto any ordinary resolution put to a shareholders meeting of Capilano;*
- c) *For the elected CBL Beekeeper Directors to be appointed as Beekeeper Directors to Capilano.*

Set out below is an extract from the Capilano constitution, which sets out the rules relating to the Foundation Share.

FOUNDATION SHARE

- 9A. *The Foundation Share may only be held by the Foundation Shareholder.*
- 9B. *The Foundation Shareholder shall be entitled to receive notice of and, either by proxy or by representative, to attend, speak and vote at any general meeting of the Company.*
- 9C. *The Company may not pass any ordinary resolution without the affirmative vote of the Foundation Shareholder.*
- 9D. *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.*
- 9E. *The Foundation Share shall confer no right to participate in the capital or profits of the Company other than the right in a winding up to a distribution of capital pari passu with other members entitled to share in a distribution of capital in a winding up.*
- 9F. *Notwithstanding any other provisions of this Constitution, the rights and limitations attached to the Foundation Share under rules 9A to 9F inclusive must not be altered without the consent in writing of the Foundation Shareholder.*



CAPILANO

Honey Limited

ACN 009 686 435

Foundation Shareholder is defined in the Capilano constitution as 'Capilano Beekeepers Ltd ACN 108 568 672 for so long as it holds the Foundation Share'.

By virtue of the following rules in the Capilano Constitution, the Foundation Shareholder has the right to appoint Beekeeper shareholders to the board of Capilano (so long as the Foundation Share is on issue).

101A For as long as the Foundation Share is on issue, rules 101A to 101D shall govern the appointment and removal of directors, and rules 104 to 113 shall not operate.

101B For as long as the Foundation Share is on issue, the Beekeeper Directors of the Foundation Shareholder in office from time to time will by virtue of holding that office be appointed as Beekeeper Directors of the Company.

101C Independent Directors will be appointed by all the directors in office acting jointly. Each Independent Director so appointed shall hold office for a fixed period of up to two years and at the expiration of that period may be re-appointed or replaced at the discretion of the other directors.

101D A person appointed as an Independent Director must meet the criteria set out in rule 106.

There are other minor provisions in the Capilano Constitution which relate to the Foundation Share. This is a summary only of the relevant provisions. Interested parties should review Capilano's Constitution, a copy of which is available from the BSX website at www.bsx.com.au.

We also refer to our meeting today, and in particular to the matters of Options granted to certain employees of Capilano and Medihoney, and enclose the following update to information provided in our 2003 Annual Report.

At a Board meeting of Medihoney Pty Ltd on 26 May 2004, Directors resolved

- to issue further options as follows:

*20,000 to Mr R D Masters, increasing the total held by him to 200,000
50,000 to Mr A P Moloney, increasing the total held by him to 200,000
50,000 to Mr P McDonald, and*

- to extend the exercise date for all options to 30 June 2007.

Yours faithfully

CAPILANO HONEY LIMITED

E J Bailey

Company Secretary