



**MINUTES OF MEETING**

Minutes of Annual General Meeting (“AGM”) held at the Springlake Function Centre, Springfield Lakes, Queensland on Monday, 30 November 2009.

**PRESENT** (AGM 488)

**Directors:** Trevor Morgan (Chairman), Phillip McHugh (Deputy Chairman), Roger Masters (Managing Director), Peter Barnes and Simon Tregoning.

**Staff by Invitation:** Richard Rivalland (Company Secretary), Peter McDonald (General Manager - International Business), Ben McKee (Group Operations Manager), Simon Bluck (National Sales Manager), Rob Eustace (Business Development Manager – North America), Bill Winner (Beekeeper Services Manager), Russell Mackay (IT Manager), Annette Zbasnik (Corporate Secretary) and Lynne De-Roule (Beekeeper Administrator).

**Shareholders:** 58 members & partners, as per attendance register.

**OPENING & WELCOME** (AGM 489)

Mr Morgan opened the meeting at 11.45am and welcomed those present.

He also welcomed professional business advisors to the Capilano Group – Danny Hecceg of Hecceg Lawyers and Junaide Latif of Cranstoun & Hussein, Auditors.

**IN MEMORIUM** (AGM 490)

At the request of the Chairman, the meeting observed a moment’s silence in remembrance of those shareholders who had passed away since the last meeting.

**APOLOGIES** (AGM 491)

The Chairman called for apologies from those shareholders unable to attend and these were received from Don & Lorice Keith, Brett & Lynda Lutze, John & Marlene Nelson, Robert Seagraves, Alan Gell, Brett Heading, Robert Weir, Gordon & Jane O’Brien and Errol Bailey.

**DECLARATION OF POLL** (AGM 492)

The Chairman referred to the explanatory note accompanying the proxy forms forwarded to shareholders, and declared that voting on the resolutions dealing with the amendments to the Constitution and the Remuneration Report would be by poll.

**Tellers**

On a motion moved by Rosemary Dohery and seconded by Graham Baker it was resolved that Annette Zbasnik and Lynne De-Roule be appointed to count the votes.

**Voting Slips**

On a motion moved by Phillip Elliott and seconded by Barry Pobke, it was resolved that all voting slips and associated computer records be destroyed once they were counted and the poll declared.

**Proxies held by Directors and Management**

The Chairman advised the following details of proxies received by directors and management:

	Proxies received by Directors	Votes Available	Proxies received by Management	Votes Available
Voted on all Resolutions	12	152,256	1	40,000
Voted on some Resolutions	-	-	-	-
Not voted in any way	10	585,550	1	17,413
<b>Total Proxies Received</b>	<b>22</b>	<b>737,806</b>	<b>2</b>	<b>57,413</b>

**FINANCIAL & STATUTORY REPORTS** (AGM 493)

The Chairman then moved to the next item on the Agenda, that being the Directors’ Report, Financial Statements and the Report of the Auditor for the year ended 30 June 2009.

Following is an extract of his Report tabled to the meeting:

*“The next item on the Agenda is to receive the Report of the Directors, the Financial Statements and the Reports of the Auditor for the year ended 30 June 2009 which I will take as having been read. I propose to simply highlight some key points and then open the floor to questions.*

*It is very pleasing to report a profit for the year. This represents a significant turnaround in the results compared to last year.*

*The excellent work done by all our team to reposition our company as a much more cost effective business without excess capacity and overheads has seen a major reduction in expenses. This work continues and will see us well placed to operate in the low margin sales environment that now exists.*

*Our ability to take advantage of improved exchange rates during the middle of the financial year was restricted by limited supplies of Australian honey due to increased competition and low production in some areas. This limited supply has also meant that we have relinquished some lower margin bulk sales and Private Label business locally.*

*The net profit before tax for the group this year of \$793k reflects a significant turnaround of \$9.89 million compared to last year and includes a profit from both our Australian operation, Capilano Honey Limited, and our Canadian business, Capilano Canada Inc.*

*This result has been achieved after the impact of increasing honey costs and an unfavourable movement in exchange rates included as:*

- (a) *an increase in Cost of Goods Sold of \$5.5 million as a result of the increase in average price for domestic honey from \$2.55/kg last year to \$3.17/kg this year*
- (b) *a Foreign Exchange loss of \$618k for the year, almost all of which relates to the year end accounting adjustment to value the Canadian assets at the exchange rate at reporting date.*

*Total sales have increased in both volume and dollars. Management has done a very good job of increasing selling prices to match the increase in the cost of the raw material and maintain profitability.*

*There has been considerable reduction in expenses due to significant changes in all areas of the operation in the way we receive, pack and market honey, resulting in a further reduction in the total number of employees. Our aim is to continue to increase profitability by further reducing expenses and improving the efficiency of our operation.*

*The Global Financial Crisis that struck the world economy last year has resulted in Banks reassessing their exposure to risk and returns and this has affected many companies loans to security position, including ours.*

Capilano's bankers performed their annual review of our facilities in July 2009. An outcome of the review was a tightening of our security position through lower loan to value ratios and introduction of EBITDA covenants. In order to comply with these requirements a debt reduction in the order of \$10 million is necessary. The expectation that a greater proportion of our bank facilities would be classified as current liabilities delayed the issue of our Annual Report while the amount was quantified.

It is expected that the reduction of debt will be achieved by a combination of capital raising, asset sales and improved use of working capital.

While this process has the potential to change the dynamics of ownership of our company, it also provides an opportunity for existing shareholders to improve the returns from their shareholding and ultimately to realise the full value of the shares they hold, at the same time maintaining a secure and competitive market for supplier shareholders honey.

Reduced numbers of employees in all areas of our company has put increased work and pressure on everyone. It is gratifying to see how well they have performed; this includes Staff, Managers and the Board.

Many employees have had to deal with changes in the way we have done things in the past and they have not only coped well, they have contributed to the improvements with practical ideas and suggestions.

The Managing Director and his small team of dedicated managers have had to deal with a very difficult environment in recent years where margins are reduced and competition has increased in the market place and for supply. They have responded by repositioning our company as much more cost effective and competitive and I believe it is well placed to continue to trade profitably into the future.

Finally I would like to thank the other Board members for their dedication and commitment to working for the continued prosperity of all Capilano shareholders.

He then invited shareholders to raise any issues they would like discussed from the CHL Annual Report, and also direct any questions to the Auditor, noting that these questions may only relate to the Conduct of the Audit or the Audit Report.

## **ELECTION OF DIRECTORS (AGM 494)**

The Chairman then advised that at the CBL AGM on 30 November 2009 that Peter Barnes was re-elected director of that company, and in accordance with the Constitution was automatically appointed director of CHL.

## **REMUNERATION REPORT (AGM 495)**

The Chairman advised that at the CBL AGM, shareholders had resolved to support the recommendation to adopt the Remuneration Report included in the Annual Report. Accordingly he advised that the Foundation Share would be voted in favour of this resolution.

Mr Simon Tregoning then moved that the Remuneration Report be adopted in accordance with the details appearing in the Notice of Meeting. Mr Phillip McHugh then seconded the motion.

There being no questions or comments from shareholders, the Chairman asked them to vote on the ballot papers provided.

## **AMENDMENTS TO THE CONSTITUTION (AGM 496)**

There being no questions, the Chairman then moved to the Resolution dealing with the amendments to the Constitution.

Following is an extract of his Report tabled to the meeting:

*"As Shareholders are aware, the global financial crisis has impacted businesses across the world, and resulted in banks reassessing their levels of exposure.*

*As previously announced, as a result of an annual review of our banking facilities, CHL's bankers, National Australia Bank Limited ("NAB") have notified CHL that, in order for NAB to continue CHL's facility, CHL must reduce its debt by approximately \$10m. The debt reduction timetable is staged, with most of the debt required to be repaid by 31 March 2010. We note that although CHL had met its interest payments and banking covenants in the year ending 2009 the determination of the bank was that a reduction in debt was necessary to comply with the new covenants.*

*CHL has determined, in the current debt environment, an alternative source of funds to replace our current borrowings is not possible and that the debt reduction will need to be achieved by a combination of assets sales, improved use of working capital and a capital raising by way of the issue of new ordinary shares in CHL.*

*Changes to our use of working capital and scheduled debt repayments have already occurred in the ordinary course of business. The disposal of investments held in other listed entities are ongoing. However, a core amount of around \$6 million is required to complete the debt reduction. An alternative of considerable contraction in the size of CHL's business in order to release working capital to that level of debt reduction would most likely result in a requirement for far less honey. In the absence of CHL absorbing that honey and selling it on the bulk markets as it used to, it is likely excess honey would be available to the domestic market. Failure to reduce debt is likely to result in the withdrawal of CHL's bank facility, which is not considered to be in the best interests of shareholders of either CHL or CBL.*

*With this in mind, a capital raising is proposed to raise the necessary funds.*

*In order to enable all Shareholders in CHL to participate in the capital raising, CHL intends to conduct the capital raising by way of a rights issue where all Shareholders can participate pro rata in the issue. However, if it is undersubscribed external investors will be required to take up any shortfall.*

*For investors to even consider an investment in CHL, the "non-standard" capital restrictions in the CHL Constitution would need to be removed to place CHL on a more commercial footing and allow investors a normal share investment.*

*These "non-standard" restrictions reflect a level of protection introduced to CHL's Constitution to preserve the interests of its Supplier Shareholders, rather than the interests of members of CHL as Shareholders. The directors of CHL are conscious of the position of the Supplier Shareholders. However, they believe that it will not be practicable to raise the capital CHL requires without making the changes required to the Constitution.*

*The proposed changes will free up CHL's ability to raise capital in the future and use its shares in the same way as other listed companies (eg to acquire other businesses in a "scrip" rather than cash deal).*

*There are no proposed changes to the existing honey supply agreements between CHL and its Supplier Shareholders.*

*Resolution 2 is a Special Resolution to approve the amendment of the Constitution of CHL, and in particular certain capital restrictions, including :*

- *to remove the 10% cap on shareholdings in CHL, allowing Shareholders to build larger stakes in CHL;*
- *to remove the special voting rights attached to the Foundation Share, leaving the CHL Shareholders, as a group, to decide on matters at a Shareholders meeting, and the protection of the interests of all Shareholders to the ordinary corporate law principles; and*
- *to reduce the director appointment right of CBL from a majority of CHL directors to two beekeeper directors on the board of CHL. In CHL's view, this will ensure that CBL will continue to have a voice on the board of CHL, without materially impairing CHL's ability to complete its capital raising.*

*It also contains a number of consequential changes flowing from the removal of the restrictions referred to above and other changes proposed to the CHL Constitution to correct some inconsistencies between the Constitution, the Corporations Act and BSX Listing Rules.*

*Details of all the proposed changes and their effect are set out in the table in Appendix A.*

*At a CBL Board Meeting held on 20 November 2009 the CBL Directors, using their constitutional power as detailed in Rule 12.8 of the CBL Constitution, resolved to support the Amendments to the CHL Constitution and the Foundation Share will be voted IN FAVOUR of this resolution."*

After reasonable discussion on the Resolution, Phillip McHugh formally moved the motion and Simon Tregoning seconded the motion to amend the Constitution in accordance with the details appearing in the Notice of Meeting.

Questions were asked by a number of shareholders and answered to the satisfaction of the meeting.

He then asked shareholders to vote on the ballot paper provided.

## **RENEWAL OF PARTIAL TAKEOVER RULES (AGM 497)**

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There being no questions, the Chairman then moved to the Resolution dealing with the renewal of partial takeover rules.

Following is an extract of his Report tabled to the meeting:

*“Resolution 3 dealing with the proportional takeover provisions does not change the constitution but rather seeks to maintain existing clauses that are due to expire in May 2010 if not renewed.*

*For reasons of good corporate governance and to protect the interests of shareholders, the Board seeks to renew Rules 29-35 of the CHL Constitution for proportional takeover approval provisions for a further 3 year period, and needs to do this by way of a special resolution of members. Full details of this resolution are set-out in the Explanatory Memorandum.”*

*The Chairman advised that at a CBL Board Meeting held on 20 November 2009 the CBL Directors, using their constitutional power as detailed in Rule 12.8 of the CBL Constitution, resolved to support the renewal of partial takeover rules in the CHL Constitution and the Foundation Share will be voted IN FAVOUR of this resolution.”*

After reasonable discussion on the Resolution, Peter Barnes formally moved the motion and Phillip McHugh seconded the motion to renew the partial takeover rules in the Constitution for a further three year period.

He then asked shareholders to vote on the ballot paper provided.

### **Adjournment - Counting Of Votes**

The Chairman formally adjourned the meeting at 12.36pm for the counting of votes.

### **Resumption**

The Chairman then reconvened the meeting at 12.58pm.

## **RESULTS OF POLL – REMUNERATION REPORT (AGM 498)**

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At the invitation of the Chairman, the Secretary reported the results of the poll as follows:

IN FAVOUR of the motion	:	1,211,527	77%
AGAINST the motion	:	363,796	

The Company Secretary advised that the motion was passed.

## **RESULTS OF POLL – AMENDMENTS TO CONSTITUTION (AGM 499)**

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At the invitation of the Chairman, the Secretary reported the results of the poll as follows:

IN FAVOUR of the motion	:	1,347,894	80%
AGAINST the motion	:	337,386	

FOUNDATION SHARE – voted in favour

The Company Secretary advised that the special resolution required a 75% majority to pass.

The Company Secretary advised that the motion was passed.

## **RESULTS OF POLL – RENEWAL OF PARTIAL TAKEOVER RULES (AGM 500)**

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At the invitation of the Chairman, the Secretary reported the results of the poll as follows:

IN FAVOUR of the motion	:	1,589,074	94%
AGAINST the motion	:	95,631	

FOUNDATION SHARE – voted in favour

The Company Secretary advised that the special resolution required a 75% majority to pass.

The Company Secretary advised that the motion was passed.

## **CLOSURE (AGM 501)**

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There being no other business relating to the Annual General Meeting, the Chairman thanked shareholders for their attendance and attention to business and he then closed the meeting at 1.01pm.

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