



## ANNOUNCEMENT - MARKET UPDATE

---

### Capital Raising

At the recent AGM held on the 30 November 2009 a resolution to amend the Constitution to support a capital raising was passed with 80% shareholder support before Capilano Beekeepers Ltd (CBL) exercised its vote of the Foundation Share. Limits on shareholdings and the controlling mechanism of the Foundation Share held by CBL were removed.

Capilano Honey Limited (CHL) is in the process of finalising a Rights Issue Prospectus.

### Trading Conditions

Exchange rates have significantly worsened for exporters and the honey crop expected by CHL has been significantly downgraded on the back of further unfavourable weather conditions. Furthermore, international conditions for supply of raw honey remain unpredictable. These conditions have a material unfavourable impact on CHL's profit expectations through:

- decreased export revenues and expected 'mark to market' devaluation of assets held in other currencies; and
- higher than expected domestic honey prices to secure supply.

Consequently the Board has resolved to exit certain export market segments, including a significant proportion of the Canadian market that have become unattractive, and desist from holding markets in expectation of more favourable exchange rates and a honey crop surplus. There will be a reduced need for imported honey to supplement our supply and a re-allocation of domestic honey receivables to other market segments.

Capital resources will be reduced to match production to the lower sales level and expenses are expected to fall in consequence.

### Profit Expectations

Our expectations are for a half-year loss before tax (excluding write down of goodwill and future income tax benefits relating to export markets) in the region of \$2 million arising mainly from unfavourable foreign exchange conditions and the higher than expected honey prices. Withdrawal from some of CHL's export markets will affect the carrying value of goodwill relating to development costs of those markets.

The Company will keep the market informed as to the effect on profitability resulting from the implementation of the business changes outlined above.

A handwritten signature in black ink, appearing to read 'R.D. Masters', is written over a light blue horizontal line.

R.D. Masters  
Managing Director

*For further information:*

*Company Secretary - Richard Rivalland, Capilano Honey Limited (07) 3712 8282*