



26 July 2010

Mr Richard Rivalland  
Company Secretary  
Capilano Honey Limited

By email

Dear Richard,

RIGHTS ISSUE SHORTFALL FACILITY  
BSX MARKET

**Newcastle**  
Level 2,  
117 Scott Street,  
Newcastle, NSW, 2300  
PO BOX 283, Newcastle, NSW, 2300  
P: +61 2 4929 6377  
F: +61 2 4929 1556

**Melbourne**  
Level 3,  
45 Exhibition Street,  
Melbourne, VIC, 3000  
P: +61 3 9001 0300  
F: +61 3 9001 0311

[www.nsx.com.au](http://www.nsx.com.au)

I refer to announcements made on 22 April 2010 and 15 July 2010 by Capilano Honey Limited in relation to its rights issue shortfall facility.

In the announcement of 22 April, the Company noted

*The Directors have taken into account the actual amount raised under the Rights Issue and believe that the revised debt reduction targets can be met from a combination of net proceeds raised and Capilano's ongoing cash flows. As a result, the Directors have resolved not to raise any additional funding at this stage, either by placing any of the shortfall under the Rights Issue or by taking steps to sell the Company's land and buildings. The debt reduction program will continue to be closely monitored by the Company.*

On 15 July the Company announced a placement

*We announced on 22 April 2010 that the Rights Issue Offer had closed and that \$2,028,597.90 in new capital had been raised. Clause 2.3 of the Rights Issue Prospectus dated 12 February 2010 states "Any remaining Shortfall Shares not applied for may be placed with third parties within 3 months of the due date the Offer closes." Accordingly, an additional 471,135 shares have been issued under the Rights Issue Shortfall Facility.*

Given the resolution of the Directors as noted on 22 April, when did Directors subsequently resolve to make a placement of the shortfall? What circumstances changed to justify the directors' change of mind in relation to raising further capital? Is there further information the Company should announce to the Exchange pursuant to its continuous disclosure obligations in this regard?

Please confirm the Company is compliant with the listing rules and in particular listing rule 3.1.

Yours faithfully

Ian Craig  
Companies Manager



AUSTRALIA'S NO.1 HONEY, NATURALLY!

**Queensland** 399 Archerfield Road Richlands (PO Box 531 Inala) QLD 4077 Australia

t +61 7 3712 8282 f +61 7 3712 8286

**Victoria** Capilano Drive Maryborough VIC 3465 Australia

t +61 3 5461 0700 f +61 3 5461 0777

e honey@capilano.com.au www.capilano.com.au

30 July 2010

Mr Ian Craig, Companies Manager  
National Stock Exchange of Australia  
117 Scott Street  
Newcastle, NSW 2300

By Email

Dear Ian

**RE: RIGHTS ISSUE SHORTFALL FACILITY QUERY**

We refer to your letter of 26 July 2010 under the above subject heading, and provide the following response.

**Rights Issue Prospectus**

In the Chairman's Letter within the Rights Issue Prospectus dated 12 February 2010, we disclosed:

*"Following an extensive review by NAB, CHL has ongoing bank facilities in place which, as part of their terms, requires CHL to implement a capital raising, further reduce its working capital and potentially implement further assets sales."*

and.

*"CHL plans to achieve the required reduction in debt by a combination of:*

- *the proceeds of a \$6.5 million rights issue,*
- *the proceeds from the placement (if any) of any shortfall shares under the rights issue,*
- *planned operating profits and improved use of working capital.*

*If the rights issue, together with the placement of shortfall Shares, does not achieve a raising of at least \$6 million (after costs), it is likely that CHL will implement a sale and leaseback of its land and buildings."*

In section 2 of the Rights Issue Prospectus, we also disclosed to shareholders:

*"Any remaining shortfall Shares not applied for may be placed with third parties within 3 months of the date the Offer closes."*

**New Banking Facility**

**9 April 2010 Announcement**

In the announcement of 9 April 2010, we disclosed that an offer for a banking facility with a new bank had been accepted and in particular:

*"The new banking facility provides an alternative to a share placement of any shortfall to an investor or sale of land & buildings."*

**22 April 2010 Announcement**

In the announcement of 22 April 2010, we further disclosed:

*"The new banking facility gives Capilano additional options not available to it under its old facility. Under the old facility, to meet debt reduction targets Capilano would have been required to either place the shortfall under the Rights Issue or arrange a sale and leaseback of its land and buildings."*

and

*“As a result, the Directors have resolved not to raise any additional funding at this stage, either by placing any of the shortfall under the Rights Issue or by taking steps to sell the Company’s land and buildings.”*

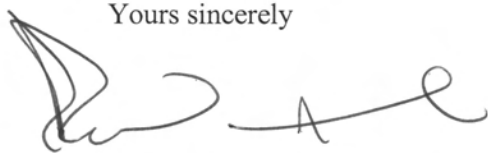
Therefore, as no further funding was required under the new banking facility, the Directors did not, at the time of these announcements, believe that a placement of the shortfall shares was necessary.

**15 July 2010 Announcement**

However, in response to unsolicited requests to invest in Capilano and after carefully considering the merits of these investment requests, the Directors resolved on 9 July 2010 to place 471,135 shares to four investors under the Shortfall Facility within the 3 month timeframe in accordance with the terms of the Rights Issue Prospectus as disclosed to shareholders.

Capilano confirms that it is in compliance with the BSX Listing Rules and in particular BSX Listing Rule 3.1.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Rivalland', with a stylized flourish at the end.

Richard Rivalland  
**Company Secretary**