



ANNOUNCEMENT

Annual General Meeting Chairman's Speech

1. Opening

Ladies & Gentlemen

It is my pleasure to declare open the 2004 Annual General Meeting of Capilano Honey Limited and welcome everyone present. Directors are delighted to have such a large attendance of shareholders at this year's meeting and to join in the celebration of Maryborough's 30th Anniversary. We recognise the commitment required for you to be here at this time of year, especially those of you who have travelled long distances.

Also in attendance at this Annual Meeting are a number of our Management team. Directors and Management hope to meet all shareholders during the course of activities associated with this Annual Meeting.

2. Apologies

Now to proceed to the formal part of today's meeting - the first item of business is to receive apologies from members not able to be with us. The Secretary has received some apologies and I will now ask him to read them to the meeting.

Are there any other apologies?

Ladies & Gentlemen, in an explanatory note on the reverse side of the Proxy Form, the Secretary stated that the Chairman would, in accordance with Rule 87 of the company's Constitution, declare at the commencement of the Annual General Meeting that resolutions would be the subject of a poll.

This statement was made to help clarify shareholders' understanding of the meaning of a "poll" and the importance of completing a proxy form if they were unable to attend the Annual General Meeting. This has obviously been successful, as again this year we have received many proxy forms.

Accordingly, I declare that the resolution dealing with the increase in Directors' fees will be the subject of a poll.

3. Tellers & Scrutineers

As voting will be by poll, it will be necessary to appoint tellers to count the votes. The meeting should also consider the need to appoint scrutineers to observe the methods used to record the votes.

Accordingly, I would like someone to move that Annette Zbasnik and Carolyn Bryce be appointed tellers to record votes.

Would someone please move accordingly? Would someone please second the motion?

I will now put the motion. All those in favour please raise a hand

Against The motion is carried.

4. Voting Slips

Before proceeding any further, has everyone received their voting slips?

I would also ask that someone move and someone second that the voting slips and associated computer records be destroyed once they have been counted and the poll declared.

Moved by Seconded by put to meeting.

All those in favour please raise a hand Against?..... The motion is carried.

5. Financial Statements

The next item on the Agenda is to receive the Directors' Report, Financial Statements and the Report of the Auditor for the year ended 30 June 2004. The Annual Report includes my Chairman's Report, Roger Masters' Managing Director's Review of Operations, a Report on Marketing by Kevin Fenton, National Sales Manager, International Markets by Peter McDonald, Export Manager, Quality Assurance by Dr. Ben McKee, Quality Assurance Manager and a Report by Anthony Moloney, Medihoney's Chief Executive Officer.

I would like to make a few comments on the Annual Report.

The year to 30 June 2004 presented Capilano with significant challenges which, while reducing profits, have opened opportunities to strengthen the Company for the years ahead.

The drought induced low supply coupled with high world prices led to record farm gate prices through extreme competition for the limited quantities of Australian honey. Fortunately, supply improved significantly in the second half year. The improved selling prices achieved will provide ongoing benefit as supply and farm gate prices normalise.

Our need to import honey drew us into a relationship with Honeymax in Argentina which has progressed to a joint venture. This joint venture provides Capilano with an income from participation in the Argentine industry through sale of quality assured honey blended to meet buyer specifications.

Capilano's advanced quality assurance programmes differentiated our Company's capacity to cope with the international Nitrofurans residue issue. Capilano's competent handling of this issue has enhanced the strength of our customer relations and assisted achievement of increased sales in Canada.

Celebrating Capilano's 50 years at the time of last year's Annual Meeting was a high point for the Company, allowing presentation of our story to the community and providing a significant and happy milestone for shareholders.

6. Corporate Restructure :

Capilano's listing on the Bendigo Stock exchange is a significant step in the Company's development.

The great strength provided to the Company by its close ties with shareholder suppliers is retained through the Foundation Share issued to Capilano Beekeepers Ltd.

The listing of Capilano Honey Ltd provides the first opportunity for members of the public to join in ownership of the Company and we welcome their participation. Early trading of Capilano shares on the Bendigo Stock Exchange was at prices above those achieved during trading on the Capilano Exempt Stock Market.

7. Overview of Results :

Net profit for the year was \$40,000 compared with \$2.387 million last year.

Profit was adversely affected by –

- (a) drought induced record farm gate prices
- (b) a reduction in domestic retail sales, and
- (c) a steep decline in world bulk honey prices in the last quarter of the year.

Domestic sales fell in response to high prices and some ill informed publicity. With the return of adequate supplies of Australian honey and appropriate marketing initiatives, this market decline has slowed and this important market is in a rebuilding phase.

Export retail pack sales improved by 45% and a high rate of increase in this market segment is anticipated in the current year.

The average shareholder price of \$4.38 kg was at a record level.

The Board declared a dividend of 5 cents per share fully franked from profits retained in previous years.

8. **Capilano Subsidiaries :**

- ***Medihoney :***

Capilano's wholly owned subsidiary Medihoney doubled its revenue to \$2 million and is projecting strong growth for the current year.

Medihoney is reaping the benefit of consumer interest in and acceptance of an increasing range of honey based "over the counter" health care products.

Concurrently the value of high potency antibacterial honey in wound healing is being demonstrated through clinical trials, providing compelling support for its use by health professionals.

The potential for development and sale of Medihoney products is considered very high and the Company is exploring further avenues to achieve this potential.

- ***Capilano Labonte Inc. :***

Capilano Labonte, Capilano's 50% owned Canadian subsidiaries' first year has involved significant review of products, markets and production facilities.

The Nitrofurans issue caused significant disruption to trading. This issue, however, put a spotlight on honey packer quality assure capabilities, highlighting Capilano's professionalism in this area, leading to increased customer confidence.

The ongoing efforts of our Canadian team are being rewarded by increased sales and CLI's future is positive.

9. **Quality Assurance**

Increasing monitoring of food quality worldwide and expansion as a global company has drawn a greater focus on quality assurance in Capilano.

The development of a new "in house" laboratory with appropriate professional staff and state of the art equipment will facilitate testing and reduce testing costs over time. This will provide ongoing confidence that Capilano's Quality Assurance standards meet all customers' requirements.

10. **Management and Staff**

A critical factor in Capilano's progress has been its ability to attract and retain people competent in the skills required, and innovative and enthusiastic about the Company's success.

11. **The Future**

With the challenges of 2004 having strengthened Capilano, we can look forward to a very positive future.

Relief from the drought is improving supplies of Australian honey, underpinning recovery in the domestic market.

Our non-honey products, Golden Syrup and toppings, are broadening the company's product range.

Export retail sales are expected to achieve further increases this year.

Medihoney is growing at an exciting rate.

Capilano Labonte's future is bright and sales of Capilano Argentine honey have commenced.

12. The Board

Your Board has continued to operate as a stable, diligent and effective team during this most challenging of years for Capilano and I am pleased to acknowledge its professionalism.

I will now move to the Financial Statements.

The Concise Financial Report is included in the Annual Report and the full Financial and Statutory Reports are available on request.

These Reports provide details of the years operations. Your Board is pleased to present them and to commend Management on their preparation.

Roger and I have highlighted significant results in our individual reports.

I now invite shareholders to raise any issues they would like discussed.

13. Election of Directors

Following the restructure the Directors of CBL are automatically appointed directors of CHL. Following a meeting of that entity, Messrs Ian Cane & Phillip McHugh were re-elected.

14. Resolution - Increase in Directors' Fees

I now to move to the Resolution dealing with the increase in Directors' Fees.

At the 2002 Annual General Meeting, shareholders endorsed a procedure recommended by the Board to link Directors' Fees to Company performance in terms of honey price, dividend, and retained earnings over a five year period.

The recommendation to increase Directors' Fees is made by applying the 6.76% smoothing average of shareholder returns for the past five years as the recommended rate of increase of Directors' Fees.

The Board encourages shareholders to support this recommendation which will provide adequate remuneration for your current Directors and ensure the Board's ability to attract successors when necessary.

At the CBL meeting held just prior to this meeting shareholders resolved to support the recommendation to increase directors fees. Accordingly the Foundation Share will be voted in favour of this resolution

I would now like to call on Trevor Monson to formally move this motion.

I would now like to call on Bill Falkenberg to formally second this motion.

The motion is now open for discussion.

There being no further business on the motion, I now declare the matter closed, and ask you to vote on this issue..

15. Adjournment

Ladies and Gentlemen - to allow time for the counting of votes I propose to adjourn the meeting for approximately 15 minutes to allow this matter to be completed.

After the adjournment the results of the voting will be announced. The meeting is now adjourned and will reconvene at approximately..... am/pm.

16. Reconvene meeting

Thank you Ladies & gentlemen - the meeting is now formally reconvened at am/pm

17. Voting Results

I will now ask the Secretary to announce the results of the voting.

Resolution - Increase Directors' Fees *(to be advised after the meeting)*

18 Closure

Ladies and Gentlemen, this brings the 2004 Annual General Meeting to a close. I thank you for your attendance here today, and for your participation in the proceedings. I now declare the meeting closed at pm

A handwritten signature in cursive script that reads "D. G. Keith". The signature is written in black ink and is positioned to the left of the printed name.

Don Keith
Chairman